



Letter from the Chairman

**JOSÉ MANUEL
ENTRECANALES**

**CHAIRMAN
OF ACCIONA**

Dear Friends,

I would like to begin this review of the past year in terms of sustainability by highlighting how inspirational the United Nations' Sustainable Development Goals are, not only for our company, but also for a growing number of people, companies and institutions around the world.

Along with the Paris Agreement on climate change, this global agenda designed by the UN has become - despite the fact that just three years have elapsed since it was rolled out - a shared roadmap through which to channel the joint actions of governments, the private sector and citizens.

It is quite likely the strategic plan for one of the last generations able to halt an irreversible environmental degradation.

The magnitude of the challenges proposed requires, in addition to vision, the mobilisation of an unprecedented investment volume, which diverse organisations have already estimated to be equal to two and a half times the GDP of a country like Spain.

In 2018, we've seen the financial markets take sound initial steps in the indicated direction. Stimulated by the enhanced reporting on the financial risks of climate change published last year by the Financial Stability Board, other interesting initiatives by the European Commission, the Chinese government and, most recently, regulators including the governors of the Central Banks have ensued. All of these initiatives focus on bolstering the resilience of the financial system, including improvements in the management of disruptive climate risks and striving to guide flows of capital towards more sustainable development models.

The urgency of the situation in some spheres makes this necessary. In 2018, we have witnessed an exacerbation of the consequences of global warming. Changes in climate patterns and extreme weather events are on the rise. We read with attention and concern, as the United Nations Intergovernmental Panel on Climate Change highlighted last November, about the inevitable nature of the action and the magnitude of the challenge that lies before us.

The acceleration of CO₂ concentrations in the atmosphere was confirmed this year. If we were alarmed in 2010 when we reached 400 parts per million, this figure is expected to reach 412 ppm in 2019. Unfortunately, this brings us dangerously closer to the 420 ppm set by scientists as a red line.

Although the calls to action are unequivocal, the pace of change remains insufficient. And geopolitical tensions do not help. Breaking the inertia of the fossil fuel-based production and consumption model that has been the cornerstone of a flourishing economy for decades is no easy task.

Therefore, further attention must be drawn to the situation. Not only because of the risks entailed in a failure to act, but also because of the new and interesting opportunities that could be brought about by the change.

Under the motto *Invest In The Planet*, we engaged in intense communication activities last year, aimed at raising awareness not only about the risks, but also about the opportunities entailed in investing in the planet. The intention is to spotlight the advantages we perceive in activities that drive clean development and improve people's lives.

This contribution is brought to life by strategically orienting our businesses towards the Sustainable Development Goals. When implementing projects at ACCIONA, we focus specifically on those Goals that enable local prosperity, ranging from access to clean water and sanitation to clean, affordable energy, to the development of resilient infrastructures and mobility.

This *Report* offers insight on the progress we have made through the Sustainability Master Plan 2016-2020. The plan outlines operational objectives that integrate stringent criteria into ACCIONA's practices in order to increasingly maximise the positive impact on the company's business areas. With the Plan just past its halfway mark, I have highlighted below the most relevant strides made in 2018, details of which are found in the body of the *Report*.

In our relationship with **society**, we develop capacities that enable us to strengthen the nature of our business activity as a driving force. This year we have expanded the coverage of our Social Impact Management (SIM) methodology. This is a crucial tool for measuring and improving the environment. We have raised it to the rank of a Corporate Standard, applied in 98 projects in 25 countries. This methodology, as well as the Instruction for Communication and Dialogue with Communities and Stakeholders, represents truly advanced, efficient instruments for measuring and improving the social impact of our activity.

Although we have accomplished the ambitious goal of achieving **carbon neutrality** by offsetting emissions generated that could not be reduced, mitigating climate change continues to be one of the main objectives of our Plan. In this regard, in 2018 we also managed to reduce our emissions by 7 % compared to the previous year, added to which is the contribution stemming from the generation of clean energy, which has prevented the emission of 14.7 million tonnes of CO₂ into the atmosphere.

Intent upon making further progress, we have set specific, increasingly stringent, objectives for **reducing emissions**. In this occasion, we have aligned with science, through the international initiative Science Based Targets (SBT). In this way, our future efforts are verified to be aligned with the 2 °C scenario set out in the Paris Agreement. In 2019, we intend to progress along this demanding path, setting our sights on objectives aimed at preventing an increase of more than 1.5°C.

ACCIONA continues to expand the array of solutions it offers in response to other **global environmental challenges** such as water stress, climate and water risks and opportunities, electric mobility, promotion of the circular economy and conservation of biodiversity. In this sense, it is worth noting that one third of the water treated by the company in 2018 was produced in areas prone to water stress, and that we have reduced water consumption by 39 %. In addition, we have recovered 58 % of the non-hazardous waste we generated this year, and the percentage of renewable resources used by ACCIONA was 29 %, which is well above the global average of 9 %.

In terms of **Corporate Governance**, we have updated the methodology for assessing the ethical and integrity risks to which ACCIONA is exposed, integrating it naturally with the group's risk assessment methodology. Deployment of the compliance model at the international level continues at a good pace.

In reference to **People**, we have made significant progress in active talent management through the identification, retention and development of people within the organisation. As regards occupational health and safety, the "Think Safe" programme was expanded in the Energy business, now covering 93 % of the workforce. The Volunteer Protection Programme (VPP), Behaviour Based Safety For You (BBS4U) and the "Leader" project were consolidated in Infrastructure.

In 2018, we stepped up our collaboration efforts with our partners in the **Value Chain** in relation to sustainability. Although there is still a lot to be done, we have seen a rise in the number of suppliers trained in the code of conduct and sustainability, and in risk assessments conducted, particularly at the international level.

Holding on to a cutting-edge position in the field of **Innovation** is not easy. In 2018, this constant drive to transform ideas into new technological developments once again reached a record high in our company with EUR 225.4 million in investment. This represents an innovation over sales figure of 3 %. More than double the European average (1.4 %).

To sum up, we continue moving forward with steady strides towards the objectives set in our Sustainability Master Plan 2020. This progress has been acknowledged by the main sustainability indexes and rankings around the world. Thus, we have been listed in CDP Water Security A List 2018, CDP Supplier Engagement Leader 2018, FTSE4Good, Ethibel Sustainability Index (ESI) Excellence Europe, MSCI Global Low Carbon Leaders Index, Thomson Reuters 2018 Diversity and Inclusion Index, and the 2019 Global 100 Most Sustainable Corporations in the World index, among others.

We remain enthusiastic from the conviction that we are moving in the right direction, and that the wind is increasingly at our backs. We shall persevere in the drive toward increasingly ambitious improvements within the organisation, but also through active participation in international initiatives that spotlight the private sector's commitment to sustainable development.

There is no doubt that we have a long way to go to build the business model which we aspire to and believe in. Therefore, I would like to thank you in particular for your interest in this *Sustainability Report*, in which we explain our commitment and describe how we endeavour to contribute to overcome the major challenges of our times, to leave behind a better society and planet for generations to come.

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