

European Taxonomy

INTRODUCTION

On June 22, 2020, Regulation (EU) 2020/852 was published to facilitate the redirection of capital flows towards more sustainable activities to respond to initiatives such as the Green Pact, the Paris Agreement, or the Sustainable Development Goals contributing to the transformation of the current economic model towards a carbon-neutral one.

The regulation establishes a taxonomy, based on science, and six environmental objectives to which such activities could contribute. The implementation of the "European Environmental Taxonomy" will be applied gradually and a specific one will be added to assess the contribution to social objectives.

In December 2021, complementary regulatory developments were published. Delegated Regulation (RD) (EU) 2021/2139 establishes the technical criteria for considering that an economic activity contributes to climate change mitigation or adaptation and determines whether it does not cause significant damage (circular economy, water and marine resources, pollution prevention and control and biodiversity). RD (EU) 2021/2178 specifies the content, presentation of information and methodology to be disclosed by companies subject to Articles 19a or 29a of Directive 2013/34/EU.

In this context, the following concepts are distinguished:

Eligible: referring to activities with alignment potential included in (RD) (EU) 2021/2139 Annex I (mitigation) and Annex II (adaptation).

Not Eligible: referring to activities not included in (RD) (EU) 2021/2139, either by:

- Generate a very significant negative impact on climate change,
- Not having a substantial contribution to climate change mitigation and adaptation,
- Integration in future developments, revisions of the EU taxonomy, or approvals by the European Parliament and Council. This is the case of the supplementary delegated act on nuclear energy and gas, which will undergo a period of scrutiny.

Eligible aligned: refers to eligible activities that meet the technical screening criteria (STS) of the environmental objective, ensure that they do not significantly impair the other objectives (DNSH) and are conducted in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (Social Safeguards).

Eligible non-aligned: eligible activities that do not comply with the alignment analysis phases (CTS, DNSH and Safeguards).

According to the provisions of RD (EU) 2021/2178, for 2022, it is required to report the percentage of INCN (Net Turnover), CapEX ("capital expenditure") and OpEX ("operation expenditure"), of the company's activities that are eligible and not eligible with information from the 2021 fiscal year.

FERROVIAL'S POSITION

According to European Commission data, the transport sector is responsible for approximately 23% of direct greenhouse gas emissions, while building construction and real estate development activities consume 40% of energy and 36% of carbon emissions. Water supply, sanitation, waste treatment and decontamination contribute to the reduction of greenhouse gas emissions¹.

Under this backdrop, new sustainable infrastructures are becoming more necessary, so Ferrovial's role is key. The Taxonomy reinforces the Horizon 24 Strategic Plan focused on the development, construction and operation of sustainable infrastructures, as well as mobility, water management and electrification.

Ferrovial's activities in construction, toll roads management, airports, energy and mobility infrastructures are a response to the objectives set by the EU. The company has the experience and capabilities to develop sustainable infrastructures that facilitate low-carbon transport, solve urban congestion and offer more innovative and cleaner mobility alternatives.

Ferrovial is incorporating digitalization solutions along with commitments to decarbonization, which coincide with the search for journey safety and travel time reliability.

FERROVIAL'S PROCEDURE

To ensure the accuracy and quality of the information, Ferrovial has appointed a Taxonomy's governance model comprising the Economic-Financial, Communication and Corporate Social Responsibility and Sustainability departments. The different business areas have also collaborated in this process.

The company has focused the reporting process on identifying eligible and non-eligible economic activities, taking into account all the companies in which it has economic control, meaning a shareholding of more than 50%. In these cases, 100% of the information is reported. In relation to the companies sold during the 2021 financial year, these would be outside the scope of the analysis as they work with consolidated data at year-end².

Although Ferrovial carries out activities that could contribute to the climate change adaptation objective, the analysis carried out has only considered the climate change mitigation objective, thus avoiding double counting in the calculation of financial indicators.

Due to the atomization of the company, in order to determine the eligibility of the activities in an exhaustive manner, the analysis has been carried out at the level of the minimum management unit (contracts) of the companies that consolidate the Group. In this sense, the financial and sustainability areas of the different group companies have assigned the percentage of INCN, CapEX and OpEX that coincides with the description of the activities listed in the RD on the basis of the type of contracts, works or services³. In order to avoid the computation of intercompany operations, these percentages have been applied to the consolidated accounting figures of the companies under analysis.

When analyzing the eligibility of the economic activities carried out by Ferrovial, the following considerations and assumptions about the descriptions of the most relevant eligible activities included in the Taxonomy are highlighted:

- **Infrastructures that facilitate low-carbon transport:** construction and operation of infrastructures that enable low-carbon road and public transport (activity 6.15), inland waterways (activity 6.16) and low-carbon airport infrastructures (activity 6.17) in accordance with the following:
 - Definition of "eligible activity" provided by the Taxonomy Regulation, these activities being included in the descriptions of Annex I mitigation activities regardless of whether they meet any or all of the technical selection criteria. In this sense, it is considered that the construction of a road, highway or any other associated infrastructure (bridges or tunnels) that facilitates the transport of zero-emission vehicles should be considered eligible, regardless of the degree of alignment or compliance with the selection criteria that such activity may have in the future. Added to the factor that the transportation of zero-emission vehicles would not be possible today without a road or highway to enable their circulation. The consequent consideration of eligible activity would allow infrastructures dedicated to this purpose to be susceptible to increase their alignment to the extent that sustainable mobility is promoted through specific strategies or packages such as "Fit for 55".
 - Likewise, this argument is reinforced by the interpretative Q&A published by the European Commission on February 2, 2022. Question 9 states that eligibility does not depend on the fulfillment of technical selection criteria, but on the basis of the description of the activity and its potential for alignment. Qualifiers such as "hypocarbon" should only be taken into account for the purpose of determining compliance with the technical screening criteria during the alignment analysis and are therefore not relevant for reporting on eligibility.

- **Construction of buildings and real estate development:** for the construction of new residential and non-residential buildings (activity 7.1) and renovation of existing buildings (activity 7.2), works for the construction or renovation of buildings for the storage of fossil fuels or industrial buildings for petrochemical or fuel refining purposes have been excluded.
- **Water supply, sanitation:** for works/services related to the management or maintenance of integral water cycles that are related to the taxonomic activities of construction, extension and operation/renewal of water collection, purification and distribution systems (activity 5.1/activity 5.2), and construction, extension and operation/renewal of wastewater collection and treatment systems (activity 5.3/activity 5.4), the most relevant activity has been considered as eligible. 1 / activity 5.2), and the construction, expansion and operation/renovation of wastewater collection and treatment systems (activity 5.3 / activity 5.4), the most relevant activity of the plant by business criteria or by the economic activity contractually indicated has been considered as eligible.

CALCULATION AND RESULTS BY KPI ANALYZED

Percentage of net turnover (INCN):

- **Calculation of numerator:** sum of the resulting product between the % associated with taxonomic activities and the consolidated net turnover values (INCN) of the companies analyzed.
- **Calculation of the denominator:** the accounting value of Ferrovial's total net turnover (INCN), in reference to the total operating income in note 2.1 of the Consolidated Financial Statements.

Percentage of CapEX:

- **Calculation of numerator:** sum of the resulting product between the % associated to taxonomic activities with the CapEX values associated with the analyzed companies that have included investments in fixed assets that are related to assets or processes associated to economic activities that fit the taxonomy.
- **Calculation of the denominator:** it has been calculated as the total CapEX of Ferrovial companies within the scope of the analysis, which includes additions to tangible and intangible assets during the year before depreciation, amortization and possible new valuations, including those resulting from revaluations and impairment, corresponding to the relevant year, excluding changes in fair value. Additions to tangible and intangible assets resulting from business combinations are also included. Additions reflected

1 Delegated Regulation (EU) 2021/2139, paragraphs 32, 33 and 36.

2 The list of subsidiaries and associates can be found in Appendix II of the Consolidated Financial Statements.

3 The exercise of assigning the INCN, CapEX and OpEX eligibility percentages has been carried out with the company's closing data as of the third quarter of 2021, extrapolating subsequently to the close of the 2021 financial year, additionally analyzing the eligibility of those variations in perimeter and significant figures that occurred in the last quarter.

in the financial statements in notes 3.2 Intangible assets, 3.3 Investments in infrastructure projects, specifically 3.3.1 Intangible assets, 3.4 Property, plant and equipment and 3.7 Rights of use for leased assets and associated liabilities. Likewise, for the calculation of CapEx, only the costs accounted for in accordance with the International Financial Reporting Standards (IFRS) adopted by Regulation (EC) No. 1126/2008 have been considered:

- IAS 16 Property, plant and equipment, paragraph 73 (e) (i) and (iii);
- IAS 38 Intangible Assets, paragraph 118, letter e), item i);
- IFRS 16 Leases, paragraph 53, letter h).

OpEX percentage:

Article 8(2)(b) of Regulation (EU) 2020/852 limits the calculation of OpEx to non-capitalized direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of property, plant and equipment assets, by the company or a third party to whom activities are outsourced, and that are necessary to ensure the continued effective operation of such assets. Additionally, non-financial companies that apply national GAAP and do not capitalize right-of-use assets will include leasing costs in OpEx.

When operating expenses are not material to the business model of non-financial companies, the standard allows the non-capitalized direct costs referred to above not to be reported, if the lack of materiality of the operating expenses in their business model is analyzed and explained.

Ferrovial has proceeded to the comparative calculation of its total operating costs and "taxonomic" expenses. Of the total total operating costs for 2021 (6,182.6 million euros), the OpEx denominator, as specified in the Regulation, represents 5.5% (342.8 million euros), so it has been considered immaterial for reporting purposes. For the calculation of the OpEx denominator, all direct costs at group level related to the maintenance and repairs of property, plant and equipment as well as short-term leasing costs have been taken into account, however, due to the current limitations of the company's internal accounting, it has not been possible to extract the costs referenced above with direct "other expenses" related to the daily maintenance of property, plant and equipment, therefore they have been excluded from the calculation of the denominator.

The eligibility data for the Ferrovial Group for the 2021 financial year are shown below. It should be noted that due to the progress of the sector positions, implementation guidelines, and the future publication of the rest of the environmental objectives, the assumptions and considerations adopted regarding the interpretation of the criteria that could have an impact on the data presented may change. In this case, Ferrovial will restate the information for 2021 based on the updates that arise.

This first year of Taxonomy reporting is considered a transition year that lays the groundwork for the Ferrovial Group to prepare for eligible and aligned activity during fiscal year 2022.

Classification of Ferrovial's activities according to the Taxonomy	(Net turnover) INCN	CapEx	Ferrovial's activity within the Taxonomy Activity Value Chain
A. - ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY	89.32%	84.57%	
4 - ENERGY:	2.33%	10.45%	
4.1 Electricity generation using solar photovoltaic technology	0.12%	4.66%	• Construction and maintenance of facilities necessary for the generation of electricity from renewable energies
4.2 Electricity generation using concentrated solar power technology	0.00%	0.00%	
4.3 Electricity generation from wind power	0.34%	0.01%	• Construction and operation of electricity transmission lines
4.5 Electricity generation from hydropower	1.51%	0.05%	
4.9 Transmission and distribution of electricity	0.35%	5.65%	• Cogeneration of heat and electricity from biogas produced in wastewater treatment plants
4.15 District heating/cooling distribution	0.00%	0.08%	
4.20 Cogeneration of heat/cold and electricity from bioenergy	0.01%	0.00%	
5 - WATER SUPPLY, SANITATION, WASTE MANAGEMENT AND DECONTAMINATION	8.74%	6.08%	
5.1 Construction, extension and operation of water collection, treatment and supply systems	1.85%	0.00%	• Construction, maintenance and operation of water collection and treatment systems (water treatment and desalination plants), water distribution networks, wastewater collection and treatment systems.
5.2 Renewal of water collection, treatment and supply systems	0.09%	0.00%	
5.3 Construction, extension and operation of wastewater collection and treatment systems	4.09%	0.00%	
5.4 Renewal of wastewater collection and treatment systems	0.01%	0.00%	• Collection and transportation of non-hazardous waste.
5.5 Collection and transport of non-hazardous waste in source segregated fractions	1.93%	6.08%	• Composting of bio-waste
5.8 Composting of bio-waste	0.07%	0.00%	• Valorization of non-hazardous materials
5.9 Valorization of non-hazardous waste materials	0.69%	0.00%	
5.10 Collection and use of landfill gases	0.01%	0.00%	
6 - TRANSPORT	65.86%	67.31%	
6.13 Infrastructure for personal mobility, cycle logistics	0.30%	0.00%	• Construction and maintenance of infrastructures for personal mobility, cycle logistics, rail, road and inland waterway transport, and airport infrastructures.
6.14 Infrastructure for rail transport	14.25%	7.70%	
6.15 Infrastructure enabling low-carbon road and public transport	49.73%	57.01%	
6.16 Infrastructure enabling low-carbon inland waterway transport	0.40%	0.00%	• Operation of road transport infrastructures
6.17 Low-carbon airport infrastructure	1.18%	2.60%	
7 - CONSTRUCTION OF BUILDINGS AND REAL ESTATE DEVELOPMENT	12.13%	0.71%	
7.1 Construction of new buildings	10.32%	0.02%	
7.2 Renovation of existing buildings	1.03%	0.01%	
7.3 Installation, maintenance and repair of energy efficiency equipment	0.62%	0.01%	
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	0.00%	0.00%	• Construction of residential and non-residential buildings
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy efficiency of buildings.	0.13%	0.67%	• Energy services
7.6 Installation, maintenance and repair of renewable energy technologies	0.03%	0.00%	
8 - INFORMATION AND COMMUNICATION	0.26%	0.01%	
8.1 Data processing, hosting and related activities	0.26%	0.01%	• Toll roads collection management through data processing and related activities
9 - ACTIVIDADES PROFESIONALES, CIENTÍFICAS Y TÉCNICAS	0.00%	0.00%	
9.3 Professional services related to the energy efficiency of buildings	0.00%	0.00%	• Energy auditing and consulting services
B. - NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY	10.68%	15.43%	
			• Construction and maintenance related to Natural Gas or Nuclear facilities.
			• Fossil fuel storage buildings
			• Other construction and maintenance activities of non eligible activities
(TOTAL A+B)	100%	100%	