

- Climate
- Water
- Circular economy
- Biodiversity
- Integrated environmental management

PLANET POSITIVE

Climate
Water
Circular economy
Biodiversity
Integrated environmental
management

*Towards a positive
contribution . Invest to
regenerate the planet*

ACCIONA projects look for a positive impact on the planet, decarbonisation-based business models, water conservation and ecosystems and the circular use of resources.



**KEY
MILESTONES 2020**

- > GHG emissions reduced compared to the base year 2017 by 38% (Scopes 1 and 2) and 33% (Scope 3⁴ categories in SBT), in line with the science-based target and the carbon neutrality in its direct operations.
- > A fund set up for decarbonisation innovation projects of 1.1 million euros.
- > 62.2% use of electricity from renewable sources achieved and total energy consumption from fossil fuel sources reduced by 86% compared to 2017.
- > 61% reduction in use of municipal, surface water and groundwater for consumption compared to 2017, and 34% in the total use of water for own consumption.
- > 77% of non-hazardous waste recovered and 75% reduction in generation and despatch of such waste to landfill compared to 2015.
- > 10% of recycled or renewable raw materials and material resources used.

⁴ The categories of purchased goods and services, capital goods, energy-related activities, upstream transportation and distribution, employee commuting and use of sold products, which represent more than two thirds of the company's total emissions in Scope 3.



**MAIN
CHALLENGES 2021**

- > Reduce GHG emissions by 18.46% (Scopes 1 and 2) and by 14.46% (Scope 3) compared to 2017, in line with the SBT at 2030 of a 1.5°C reduction, and maintain carbon neutrality in its direct operations.
- > Invest 90% of CAPEX in low carbon activities according to the European taxonomy of sustainable activities⁵.
- > Establish/promote Biodiversity Action Plans linked with operations in 2 projects of more than 75 million euros.
- > Reduce the amount of waste sent to landfill by 10% compared to 2020.
- > Achieve 12% consumption of resources from a renewable or recycled source.
- > Reduce the use of surface water, groundwater and municipal water in water-stressed areas by 10% compared to 2020.

⁵ In line with the global target of the SMP 2025.

Climate

Water

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CLIMATE

ACCIONA promotes the adoption of ambitious global targets for decarbonisation of the economy, and its business model takes into account the management of climate change risks and opportunities and communicates them in accordance with the European Commission’s climate reporting guidelines and the recommendations of the Financial Stability Board, through its Task Force on Climate-Related Financial Disclosures (TCFD).

A LOW-CARBON BUSINESS STRATEGY

ACCIONA is a leader in sustainable infrastructure solutions and renewable energy projects worldwide. It represents a special case in the sense of it invests in the projects it builds and operates.

The company’s business model is based on the performance of sustainable activities that are notably in line with the requirements of the European taxonomy, and are focussed particularly on mitigation and adaptation to climate change, whether this is in the area of renewable energy, construction, water management, transport, housing, or any of its other technical capacities.

> **European taxonomy of environmentally sustainable economic activities: ACCIONA case**

The active involvement of financial markets in financing the sustainable economy is indispensable for the European Union’s plans to move towards a low-carbon economy.

The EU taxonomy Regulation, which came into force on 12 July 2020, will help to create the world’s first ‘green list’, a classification system for sustainable economic activities, which will develop a common language for investors and companies when it comes to financing projects or goods and services with a substantial positive impact on the climate and the environment.

The development of the technical criteria for selection of activities within the taxonomy is at different stages of progress, and is most advanced in the targets for mitigation and adaptation to climate change. In these two areas, the Commission presented a draft Delegated Act at the end of 2020, (based on the recommendations of the Technical Group of Experts in Sustainable Finances published in March 2020 and previously in June 2019), which will become effective on 1 January 2022. For an activity to be classified as taxonomic, apart from meeting the technical selection criteria, it must also satisfy a minimum of social safeguards and must not contradict any of the other four objectives sought by the regulation: water protection, transition to a circular economy, control of pollution and healthy ecosystems.

Again in 2020, ACCIONA carried out a classification of its activities using the criteria in the most recent version of the European taxonomy (draft Delegated Act at the end of 2020), so that 85% of CAPEX, 84% of EBITDA⁶ and 47% of the company’s sales meet the requirements established in relation to the mitigation of climate change.

The variation in the percentage alignments with 2019 (93% of CAPEX, 83% of EBITDA and 58% of sales) occur for a number of reasons:

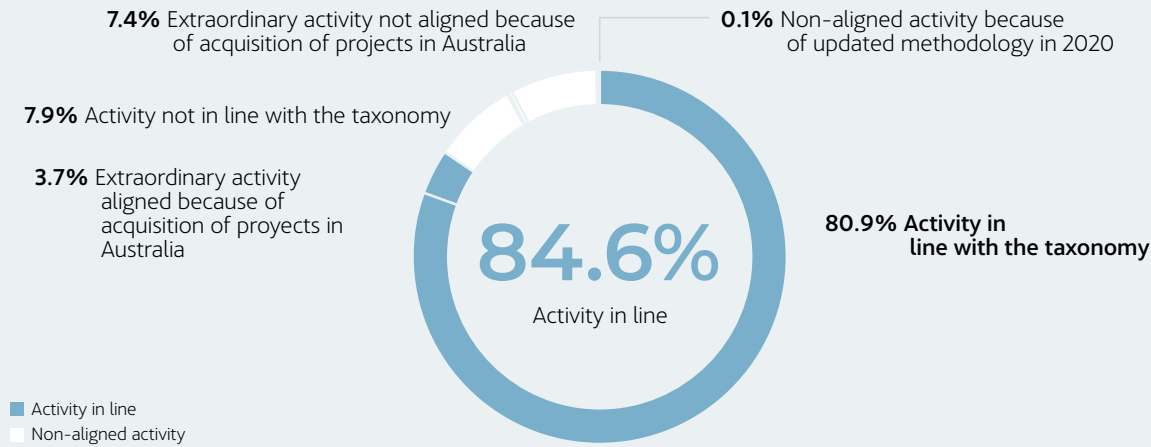
- > The CAPEX figure within the taxonomy has changed compared to the previous year because of an extraordinary contribution to the figure attributable to the acquisition of a portfolio of construction projects in Australia. Discounting the effect of this extraordinary contribution, the CAPEX figure within the taxonomy would have been 91%.
- > The technical requirements for the classification of activities have been updated compared to the June 2019 TEG recommendations document used last year. This circumstance impacts principally on the sales figure within the taxonomy which, using the previous criterion, would have been 50% of the total figure.

Notable among the activities contributing to these figures are the following:

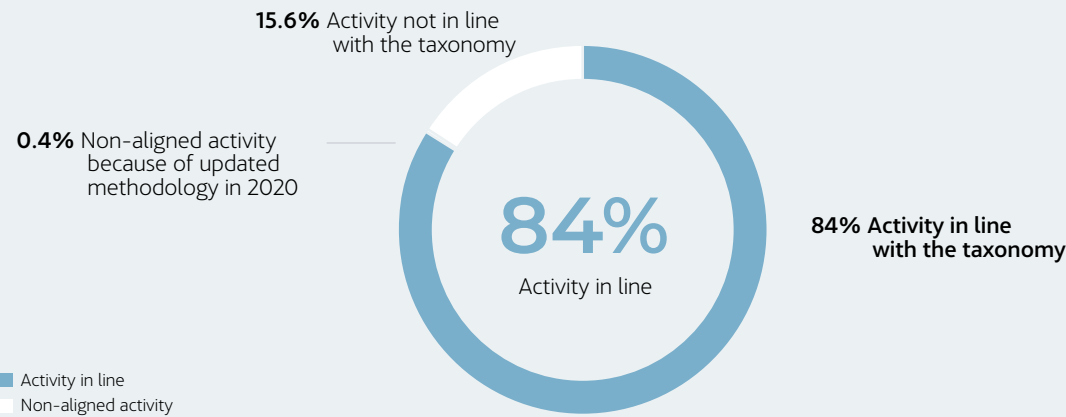
- > **Energy:** the construction and operation of production and transport installations for exclusively renewable source energy produced using wind, photovoltaic, hydraulic, biomass and solar thermal technologies.
- > **Transport:** the construction of low-carbon transport infrastructure, principally urban and intercity railway infrastructures and the operation of mobility services using 100% renewable electricity.
- > **Other taxonomy activities:** waste water treatment with renewable energy use and the efficient supply of drinking water, especially in water-stressed regions; provision of management services for waste ready for recovery; Construction and promotion of certified sustainable buildings; the development of energy-efficient services; investment in manufacture of wind generators and reforestation services.

6 This figure has not been verified because it does not form part of the key indicators of results associated with environmentally sustainable economic activities observed by the Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments..

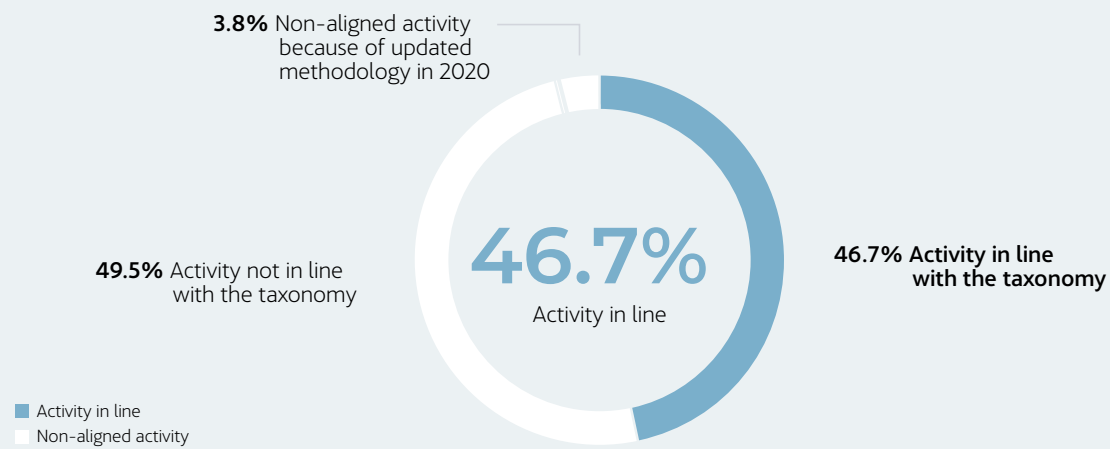
Alignment of CAPEX with the European taxonomy



Alignment of EBITDA with the European taxonomy



Alignment of sales with the European taxonomy



GOVERNANCE AND STRATEGY IN LINE WITH GLOBAL ECONOMIC DECARBONISATION TARGETS

ACCIONA fully shares the objectives of total decarbonisation of the economy through public commitments, policies, specific procedures and objectives, and an economic incentive model linked to achieving GHG emission reductions for directors, managers, technical and support staff (see chapter 'People centric').

In terms of climate change governance, the body responsible is the Board of Directors' Sustainability Committee, which since 2009 has been performing the following functions, amongst others, on a quarterly basis (more information in the chapter on "Degree of Fulfilment of Commitments"): identify and guide the group's climate change policies, objectives, best practices and programmes; evaluate, monitor and review the plans for implementing these policies drawn up by group executives; periodically review internal control and management systems and the degree of compliance with these policies; and report to the Board of Directors on climate change policies, objectives and programmes, and the corresponding budgets for their implementation.

ACCIONA's Climate Change Policy, which has been approved by the Board of Directors, is reviewed in accordance with the corporate management system standards and one of its priorities is to lead the transition towards low-carbon business models. This climate agenda is embodied in the objectives of the Sustainability Master Plan (SMP), whose initiatives and commitments are managed by the Corporate Sustainability Area, reporting directly to the Sustainability Committee and to one of the members of the Management Committee (the corporate sustainability director). The climate change targets and principles as articulated in the 2020 SMP are as follows:

- > To reduce its own emissions and those of its supply chain in the period from 2017 to 2030, in line with the needs established by science to keep the increase in global temperature below 1.5°C (60% reduction in Scope 1 and Scope 2 emissions, and 47% reduction in Scope 3 emissions⁷). These are targets approved by the Science Based Targets initiative.
- > To be a carbon neutral company in its direct operations, so that, once the reduction in emissions in line with science is achieved, the remaining emissions in Scopes 1 and 2 can be offset. Since 2016 ACCIONA has been offsetting these emissions by cancelling carbon credits generated by renewable generation projects.
- > To develop projects, products and services that contribute to the reduction of greenhouse gases, thus facilitating access to renewable energy.
- > To promote adaptation to climate change through access to water and resilient infrastructure.

ACCIONA has a SBT to reduce its own emissions and those of its supply chain in the period from 2017 to 2030

7 See section on Scope 3 emissions.

Elsewhere, ACCIONA promotes the fixing of a carbon price that helps to redirect investment towards more sustainable production and consumption models.

Over the next five years, the new SMP 2025 will be extended to include new targets in relation to the European taxonomy of sustainable activities, the use of renewable energy in projects, reduced emissions overall and also by project, and the identification of zero carbon or ultra low carbon alternatives.

Progress on climate action

ACCIONA met its emissions reduction targets in 2020, reducing Scope 1 and 2 by 38% compared to 2017 and Scope 3 by 33% for suppliers. These results were possible thanks to the commitment to renewable energy and energy efficiency, and also to the quantification of climate change risk in the supplier selection process, although they were also affected by the pandemic situation around the world during the year. The company has also continued to evaluate and manage its climate change risks by monitoring and consolidating the climate adaptation plans of its businesses.

Use of the internal carbon price

The company subscribes to the petition of the Carbon Pricing Leadership Coalition (CPLC), a group comprising political leaders, companies, civil society and academics, for stable, long-term carbon pricing policies. Charging the price of carbon to operating costs is a very effective measure in the fight against the climate emergency.

Since 2016, ACCIONA has committed all its business areas to internalising their CO₂ costs to become a carbon-neutral company in its direct operations.

The company has a Guide to the use of internal carbon pricing which explains which uses of carbon pricing are favourable to the company’s activities, each with its own objectives, scope and price levels:

- > Decarbonisation price: this price, €7/t CO₂e in 2020, applies effectively to all ACCIONA’s business units, which are required to pay according to the GHG emissions they generate. A part of the amount raised is used to offset the emissions generated, while the rest is set aside for the decarbonisation fund, constituted in 2020 to provide incentives for investment in measures to reduce the carbon footprint.
- > Shadow price: this price, €39.4/t CO₂e in 2020 (+2% on the 2019 price), is based on the estimated cost of the external effect of the company’s greenhouse gas emissions. It is used in certain bidding for medium and long-term projects as an additional element in the risk analysis of the tender, which contributes to anticipating the resilience of the project to regulatory scenarios arising from compliance with the Paris Agreement.



Decarbonisation fund

Charging the price of carbon to operating costs is one of the most effective measures any company can take in the fight against the climate emergency.

Since 2016, ACCIONA has had a fund for which the budget arises, precisely, from charging the internal price of carbon to each of its businesses, and reinvesting in the carbon neutrality of the company’s direct operations and in actions to reduce GHG emissions.

Financing for decarbonisation activities through the fund is awarded by means of an internal bidding mechanism, in which the company divisions present their proposals. A selection committee decides which initiatives are priority according to their impact and return, and finally a committee comprising members of senior management is responsible for allocating funds to the most interesting projects.

In 2020 had a budget of €1.1 million, intended for 14 projects which are estimated to achieve reductions of GHG emissions of close to 27,000t CO₂e.

MANAGING THE RISKS OF CLIMATE CHANGE

Management of climate risks at ACCIONA is carried out through the application of a specific corporate procedure, which identifies, evaluates, prioritises and communicates to the company’s decision-making bodies the risks associated with climate change that might affect the group and its centres. This process results in the establishment of policies for action and tolerance thresholds that provide a reasonable guarantee that objectives will be met, both in the short term (one year), the medium term (the five years in which each Sustainability Master Plan is in force) and the long term (10 years, in accordance with observations of mega-trends and already established targets, such as the SBTs).

A number of tools are used to identify climate risks and opportunities, notable among which is the company’s digital climate change model that monitors, for all ACCIONA centres, the historic and projected climate variables under different temperature increase scenarios and with different timelines provided for in the latest IPCC reports. This instrument also oversees the production, financial, emissions generation and energy consumption variables. It also includes references to the climate policies and the carbon markets in each region, thereby constituting an essential source of information when it comes to anticipating situations, particularly those related to medium-long term physical events and short-medium term transitions. Specifically, in order to provide for medium-long term transition scenarios, the identification of activities within the European taxonomy is a necessary reference point. In addition, during the identification process other tools are used that are not yet integrated in the digital model, such as those devoted to the identification of legal requirements; also indispensable in this regard is the experience of the members of the groups evaluating the scenarios.

The risk management process is an annual process that begins with the configuration of groups of experts at the level of each business. Using the tool mentioned above, the experts propose a battery of risk scenarios for each ACCIONA location, group of locations and/or line of business (or its value chain), taking geographical exposure and vulnerability into account.

The climate scenarios most commonly used to identify risk cases are those that foresee a limited temperature increase of 1.5°C to 2°C in the case of transition risk scenarios, and an increase of at least 3°C in the case of physical risk scenarios (RCP 6 and RCP 8.5).

Once identified, each risk scenario is evaluated in terms of the probability of it occurring and the economic and reputational consequences. These variables are then used to determine the risk level of each of the

scenarios considered (see chart with the climate risks highlighted). For those with a greater risk of occurring, each assessment group prepares specific reports informing the company’s decision-making bodies about mitigation options and the estimated costs associated with them.

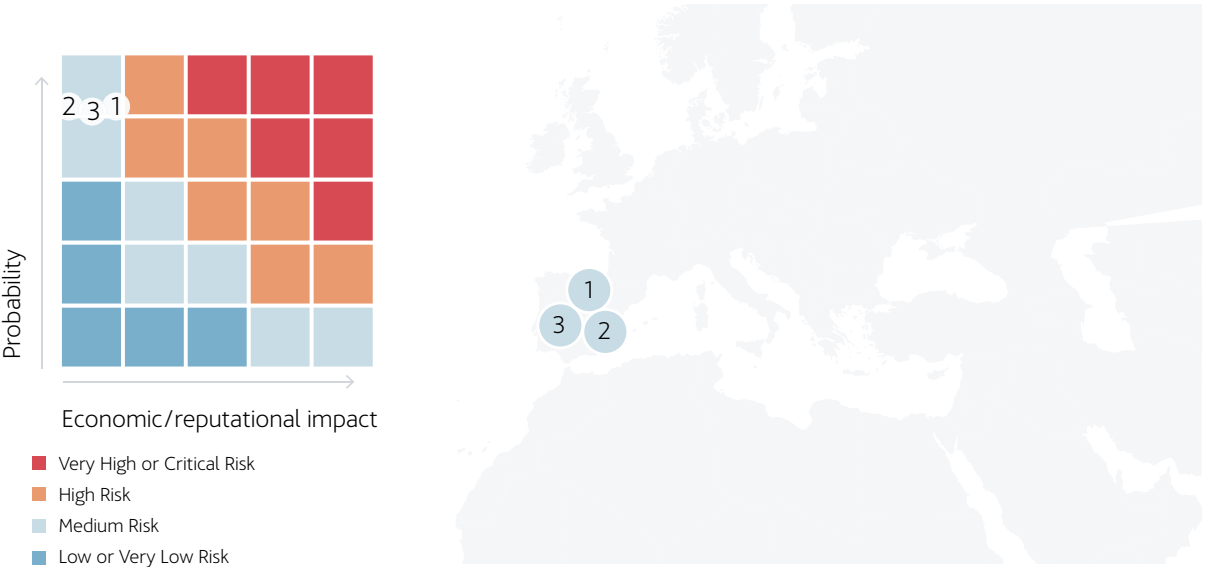
At the final stage, the climate risk scenarios are integrated into ACCIONA’s general risk management process, which is overseen by the Board of Directors (which has a Sustainability Committee, convened quarterly, as the body ultimately responsible for climate change in the company), the Audit Committee, the Finance and Risk Department and the Divisional Management Committees.

Key climate risks and opportunities

Shown below is an evaluation of the most significant climate risk and opportunity scenarios for ACCIONA in 2020, together with their potential impact and timeline, geographical scope, business lines affected and the actions taken to manage them. Generally speaking, it can be affirmed that ACCIONA’s business strategy is resilient to climate change, with a moderately low impact in terms of risk and a high impact in terms of opportunities .

Climate risks

In 2020 it so happens that the most notable climate risks are located in the same geographical area.



N°	Category	Description	Type of impact	Business	Risk management and mitigation
1	Physical	Lower hydraulic generation in Spain due to reduced run-off.	Decreased revenue (low)	Energy	Processes for monitoring and controlling changes in the production and management of reservoirs are being implemented with weather forecasting to enable better planning and management of the reservoirs.
		A medium risk is identified in the long term.			
2	Physical	Loss of efficiency in the electrical conversion of wind turbines in Spain due to increased working temperatures.	Decreased revenue (low)	Energy	The capacity to manage risk is limited but a policy of geographical and technological diversification of installed capacity has been implemented.
		A medium risk is identified in the long term.			
3	Regulatory	Increase in the operational cost of the business's machinery in Spain to adapt it to the regulation on energy efficiency and GHG emissions.	Increased costs (low)	Construction and Services	Inclusion of energy efficiency and emissions criteria in the decisions on acquisitions of new machinery and vehicles. Replacement of older machinery with more efficient models. Consideration of leasing options.
		A medium risk is identified in the medium term.			



Key climate opportunities

Category	Description	Type of impact	Business	Opportunity management
Products and services	<p>Increase in the demand for renewable generation infrastructure due to changes in climate change regulations.</p> <p>The regulatory development of the European Union Green Deal promotes this type of opportunities in the short, medium and long term.</p>	Increased revenue (very high)	Energy	Investment of at least €4 billion in renewable generation during the 2020-2024 period, increasing the installed capacity by at least 5GW. This figure might even be exceeded when planned and pipeline projects with a greater likelihood of being carried out are taken into account. (See updated information in the Results Presentation. FY 2020 – January-December”, and in the successive quarterly presentations).
Products and services	<p>Increase in the worldwide demand for low carbon transport infrastructure because of the predicted mobilisation of capital for investment in sustainable activities in line with the requirements of the European Union taxonomy in the short, medium and long term.</p>	Access to financing (high)	Infrastructure	Structuring of the Infrastructure projects portfolio with greater weight for projects in line with the opportunity detected ⁸ .
Products and services	<p>Increase in the demand for water treatment infrastructure in regions where greater shortages are predicted because of climate change.</p> <p>Opportunity in the short, medium and long term.</p>	Increased revenue (high)	Infrastructure	Structuring of the water treatment infrastructure portfolio with notable presence in the countries identified, which are where currently more than half of the economic activity is generated.

8 More information on sustainable financing in the chapter "Integrate to transform".

KEY CLIMATE METRICS AND INDICATORS

Emissions generated

The emissions generated are calculated according to the criteria defined in the GHG Protocol, under the financial control scheme, consolidating as CO2 equivalent emissions corresponding to all the GHGs that are important for the company: CO₂, CH₄, N₂O, HFC and SF₆. The criterion for the consolidation of energy consumption and other emissions follows the same accounting criterion.

The conversion factors used are those indicated by:

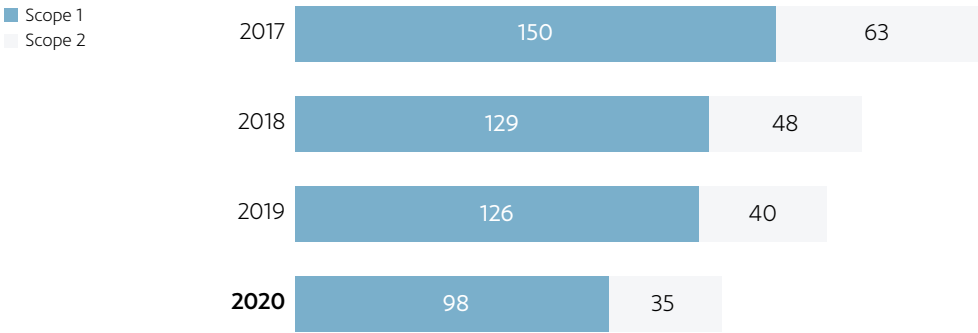
- > Intergovernmental Panel on Climate Change (IPCC), in the 2006 IPCC Directives for GHG inventories.
- > National Inventory of Greenhouse Gases (GHG) of Spain.
- > International Energy Agency.
- > Red Eléctrica de España (the Spanish grid operator).
- > ACCIONA's Green Energy business line.
- > The UK Department for Environment, Food and Rural Affairs.
- > The European Environment Agency.

Scope 1 and Scope 2 emissions

In 2020, the company's target, in line with the science-based target for 2030, was to reduce its Scope 1 and Scope 2 GHG emissions by 13.86% compared to the base year 2017. It has managed to reduce them by 38%.

The sum of Scope 1 and Scope 2 CO₂e emissions generated in 2020 was 133,146 tonnes, of which 98,194 tCO₂e were Scope 1, and 34,952 tCO₂e were Scope 2 market-based (107,663 tCO₂e Scope 2 location-based).

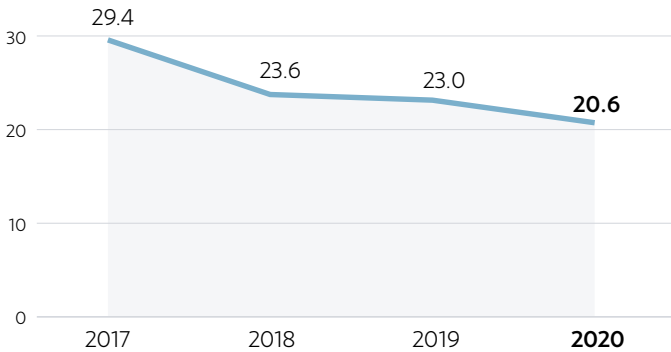
Evolution of emissions generated (thousands of tonnes of tCO₂e)



ACCIONA's carbon intensity value was 20.6 tCO₂e /million euros of sales (Scopes 1 and 2).

The fall in GHG emissions was due to an increase in the use of electricity to the detriment of fossil fuels in some processes. For example, electrification of tunnel building has allowed a reduction of 219 tCO₂e. Also particularly important are the implementation of energy efficiency measures, such as adjustment in biomass combustion plants, which has reduced CH₄ and N₂O emissions by more than 4,000 tCO₂e. Finally, the drop in activity deriving from the world pandemic also contributed to the reduction in GHG emissions last year.

Intensity of GHG emissions (tCO₂ /sales)



Scope 3 emissions

For 2020, ACCIONA set a science-based target to reduce Scope 3 GHG emissions by 10.85% compared to base year 2017 for the set of categories “purchased goods and services, capital goods, energy-related activities, upstream transportation and distribution, employee commuting and use of sold products”. The Scope 3 emissions figure for these categories decreased by 33% compared to 2017, while the Scope 3 emissions overall were down by 21 %.

In 2020, ACCIONA continued to implement measures to reduce Scope 3 emissions. For example, it introduced life cycle analysis tools into project design, also reducing GHG emissions in phases that have no direct relationship with the execution of works. In addition, it included the climate change risk (Env/CO₂ variables) in the supplier risk map⁹ and has made training courses on sustainability available to suppliers.

Scope 3 emissions in relevant categories for ACCIONA (tCO₂)

Item	2017	2018	2019	2020
Purchased goods and services	947,033	764,918	948,031	993,471
Capital Goods	630,764	299,156	400,978	255,640
Fuel and energy-related activities (non-Scope 1 and non-Scope 2)	147,461	25,109	26,626	23,375
Upstream transport and distribution	203,034	48,443	37,179	27,976
Waste generated in operations	14,861	10,451	3,764	6,189
Business travels	17,190	17,785	14,336	3,973
Employee commuting	55,568	61,957	61,487	60,198
Upstream leased assets	486,985	557,942	649,565	589,267
Use of sold products	10,677	54,657	13,325	21,291
End-of-life treatment of sold products	144	191	155	161
Investments	39,040	19,346	26,775	29,804
Total (tCO ₂ e)	2,552,757	1,859,956	2,182,221	2,011,346

The headings “Downstream transport and distribution”, “Processing of sold products”, Downstream leased assets” and “Franchises” are considered irrelevant for ACCIONA because these activities are not carried out or their emissions are now included in Scopes 1 and 2 or in another Scope 3 category.

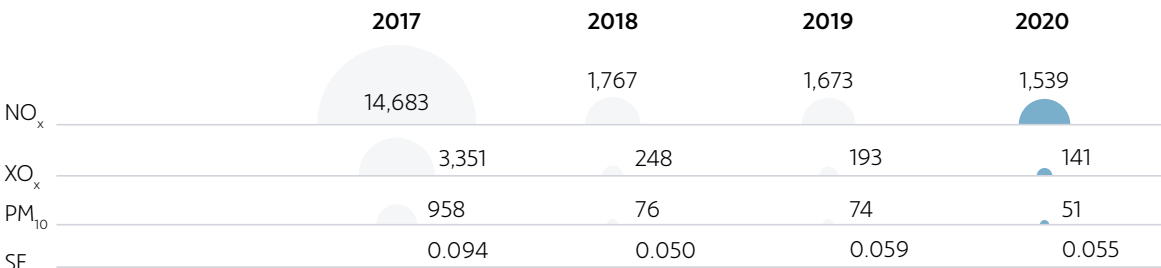
9 More information in the chapter Exponential leadership-Supply chain.

Other emissions

Global emissions of NOx in 2020 were 1,539 tonnes, SOx 141 tonnes, PM₁₀ 51 tonnes and SF₆ 0.055 tonnes. The company set a target to reduce this type of emissions by 1.5% compared to the 2017 figures (discounting activities no longer attributable to ACCIONA). The target was met for all the indicators.

In 2020, biogenic emissions generated totalled 462.803 tCO₂.

Evolution of other emissions



The 2017and 2018 figures include activities that are no longer attributable to the Company. Discounting these activities, the figures would be: NOx 1.797 (2017) and 1.762 (2018) / SOx 185 (2017). / PM10 79 (2017).

Emissions avoided

At the end of 2020, ACCIONA had 10,694 MW of renewable capacity installed, having generated 24,075 GWh. This renewable production avoided¹⁰ the emission into the atmosphere of 13.2 million tonnes of CO₂e, 10,966 tNOx, 31,412 tSOx and 256 tPM₁₀.

Own energy consumption

In 2020 ACCIONA consumed 7,316 TJ of energy, 75% of which came from renewable sources.

This means that the company’s fossil-fuel energy intensity stood at 0.3TJ/million euros sales, while energy intensity from renewable sources was 0.8TJ/million euros in sales.

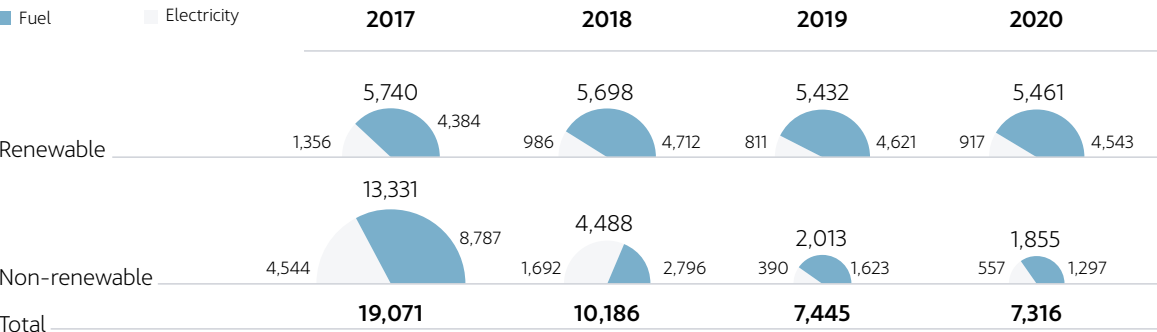
The company has also established a target for reducing non-renewable energy consumption in line with its science-based GHG emission reduction objective (13.86% compared to the 2017 figure, consolidated under the same criteria as in 2019). This target was met, with non-renewable energy consumption falling below the 2,256 TJ target.

Furthermore, in the framework of its new SMP 2021-2025, ACCIONA will have a target for renewable electricity consumption in 100% of its projects (provided there is availability).

In 2020 ACCIONA consumed 7,316 TJ of energy, 75% of which came from renewable sources

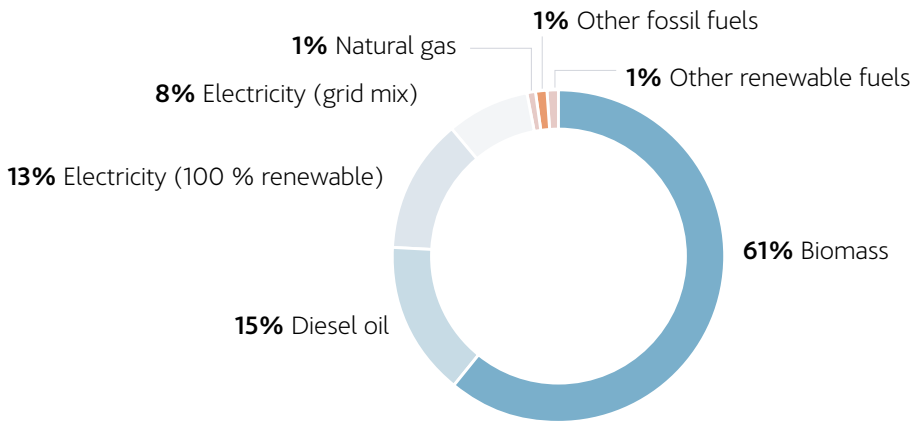
10 These emissions correspond to what would have occurred if ACCIONA’s electricity production in each country had been generated using the electric-fossil fuel mix.

Energy consumption (TJ)



The 2017 and 2018 figures include activities that are no longer attributable to the Company. Discounting these activities, the figures would be: Renewable 5,625 (2017) and 5,476 (2018) / Renewable electricity 1,241 (2017) and 763 (2018) / Non- renewable 2,619 (2017) and 2,157 (2018) / Non-renewable fuels 1,902 (2017) and 1,604 (2018) / Non-renewable electricity 717 (2017) and 553 (2018) / Total 8,244 (2017) and 7,633 (2018)

Energy consumption by source



Third-party energy consumption

Presented below is the most relevant energy consumption outside the organisation, calculated according to the company’s Scope 3 categories. Its variation compared to the previous year was influenced by the pandemic, both in the volume of purchases from suppliers and their location, and in employee travel.

In 2020, ACCIONA had a Scope 3 energy reduction target in line with its science-based GHG emission reduction target.

External energy consumption (GJ)

Item	2017	2018	2019	2020
Purchased goods and services	21,891,112	11,327,661	14,551,269	14,718,262
Capital goods		4,231,087	5,697,955	3,608,315
Fuel and energy-related activities (not Scope 1 or Scope 2)		517,024	543,894	506,160
Upstream transport and distribution		659,103	503,346	372,464
Waste generated in operations	197,506	138,896	50,023	82,248
Business travels	242,624	251,756	203,160	57,607
Employee commuting	788,330	853,119	850,388	852,323
Upstream leased assets	1,815,757	145,453	6,063,896	5,316,475
Use of sold products	836,599	622,020	201,701	279,147
End-of-life treatment of sold products	1,909	2,542	2,062	2,143
Investments	350,478	423,611	625,681	682,533
Total (GJ)	26,124,314	19,172,272	29,293,375	26,477,676

The items “Downstream transport and distribution”, “Processing of sold products”, “Downstream leased assets” and “Franchises” are considered irrelevant for ACCIONA either because these activities are not carried out or their consumption is now included in the company’s consumption or in another category of external energy consumption. / The 2017 and 2018 figures include or exclude activities whose attribution to the Company as energy consumption of third parties has changed in the subsequent years. With the current attribution, the figures would be: / Assets leased to the organisation: 4,045,881 (2017) and 4,625,865 (2018) Employee commuting: 761,393(2017), / Products, services and raw materials, Capital goods, activity related to energy consumption (not Scope 1 or Scope 2) and upstream transport and distribution: 20,936,195 (2017), / Total: 27,372,585 (2017) and 23,652,684 (2018)

WATER

ACCIONA has a specific water policy approved by the Board of Directors’ Sustainability Committee, the main objective of which is to support the fundamental Human Right of access to drinking water and sanitation.

ACCIONA recognizes that water is a finite and irreplaceable natural resource, and so its water management strategy takes into account the availability and quality of this natural resource and the equilibrium of the ecosystems where it is found.

ACCIONA's water agenda is determined by strict compliance with the law, responsible and efficient management, the establishment of specific objectives through the Sustainability Master Plan, the development of new technologies, the integration of water into risk management, the extension of its principles to the value chain and transparent communication.



ACCIONA’S USE OF WATER

There are four different ways in which ACCIONA uses water in its operations:

01

Treatment and distribution of water for customers:

This is water that is captured in desalination, drinking water and water treatment plants or services operated by the company for the supply of water to customers. The principal characteristic of these waters is the fact that the quality levels must be fit for human consumption or compliant with the legally established decontamination levels. In 2020, the volume of water treated by ACCIONA was 923 hm³ (439 hm³ in water-stressed countries), while water supplied from primary networks and groundwater sources amounted to 48 hm³.

02

Water for internal consumption:

This is water used by the company at its own facilities. This use includes freshwater obtained from the municipality, as well as surface and groundwater, for which ACCIONA has set a reduction target of 7% in 2020 compared to 2017 (in 2020 the reduction was 61%). It also includes the use of water from sources that do not deplete available natural reserves, such as rainwater, recycled mains water and water reused or recycled on site (in 2020, 48% of ACCIONA's total water for internal consumption came from one of these three sources).

03

Discharge:

This refers to the residual water from ACCIONA's internal consumption that has not evaporated or been used in any company asset and that is removed from the facilities as specified in the relevant discharge permits. This section includes brine discharged from the desalination plants operated by ACCIONA which account for the highest percentage of its discharges. All wastewater discharged by ACCIONA complies with the specifications in the relevant discharge permits.

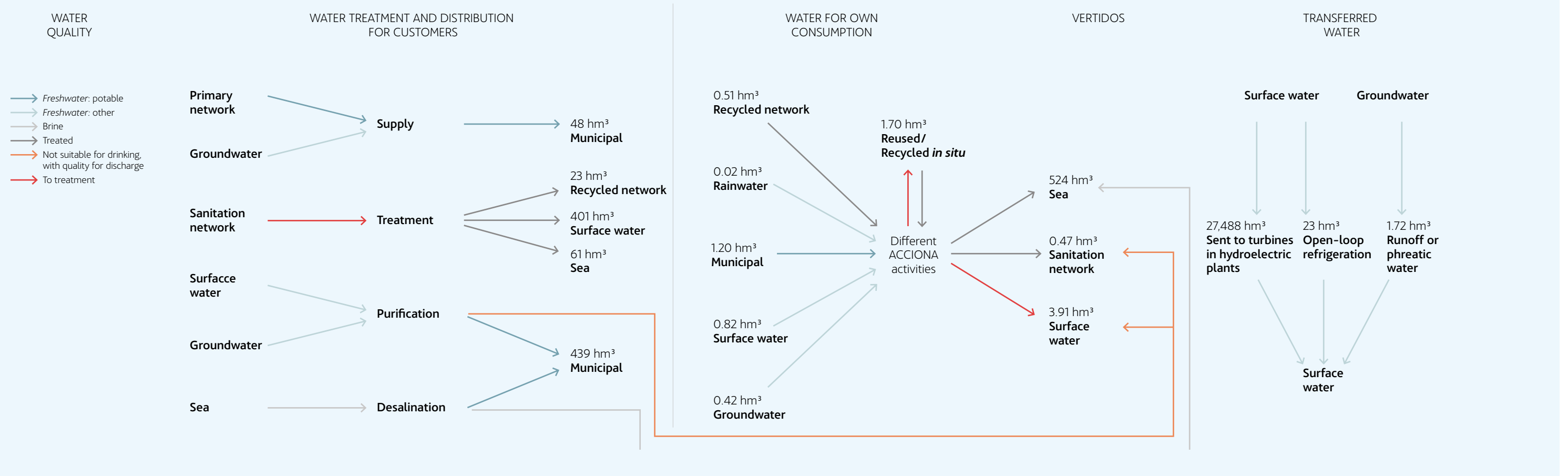
04

Transferred water:

This refers to water that enters and leaves ACCIONA's facilities (hydroelectric and biomass plants) without generating any type of consumption and without the quality of the water or the ecosystems being affected in any significant way.

The company and bodies responsible for the environment implement prevention measures to minimise possible impacts on species that might be found in river ecosystems and other bodies of water, as well as rules for respecting the environmental flow system and the technical requirements set by the Administration itself. The processes that guarantee compliance with the requirements for water collection and discharge are part of the environmental management systems implemented, verified and certified by the company according to the ISO 14001 international standard.

Water usage in 2020



The volumen of treated water in 2020 went down, due principally to the fall in generation of desalinated water in the Middle East region, in all likelihood as a result of the COVID-19 pandemic.

Meanwhile, the volume of water for internal consumption increased, particularly in the category of water that is recycled/reused *in-situ*, as a result of the appearance of volumes used basically for consumption in the WWTP (Wastewater Treatment Plants).

ACCIONA also calculates the water consumption (surface and groundwater) associated with its suppliers, resulting in just over 5 hm³ for its direct suppliers and 34.7 hm³ for its entire supply chain.

The generation of discharges remained relatively stable.

The volume of transferred water was up, due to a better hydrological year, resulting in higher turbine flows at hydroelectric plants.

WATER-RELATED RISKS AND OPPORTUNITIES

As with climate risk management, the management of water-related risks is part of the company's environmental risk management strategy and is implemented using a procedure that identifies, assesses and priori-

tises the potential events that might be harmful to the company and its centres. This procedure enables the company to establish policies and tolerance thresholds that provide a reasonable guarantee that objectives will be met. The process includes the assessment of physical and transitional risks and other threats.

The possible present and future scenarios (short term - 1 year, medium term - 5 years and long term - 10 years) in which these risks may arise are evaluated in terms of probability of occurrence and consequences for the company (operational, economic and/or reputational). To this end, different variables of exposure are analysed and different tools are used, such as: i) tools to monitor consumption and discharges, ii) identification of consumptions in the supply chain, iii) water risk maps provided by reference organisations (WRI Aqueduct, Maplecroft), iv) tools for identifying legal requirements, v) procedures for Social Impact Management, vi) procedures for environmental management and vii) know-how of the company's qualified personnel. In 2020, as with the rest of the ESG risks, the process was complemented with an analysis of the relationship between environmental, social and governance risk scenarios, which has pinpointed those that occupy a notable position in the company.

The main opportunities deriving from the company's activity in water resources are managed by the Water division, which currently takes its treatment, purification and desalination solutions to areas of the planet struggling with major water needs.

The process of managing water risks is addressed by each business on an annual basis.

Climate
Water
Circular economy
Biodiversity
Integrated environmental
management

CIRCULAR ECONOMY

ACCIONA is a pioneer in the transition to a circular economy.

In fact, it was the first company in its sectors of activity to be awarded the AENOR circular business strategy certification.

The company carries out multiple actions testifying to its performance in this area. For example:

- 01

It generates renewable energy from inexhaustible sources such as the sun and the wind, and from agricultural and/or forest waste.
- 02

It produces drinking water from seawater in areas with water stress, using the best available techniques from an energy expenditure standpoint. It also purifies waste water, preserving and improving the natural capital, which also facilitates its reuse.
- 03

It develops infrastructure that results in benefits for transport efficiency, the generation and transport of renewable energy, waste management and the sustainability of cities.
- 04

It provides services in shared electric mobility, infrastructure maintenance, energy management and segregated collection of waste, in addition to transport, classification and recovery of said waste.

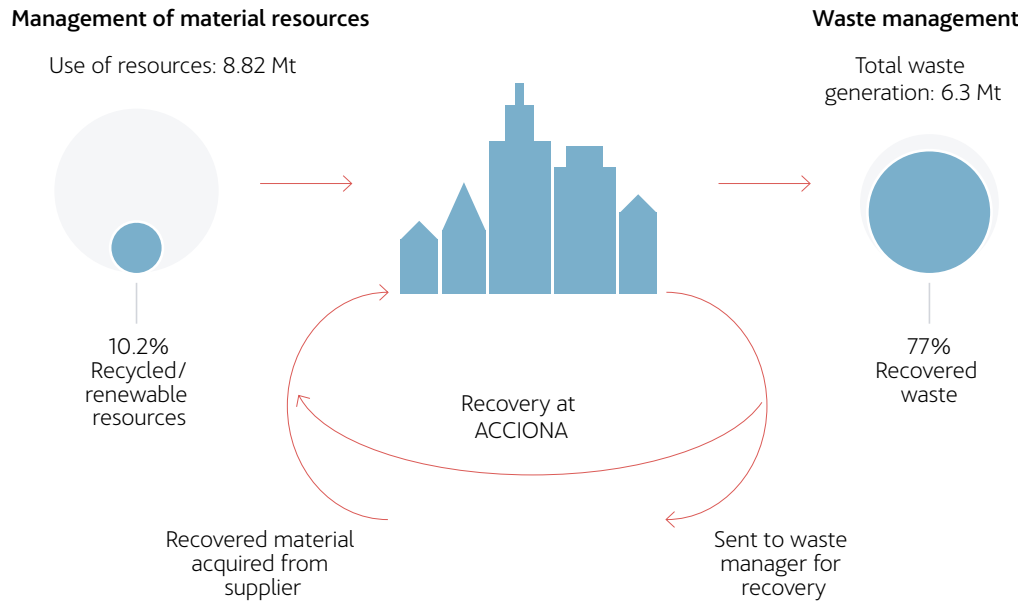
ACCIONA also optimises the circularity of its processes in the following way:

- > **It uses Life Cycle Analysis tools (16 LCAs carried out in 2020)**, allowing it to assess and reduce the impact of its developments, and also its consumption of material and energy resources.
- > **It minimises its fossil fuel energy use.**
- > **It rationalises its water use** and makes use of alternative water sources that do not exhaust the existing resources.
- > **It gives a second life to the waste and subproducts** deriving from its processes, such as soil, rubble, ash, slag, plant remains and sewage sludge.
- > **It maximises the use of materials** and uses sustainable materials such as recycled aggregates, renewable materials such as FSC certified wood and biomass, or advanced materials such as composites, which reduce to a minimum the amount of components used.
- > **It carries out intensive R+D+i** work in all areas of its activity, improving the efficiency of its processes and the performance of the resources used.
- > **It uses digitization as a catalyst for circular opportunities** in construction, through technologies such as building information modelling, machinery automation and 3D printing.
- > **It works closely with its stakeholders** in training and awareness-raising on the circular economy.

RESOURCES AND WASTE MANAGEMENT IN LINE WITH THE CIRCULAR ECONOMY

The following diagram shows, as in the Circle Economy circularity gap graph¹¹, the flows of materials at ACCIONA in 2020.

Material flows at ACCIONA



11 The Circularity Gap Report: <https://www.circularity-gap.world/>

Waste Management Plan 2016-2020

This year saw the end of the Waste Management Plan 2016-2020, which came into being at the same time as circular economy legislation was being developed worldwide. It covers the most representative types of waste at ACCIONA and aims to establish a general strategy in waste policy to promote the circular economy model.

The overall objectives pursued by the Plan in 2020 are:

- > A 10% reduction in non-hazardous, non-recovered waste generated in 2015.
- > A 10% reduction in hazardous non-recovered waste generated in2015.
- > The recovery of 50% of the total waste generated.

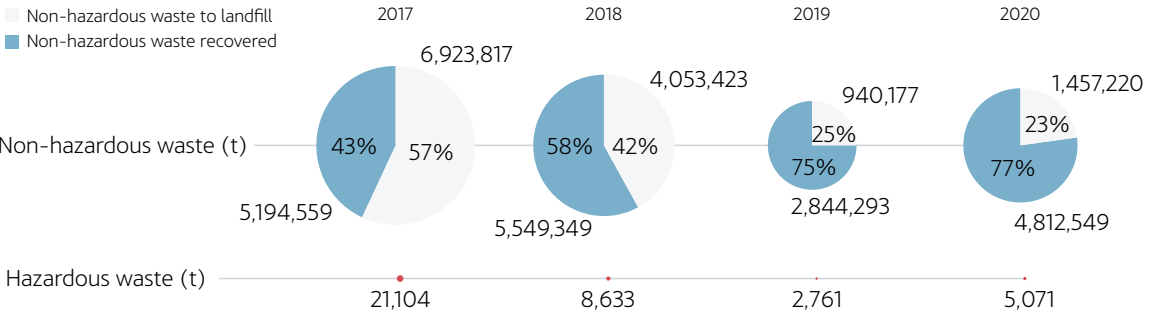
The plan also included recovery targets with different degrees of ambition for soil waste, rubble, dehydrated sewage sludge, slag, ash and plant remains.

In addition, the company expected to reduce the generation of contaminated soils by 10% in 2020 compared to the base year 2015.

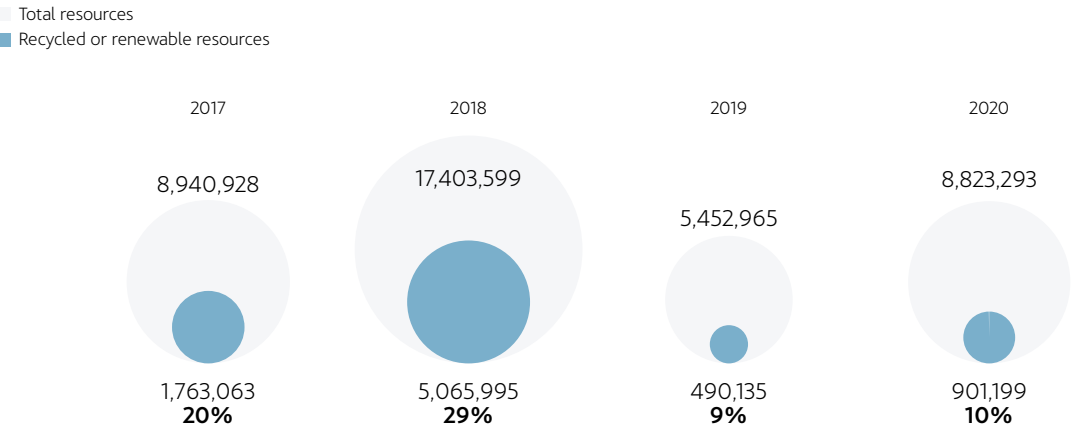
Looking to the new period 2021-2025, ACCIONA has resolved to increase its efforts in the area of the circular economy, and plans to halve the amount of non-recovered waste generated in 2020, and double the percentage of renewable/recycled resources used.

In 2020, the company generated a total of 5,071 tons of hazardous waste (49% less than in the base year 2015) and 6,269,769 tonnes of non-hazardous waste (30% less than in 2015), of which 1,457,220 were sent to landfill (75% less than in 2015) and 4,812,549 were recovered (reuse, recycling or other means). The latter figure constitutes 77% of the total non-hazardous waste generation. It is worth highlighting, for example, the 100% reuse of legally recoverable slags and ashes generated in the company’s biomass plants. The increase in waste generation on last year is due to the greater generation of soils at worksites such as a building work in Madrid and a road in Logroño (both in Spain).

Waste generation and management



Use of resources



Recycled or renewable: biomass, certified wood (FSC or similar), soil, aggregates, steel, recycled paper and cardboard

Looking to the new period 2021-2025, ACCIONA has resolved to increase its efforts in the area of the circular economy, and plans to halve the amount of non-recovered waste generated in 2020

BIODIVERSITY

ACCIONA, views biodiversity conservation and the responsible use of natural heritage not only as an ethical commitment but also a necessary condition for global sustainability.

PRINCIPAL LINES OF ACTION

In 2020, the UN Convention on Biological Diversity (CBD) published its fifth Global Biodiversity Outlook report (GBO-5), in which it presents a final assessment of progress towards the Aichi Biodiversity Targets 2010-2020: 6 of the 20 targets were achieved “partially”. The document describes eight major transitions necessary to slow down the accelerated decline in biodiversity and includes the scientific basis for a new world biodiversity framework post-2020.

The national reports submitted to the CBD provide proof that the transitions necessary to protect biodiversity have already begun and that practically all countries are adopting measures.

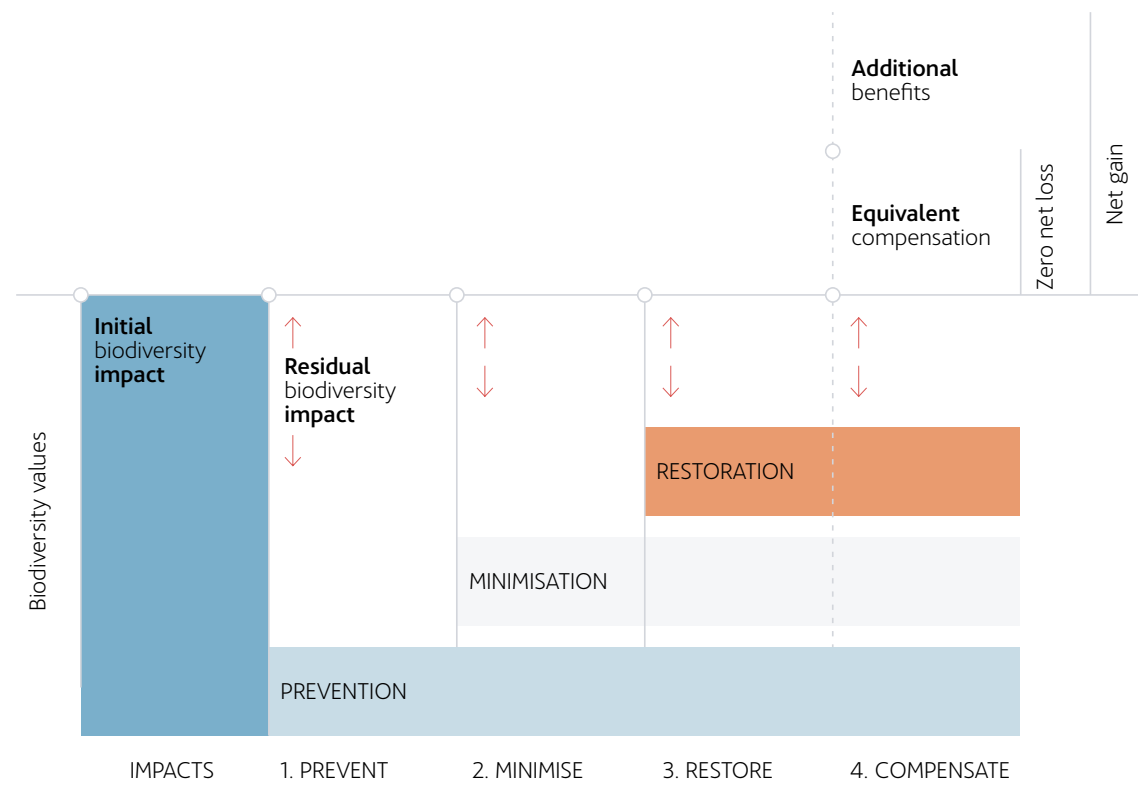
From a business point of view, we cannot remain on the sidelines. ACCIONA views biodiversity conservation and the responsible use of natural heritage not only as an ethical commitment but also a necessary condition for global sustainability. ACCIONA has drawn up a specific Corporate Biodiversity Policy which uses a variety of principles to promote the appreciation for and conservation of animal and plant species as a necessity for economic development and social progress.

In its new 2025 Sustainability Master Plan, ACCIONA has included a strategic line on biodiversity, with the aim of both applying the hierarchy of mitigation of impacts in all its projects and setting targets that can deliver a positive material result for the environment and biodiversity through natural science-based solutions.

Hierarchy of mitigation in biodiversity

ACCIONA accords priority to the hierarchy strategy of mitigating impacts on biodiversity, identifying and preventing potential impacts that might occur, minimising those that cannot be avoided, taking restoration actions and, finally, proposing offset actions to achieve a Net Positive Impact. The company develops environmental surveillance plans to control and monitor the measures implemented.

Hierarchy of mitigation diagram



Source: modified from UICN 2015

Biodiversity Enhancement and Compensation Programme

As part of its strategy on mitigation hierarchy, ACCIONA has a programme for the design and execution of voluntary initiatives that go beyond governmental requirements and the aim of which is to contribute to the Net Positive Impact on Biodiversity, favouring the situation of certain threatened species and/or ecosystems.

The company publishes information on its actions to offset its environmental impact under this programme, as well as the results obtained. Additionally, it communicates best practices in biodiversity linked to the development of the activity of its different businesses, in order to share knowledge and determine whether it is possible to replicate them in other operations. This information is outlined in the report *ACCIONA, Global Commitment to Biodiversity*.

Nest boxes for protected species in ACCIONA installations

Nocturnal birds of prey play an essential role in the ecological balance of many ecosystems on the planet. This is why these species are protected by law in many countries. In recent decades, the populations of some species have fallen in several countries, including Spain, because of the shortage of suitable nesting sites.



To encourage birds of prey to nest, ACCIONA has installed nest boxes in different production centres (facades of buildings, water treatment plants, renewable energy installations, vineyards, etc.). Since the project began, more than 500 have been built. Special Employment Centres collaborated in installing them.

The occupation of the nest boxes was monitored during the breeding season to check on the number of chicks born. It is estimated that every year around 100 have hatched in the nest boxes installed. This means that this initiative has facilitated the birth of more than 800 nocturnal and diurnal bird of prey chicks.

In 2020, the scope of the project was extended with the installation of 47 new nest boxes around the company's vineyards in Spain, not only for birds of prey but also for insect-eating birds and bats. These species are vital for ecosystems and biodiversity because of their significant ability to pollinise, spread seeds and control plagues of insects.

Neutral biodiversity footprint

Within the framework of the 2016-2020 Sustainability Master Plan, ACCIONA set itself the goal of developing a methodology allowing it to measure its biodiversity footprint and achieve neutrality, i.e. a target to achieve Net Zero Loss on biodiversity and, where possible, a Net Positive Impact.

The methodology, developed in collaboration with PwC, focuses on material aspects and integrates two internationally recognized tools that consider various impact categories: e.g. toxicity, climate change, water, land use and transformation or acidification.

As a result of this procedure, and thanks to the hundreds of hm³ of wastewater treated and the millions of tonnes of CO₂ avoided annually at the company's renewable energy installations, ACCIONA obtains a positive overall result for its biodiversity footprint, equivalent to restoring a degraded space of several hundreds of km².

However, to make it easier for the company's locations to manage the risks and impacts of their activities on fauna and flora, ACCIONA has developed specific biodiversity scorecards based on a digital repository of public biodiversity information and internal data, interconnected by cartographic representations and data analysis applications. These scorecards enable each operating centre to have updated data analyses of the principal biodiversity KPIs, and their referenced geographical position according to maps of protected areas.

BIODIVERSITY PERFORMANCE INDICATORS

Location with respect to the protected area

Location with respect to the protected area	Area (ha)
Internal	1,762
Partially internal	1,301

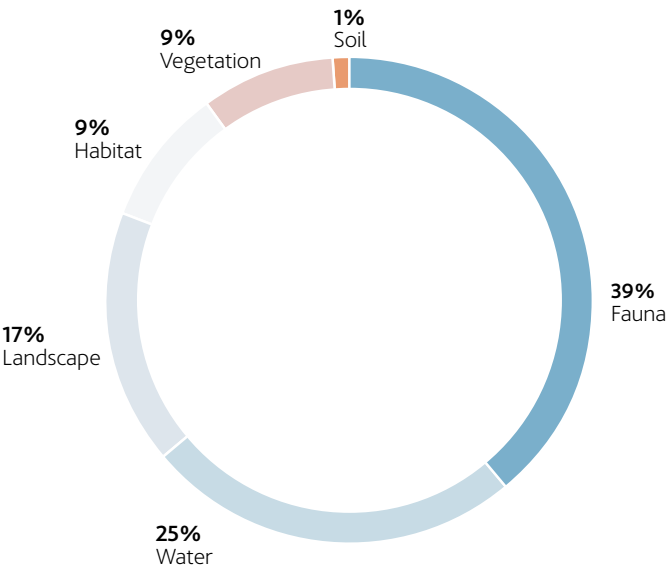
Identification and assessment of the most significant impacts

ACCIONA identifies and assesses the most significant impacts of its facilities located in protected and non-protected areas that are of great value for biodiversity.

In 2020, the most significant impacts were seen on fauna (39%), water (25%), and the landscape (17%) and, to a lesser extent, on vegetation, habitat, soil and atmosphere.

This assessment took into account the species affected, the surface area of the facility within the protected area, the duration of the impacts, and whether they were reversible or irreversible.

Most significant environmental impacts by area



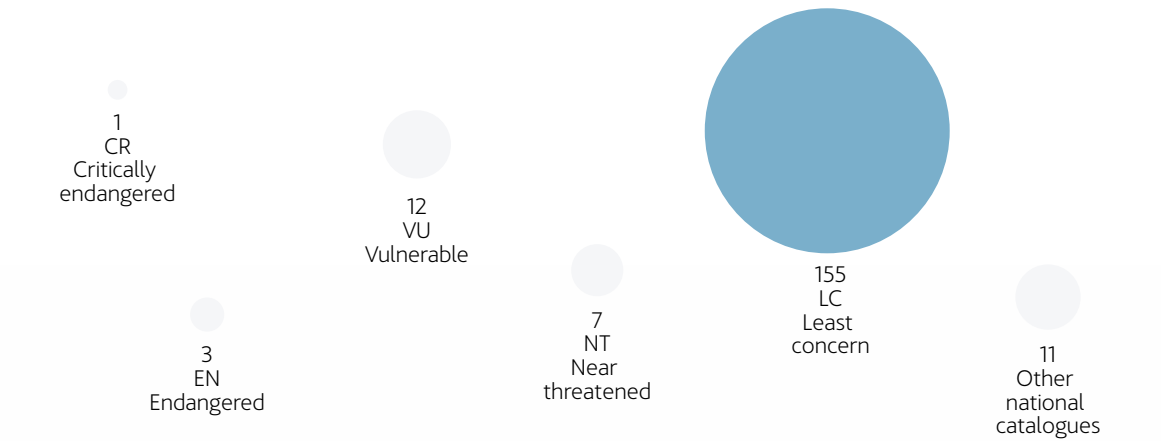
In 2020, the most significant impacts were seen on fauna, water and the landscape

Protected species

The company identifies the species affected by its facilities that are included on the Red List of Endangered Species prepared by the International Union for Conservation of Nature (IUCN) or included in national conservation catalogues.

The table below shows the number of species and the degree of protection according to the IUCN Red List. Furthermore, it takes into account the species that are not included on this list but are protected by national catalogues.

Protected species affected by ACCIONA facilities



Habitat restoration and protection



ACCIONA's projects consider the protection and restoration of those areas that could be affected by its facilities. As such, these projects involve work to protect and restore habitats, such as replanting, maintenance of forests and planting of affected areas.

Throughout 2020, the company has protected and restored 120 hectares in the areas surrounding its projects, and in practically all cases the success of the measures was verified by independent external professionals. Likewise, the services business has carried out the restoration, cleaning and environmental maintenance of hundreds of hectares of high environmental value.

As a result of these habitat restoration and protection actions, as well as other work in landscape integration or plantations in degraded areas or those lacking in vegetation, over the past year, a total of 861,561 plants were planted.

Bodies of water significantly affected by catchment or discharge

ACCIONA needs to withdraw and discharge water for certain activities: for example, the production of renewable electric power in hydroelectric power plants, where the water, after passing through the power plant, is sent back to the riverbed without its composition being altered; also for the supply of drinking water at drinking water treatment plants (DWTP) and seawater desalination facilities; and finally, for construction work.

Therefore, the company uses prevention measures, such as water treatment prior to discharge or the installation of systems that improve the connectivity between river sections, that help minimise any potential impacts on species that may be present in river ecosystems. This also guarantees respect for the regime of environmental flows and the technical requirements established by the competent authorities.



INTEGRATED ENVIRONMENTAL MANAGEMENT

Environmental protection is included in the Code of Conduct and is developed through four action policies that cover the main operating risks: Environmental Policy, Climate Change Policy, Water Policy and Biodiversity Policy.

ACCIONA's business model is based on the development of sustainable infrastructure. This is a challenge which has mainly been focused in recent years on the decarbonization of the energy mix through the generation of renewable energy; the design, construction and operation of resilient infrastructure; and the mitigation of water stress in large regions of the planet. Since all industrial activity involves a significant impact on the environment where it takes place, the company adheres to the precautionary principle, especially when it comes to managing environmental, climate and water risks in an integral way, reducing and offsetting emissions, promoting the circular economy, and conserving biodiversity.

Environmental protection is included in the Code of Conduct and is developed through four action policies that cover the main operating risks: Environmental Policy, Climate Change Policy, Water Policy and Biodiversity Policy.

Integrating the environmental variable and applying the environmental policies and principles to operations in ACCIONA's businesses is guaranteed through strategies that are referred to the Board of Directors' Sustainability Committee. As such, compliance with the goals in the areas of the environment and climate change is ensured.

ACCIONA has especially qualified staff in each of the functional, hierarchical and geographical areas. This means that top quality and experience can be employed at all times in pursuing the company's business, always according to the strictest environmental standards.

ENVIRONMENTAL INVESTMENT AND EXPENDITURE

Last year, the company allocated €69.8 million to the management (prevention, reduction or correction) of the environmental impacts generated by its operations (€65.9 million in expenditures and €3.9 million in investments).

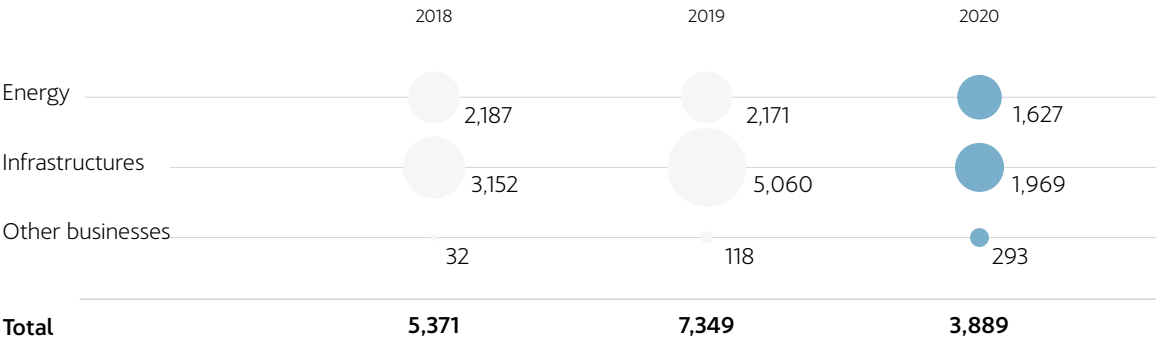
Breakdown of expenses and investments for the management of environmental impacts (million euros)



ENVIRONMENTAL TRAINING

ACCIONA continues to promote its commitment to environmental training. In 2020, employees received a total of 3,889 hours of training in areas such as climate change, environmental management systems, waste management and environmental restoration of degraded areas, among others.

Environmental training (hours)

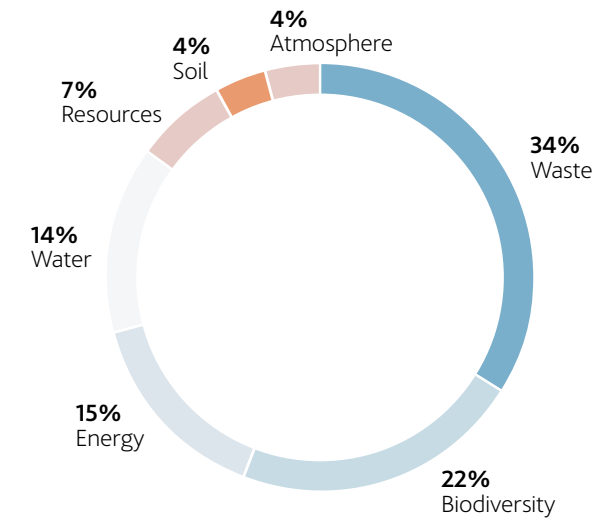


ENVIRONMENTAL BEST PRACTICES AND ACTIONS

The company identifies, analyses and assesses the environmental actions it carries out, and selects those that stand out for their clearly positive effects on the environment, their innovative nature or their scientific and/or social significance. The object is to distinguish and disseminate the most relevant ones within and outside the organisation.

In 2020, the actions identified, analysed and evaluated in the different business lines break down as follows: 79% in infrastructures, 15% in energy and 6% in other businesses (Bodegas Palacio 1894 Group and Real Estate).

Main fields of environmental action analysed



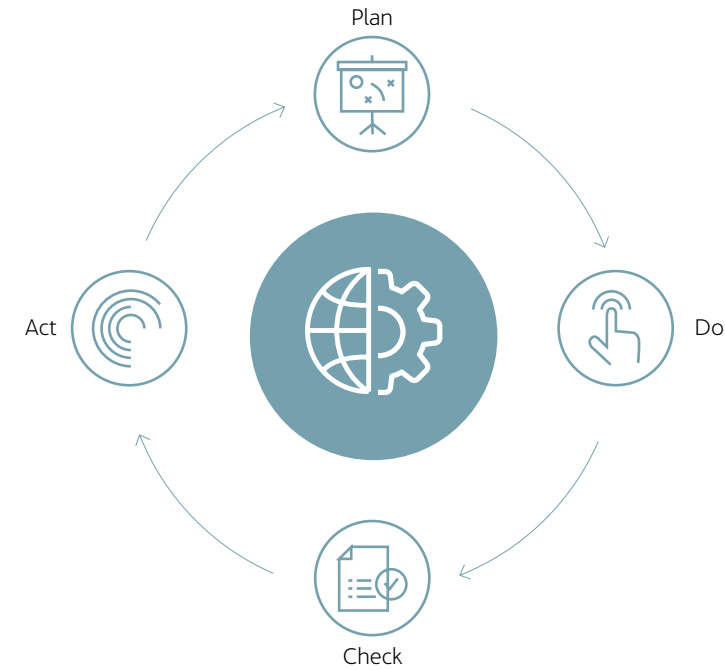
PRINCIPLES OF SUCCESSFUL ENVIRONMENTAL MANAGEMENT

ACCIONA's environmental management model, based on the principles of improving environmental performance, establishes a common framework of action that facilitates the coordination of the different environmental management systems of each one of the divisions. This model addresses the determination of environmental aspects from a life cycle perspective, and the identification of risks and opportunities as a way of ensuring improvement.

Through the company's environmental management systems, the potentially negative impacts of the company's carbon emissions and other harmful gas emissions, discharge, waste generation, use of resources in addition to noise and light pollution, are identified, evaluated and minimised, while maximising the positive impacts.

ACCIONA's environmental management systems are verified and certified by accredited independent bodies, according to the ISO 14001 standard.

Implementation of continuous improvement tools



The components of the management model are as follows:

- > Identification, evaluation and minimisation of environmental alterations that may be caused during the company's activities.
- > Analysis of environmental risks through a regulated technical procedure that quantifies the risk of an accident that could cause environmental damage or have a negative environmental impact on ACCIONA's business.
- > Identification and verification of legal requirements using tools especially designed for this purpose which make it possible to manage compliance with administrative obligations and other commitments, in addition to legal requirements.
- > Operational control using corporate tools which compile quantitative environmental information for each location, thereby making it possible to manage the environmental evolution of processes, set targets and define strategies.
- > Recording and classifying environmental near-misses¹².
- > Implementation of tools for continuous improvement, identification and dissemination of lessons learned and good practices.
- > Establishment of annual goals on all businesses, taking as a reference the identification of the most significant environmental aspects in the management systems and the SMP.

EVALUATION AND MANAGEMENT OF ENVIRONMENTAL IMPACT

In 2020, 95 ongoing projects were subject to an Environmental Impact Assessment (EIA), 68 of which are being processed by the competent public authorities. In 13 cases, favourable Environmental Impact Statements were obtained. The EIAs for these projects were published in the corresponding official bulletins and platforms were set up by the government to channel citizen participation and obtain their feedback in this regard.

In addition, ACCIONA tracked 254 Environmental Monitoring Plans (EMPs) at centres and facilities that were under construction, up and running or under maintenance.

ENVIRONMENTAL FINES AND PENALTIES

During the 2020 financial year, a total of 13,402 euros was paid, corresponding to 7 fines and penalties of an environmental nature. Among the total amount of fines closed in 2020 there is one over 5,000 Euros, the amount of which was 9,001 Euros (in the construction business).

In addition, a total of 20,052 Euros was paid in compensation. Provisions relating to probable or certain liabilities, litigation in progress and indemnity or outstanding obligations of an undetermined amount of an environmental nature, not covered by the insurance policies taken out, are made at the time when the liability or obligation determining the indemnity or payment arises. (Further information is provided in the sections on activities with an impact on the environment, provisions and litigation in the Consolidated Financial Statements).

¹² An environmental near miss is any incident that does not result in damage to the environment but has the potential to do so. In 2020, the company has recorded 735 environmental near-misses, most of which were insignificant spills. Eight incidents involving spills were quantified, with a total discharge volume of 291 m³. All cases were resolved by adopting corrective measures..