ACS BIODIVERSITY RISK & OPPORTUNITIES ASSESSSMENT APPLICATION OF THE TNFD

July 2025

1. INTRODUCTION

The ACS Group carried out a materiality analysis in 2022, introducing for the first time the concept of dual materiality, identifying on the one hand the issues relevant to the creation of value of the ACS Group, as well as the level of impact that the development of the ACS Group's activity may have on the economy, the environment and people. Within the environmental dimension *Environmental Management and Protection of Biodiversity* was ranked in the top.

During 2024 the dual materiality assessment is being updated. It has been built following a bottom-up approach by integrating individual assessments developed for Hochtief, Dragados, Iridium and Clece, together with the global ACS Group corporate perspective of risk management and sustainability and in coherence with ACS corporate due diligence structure. The new assessment is based on the list of topics and subtopics on biodiversity related issues from the CSRS/ESRS.

Consistently with the findings in 2022, this new assessment ranks biodiversity matters such as: direct impacts on drivers of biodiversity loss; impacts on the extent and condition of ecosystems and impacts and dependencies on ecosystems services, high in the materiality matrix.

Consequently, the ACS Group integrates efficient resource management and environmental protection into its business objectives, operating under the principles of precaution and conservation of the natural environment to minimize the impact of its operations.

ACS understands the Group's activities inevitably give rise to interactions with ecosystems which could alter their initial value. Therefore, as part of the ACS Environmental Policy[1], the Group aims to strike a balance between development and conservation of biodiversity and natural capital and is committed to non-deforestation, focusing especially on the protection of sites of ecological, scenic, scientific or cultural interest, in accordance with the following fundamental principles:

- Considering the initial value of the ecosystems which may be significantly affected by the Group's activities, products and services as well as the impact along the supply chain, including those direct and indirect suppliers where the outsourced activity is critical for biodiversity.
- Evaluating the impact of our activities, products and services on the ecosystems.
- To alleviate the impact on the ecosystems through activities aimed at prevention, reduction, restoration and compensation, especially in those areas that are protected or of high biodiversity value.
- Implementing management plans whose purpose is to preserve or restore biodiversity in those activities or services which have a significant impact on the ecosystems.
- Establishing criteria for non-action, to prevent the development of activities or services in specific areas, on the basis of criteria tied to the intrinsic value, vulnerability, importance or criticality of these areas.
- Strengthening measures to preserve/restore biodiversity in projects in environmentally sensitive areas.
- Preventing deforestation arising from the activity itself, as well as from direct suppliers and those indirect suppliers whose contracted activity is critical to avoid deforestation, through actions focused on compensation, restoration and reforestation, as well as the promotion of the use of certified and recycled wood.

Being aware of the risks regarding ACS dependencies and impacts on biodiversity, the different companies of the Group have been working on identifying and mitigating these risks in both its own operations and supply chain to comply with its commitments towards environmental protection beyond the environmental regulations set in the different jurisdictions they operate.

[1] https://www.grupoacs.com/ficheros_editor/File/05_Compliance/Pol%C3%ADticas/Pol%C3%ADtica%20ambiental_en.pdf

The incorporation of nature-related risks & opportunities into our procurement and risk assessment management systems and our commitment to protecting, conserving and contributing to the restoration of biodiversity require a systemic and scientific based approach to biodiversity matters, formulated in terms of the presently available standards and best practice. Moreover, the recent publication of the Taskforce on Nature-related Financial Disclosures (TNFD) and the new regulatory requirements derived from the EU Corporate Sustainability Reporting Directive have generated the opportunity to achieve ACS goals on this matter.

In this context Hochtief, one of the flagship companies of the ACS Group, prepared and published a first biodiversity risk assessment in 2023, in order to identify the risks and specify appropriate mitigation measures, based on a methodology relying on the World Wildlife Fund (WWF) Biodiversity Risk Filter[2].

In parallel, ACS is working on adopting TNFD as the reference external framework to report and act on evolving nature-related risks. The main steps done by the CS Group during 2024 were:

- In the first half of 2024, as part of its commitment with biodiversity, ACS has developed a pilot project as a first step to assess adopting the LEAP framework. ACS preliminary scanned the ACS potential nature-related dependencies, impacts and risks, the project team has assessed the different sectors, value chains and geographic locations ACS is involved in. Due to the broad range of sectors and geographies, it has been decided to develop a deep dive into the LEAP approach by conducting a pilot test in Dragados in order to be used as a proxy for ACS business sectors, value chains and the diversity of geographic locations of its activities.
- After the pilot case developed for the application of the LEAP approach for assessing ACS biodiversity related risks and opportunities and with the recommendation of the ACS Working Group on Biodiversity & Water, ACS Group has decided to adopt the approach to guide the application of the Group policies on biodiversity.
- Considering the Group size and diversity of projects and geographic span, we have developed a standardized method based on state-of-the-art knowledge and tools to assess projects and sites requiring the application of the LEAP approach and the implementation of biodiversity risk mitigation measures.

In the following points, it is reported in detail on the progress made on this matter during 2024.

2. TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES

The Taskforce on Nature-related Financial Disclosures (TNFD) was established in 2021 in response to the growing need to factor nature into financial and business decisions. Its mission is to develop and deliver a risk management and disclosure framework for organizations to report and act on evolving nature-related risks and opportunities, with the aim of supporting a shift in global financial flows toward nature-positive outcomes. In September 2023 the TNFD was published.

3. THE LEAP APPROACH

To complement the TNFD recommendations, the Taskforce has developed a practical guidance for corporates on how to identify, assess, manage and disclose nature-related dependencies, impacts risks and opportunities. This approach is called LEAP, an acronym representing the four phases of the assessment (Locate, Evaluate, Assess and Prepare). The LEAP approach was published in October 2023, is built on existing high-quality assessment methodologies and tools, and consistent with existing assessment frameworks.

The four phases in the approach include:

- **Locate** your interface with nature

[2] https://riskfilter.org/biodiversity/home

- **Evaluate** your dependencies and impacts on nature
- **Assess** your nature-related risks and opportunities
- **Prepare** to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures

4. THE APPLICATION OF THE LEAP APPROACH IN ACS: A PILOT TEST.

During 2024, as part of its commitment with biodiversity, ACS has developed a pilot project as a first step to assess adopting the LEAP framework. This has been taken as a preliminary step towards the reporting recommendations provided by the TNFD, as well as to comply with the biodiversity reporting obligations set in the CSRD. The application developed at ACS is based on guidance notes published by the TNFD[3,4] and their possible implications for the ESRS 4 on Biodiversity and Ecosystems.

In Figure 1, we show an overall description of the work carried out in this pilot test. In the following the different components of the assessment are explained.

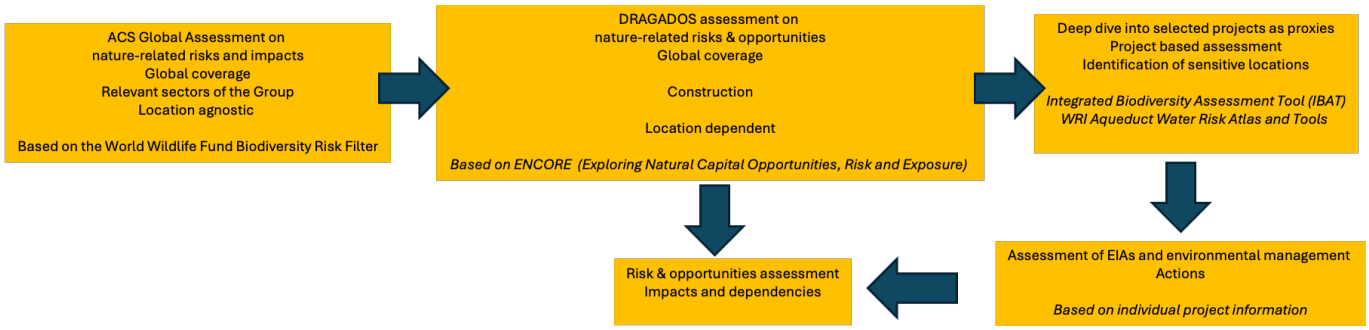


Fig. 1. Overall description of the work carried out in this pilot test

4.1. Scoping the LEAP assessment pilot test

As an internal due diligence process the LEAP assessment at ACS has the support of an internal executive management team lead by the Chief Risk Officer and the Head of Associates, Operations & Sustainability and a dedicated project team. As main working hypothesis it has been decided that the LEAP assessment should help ACS: 1) to inform management decision making about corporate strategy and resilience in the face of nature-related issues and 2) to achieve ACS corporate goals in its biodiversity related policy and 3) support the CSRD reporting obligations on this matter.

Accordingly, the scoping process has been started by conducting a high-level global preliminary scan of ACS Group potential nature-related dependencies, impacts and risks and considering the different sectors, value chains and geographic locations of the Group companies. The risk analysis conducted is based on data in the *World Wildlife Fund Biodiversity Risk Filter*. This tool determines the risks regarding biodiversity and related ecosystem services for specific industries and is aligned with the Taskforce on Nature-related Financial Disclosures. Besides, this high-level preliminary scan is built on the experience developed in the *Biodiversity Risk Assessment* conducted by an international working group for Hochtief, one of the largest companies in ACS, in July 2023.

Tables 1 and 2 summarize the identified biodiversity risks in terms of direct impacts and dependencies. Among the sectors (industries) provided by the tool we have selected those which best reflect the most significant activities that the ACS Group participates in throughout both the supply chain and own

[3] Guidance on the identification and assessment of nature-related issues: The LEAP approach. Version 1.1. 10/2023
[4] Draft sector guidance: Engineering, construction and real estate. June 2024.

operations. The tool provides a general overview of the highest risk factors regarding biodiversity. Risks are categorized according to a 6-point scale:

0 – not applicable for the sector in question
1 – very low dependency/impact
2 – low dependency/impact
3 – medium dependency/impact
4 – high dependency/impact
5 – very high dependency/impact

Table 1. Dependencies related to biodiversity based on BRF

Ecosystem service	Biodiversity risk filter indicator (BRF)	Industry					
		Construction Materials	Land Development & Construction	Metals & Mining	Offices & Professional Services	Oil, Gas & Consumable Fuels	Paper & Forest Product Production
Provisioning services	Water Scarcity	5	3	5	2	4	5
	Forest Productivity and Distance to Markets	4	4	4	0	4	5
	Limited Wild Flora & Fauna Availability	1	2	0	0	0	3
Regulating & supporting services (enabling)	Soil Condition	0	1	0	0	0	5
	Water Condition	2	2	2	2	2	4
	Air Condition	2	3	3	3	3	3
	Ecosystem Condition	0	0	0	0	0	4
	Pollination	0	0	0	0	0	4
Regulating services (mitigating)	Landslides	4	4	4	4	4	5
	Wildfire Hazard	3	3	3	3	3	5
	Plant/Forest/Aquatic Pests and Diseases	0	0	0	0	0	4
	Herbicide Resistance	0	1	0	0	0	4
	Extreme Heat	3	4	4	4	4	5
	Tropical Cyclones	4	4	4	4	4	5

Table 2. Biodiversity impacts

Type of factor	Biodiversity risk filter indicator (BRF)	Industry					
		Construction Materials	Land Development & Construction	Metals & Mining	Offices & Professional Services	Oil, Gas & Consumable Fuels	Paper & Forest Product Production
Pressures on biodiversity	Land Use Change	1	5	5	1	5	5
	Tree Cover Loss	5	5	5	1	5	5
	Invasives	2	2	2	0	2	3
	Pollution	5	5	5	2	5	4
Biodiversity factors and important areas	Protected/Conserved Areas	3	5	5	1	5	5
	Key Biodiversity Areas	2	4	4	1	4	4
	Other Important Delineated Areas	2	4	4	1	4	4
	Ecosystem Condition	2	4	4	1	4	4
	Range Rarity	1	3	3	0	3	3

To summarize, medium to very high dependencies are expected on the topics of:

- Water scarcity
- Forest productivity
- Wild flora and fauna availability (medium)
- Soil, water and air condition, especially for forest products
- Ecosystem condition and pollination for forest products
- Regulating services that mitigate landslides, wildfire hazards, herbicide resistance, extreme heat events and tropical cyclones.

Medium to high impacts on biodiversity are expected on:

- Land use change
- Tree cover loss
- Pollution
- Invasive species
- Ecosystem condition
- Range rarity
- Important areas for biodiversity such as protected and conserved areas and Key Biodiversity Areas.

In addition to the results of the *WWF Biodiversity Risk Filter*, in this preliminary screening ACS acknowledges high dependencies on regulating services that mitigate heavy precipitation, flood risk, and extreme drought, as well as impacts of our operations that can lead to these conditions.

Additional biodiversity risks could arise from reputational risks regarding media scrutiny surrounding biodiversity performance, including a growing demand from consumers and investors to include biodiversity risks and mitigation in corporate strategies.

ACS Group is also subject to regulatory risk regarding new legislation defining biodiversity standards.

This high-level preliminary screening was supposed to be helpful to guide the adoption and implementation of LEAP as a reliable approach for nature-related risks & opportunities in ACS.

After this preliminary scan of ACS potential nature-related dependencies, impacts and risks, the project team has assessed the different sectors, value chains and geographic locations ACS is involved in. Due to the broad range of sectors and geographies, it has been decided to develop a deep dive into the LEAP approach by conducting a pilot test with a limited range and reasonable use of accessible resources. The pilot case is to be used as a good proxy for ACS business sectors, value chains and the diversity of geographic locations of its activities.

Accordingly, the following parameters have been set for the pilot test:

- ACS Company: DRAGADOS
- Sector: Engineering and construction
- Value chain: Direct operations and relevant parts of the value chain
- Baseline year: 2023-2024
- Time horizons for the assessment: the same used in ACS climate risk assessment. Short <5 years; medium <15 years (2030) and long-term (2050)

At this stage resources for scoping are based on external public references and internal information developed by DRAGADOS.

Based on the experience to be gained by the pilot test application the aim is to expand the LEAP approach in the very near future to other Group companies as well as upstream and downstream of all the value chains.

4.2. Locating DRAGADOS interface with nature (L)

According to the above the Locate phase will be applied to DRAGADOS in this pilot test. The objective of this phase is to identify DRAGADOS potentially material sources of nature-related dependencies, risks and opportunities.

L1. Span of the business model and value chain

It has been decided that the span of the assessment will cover direct operations including:

- Strategic planning
- Site selection
- Design and materials selection
- Construction
- Operations, management and maintenance
- Demolition

with the main focused on construction, it being the main activity of DRAGADOS and some specific parts of the value chain (upstream) in order to test the role of the value chain on risks and opportunities.

Since DRAGADOS operates in several countries worldwide the first step to apply the Locate phase has been to identify and map DRAGADOS projects' using an internal asset level dataset.

L2. Dependency and impact screening

Once the sites where direct operations of DRAGADOS are ongoing have been located, the aim of this step is to identify which of them present moderate or high dependencies and impacts on nature. Rather than using the more generic industrial sectors provided by *WWF Biodiversity Risk Filter*, in this pilot test the assessment is based on the ENCORE[5] (Exploring Natural Capital Opportunities, Risk and Exposure)

[5] https://www.encorenature.org/en

potential materiality ratings, formulated in 2024 and shown in the following tables. ENCORE provides a higher granularity when describing the relevant sectors to DRAGADOS.

In the following, Table 3, related to potential dependencies and Table 4, related to potential impacts are presented.

Table 3. Materiality ratings of ecosystem services in the engineering, construction and real estate value chain (based on ENCORE 2024 data)

Ecosystem services functionality		Steam and air conditioning supply	Remediation activities and other waste management services	Building completion and finishing	Construction of buildings	Construction of other civil engineering projects	Construction of roads and railways	Construction of utility projects	Demolition and site preparation	Electrical, plumbing and other construction installation activities	Other specialized construction activities	Real estate activities on a fee or contract basis	Real estate activities with own or leased property	Architectural and engineering activities and related technical consultancy	Specialized design activities
Provisioning services	Other provisioning services	N/A	N/A	N/A	Very low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Biomass provisioning	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Water supply	High	Medium	Low	Medium	Medium	Medium	Medium	Low	Low	Medium	Very low	Very low	Low	Low
	Genetic material	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Regulating & maintenance services	Solid waste remediation	Low	Very high	ND	Very low	ND	ND	ND	ND	ND	Very low	N/A	N/A	N/A	Very low
	Soil and sediment retention	Very low	N/A	Medium	High	High	High	High	Medium	Medium	Medium	Medium	Medium	Medium	Very low
	Water purification	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	N/A	N/A	N/A	N/A
	Soil quality regulation	N/A	ND	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Other regulating and maintenance service	Very low	Medium	N/A	Low	Low	Low	Low	Low	N/A	Very low	N/A	N/A	N/A	N/A
	Biological control	N/A	Very low	ND	ND	ND	ND	ND	ND	ND	ND	N/A	N/A	ND	ND
	Air Filtration	Very low	Very low	N/A	Very low	Very low	Very low	Very low	Very low	Very low	Very low	N/A	N/A	N/A	N/A
	Flood mitigation	Very low	Medium	Medium	Medium	High	High	Medium	Low	Medium	Medium	Very low	Very low	Very low	Very low
	Climate regulation	Very low	ND	ND	Medium	Medium	Medium	Medium	Medium	Very low	Very low	Very low	Very low	Very low	ND
	Nursery population and habitat maintenance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Noise attenuation	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low
	Other regulating and maintenance service	N/A	N/A	ND	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low	Very low

Ecosystem services functionality		Steam and air conditioning supply	Remediation activities and other waste management services	Building completion and finishing	Construction of buildings	Construction of other civil engineering projects	Construction of roads and railways	Construction of utility projects	Demolition and site preparation	Electrical, plumbing and other construction installation activities	Other specialized construction activities	Real estate activities on a fee or contract basis	Real estate activities with own or leased property	Architectural and engineering activities and related technical consultancy	Specialized design activities
Cultural services	Local (micro and meso) climate regulation	Low	ND	ND	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
	Pollination	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Storm mitigation	Very low	Medium	Medium	Medium	High	High	Medium	Low	Medium	Medium	Low	Low	Low	Low
	Water flow regulation	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Low	Medium	Medium	Very low	Very low	Very low	Very low
	Rainfall pattern regulation	Medium	Medium	Very low	Very high	Very high	Very high	Very high	Very high	Very high	Very high	N/A	N/A	N/A	N/A
	Recreation related services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Very high
	Visual amenity services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Very high	Very high	N/A	Very high
	Spiritual, artistic and symbolic services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Very high

N/A= Non-applicable
ND= No data

Table 4. Materiality ratings for impact drivers typically relevant for the engineering, construction and real estate value chain (based on ENCORE 2024 data)

Drivers of nature change	Impact drivers	Steam and air conditioning supply	Remediation activities and other waste management services	Construction of buildings	Construction of other civil engineering projects	Construction of roads, railways	Other specialised construction activities	Building completion and finishing	Construction of utility projects	Demolition and site preparation	Electrical, plumbing and other construction installation activities	Real estate activities on a fee or contract basis	Real estate activities with own or leased property	Architectural and engineering activities and related technical consultancy	Specialised design activities
Land, freshwater and ocean use change	Land ecosystem use	ND	Medium	Low	Low	Low	Low	ND	Low	Low	Low	Low	Low	Medium	Medium
	Freshwater ecosystem use	Very low	ND	Medium	Very high	Medium	Medium	N/A	Very high	Medium	Low	N/A	N/A	N/A	N/A
	Ocean ecosystem use	N/A	ND	Medium	Medium	Medium	Medium	N/A	Medium	Medium	Medium	N/A	N/A	N/A	N/A
Climate change	Greenhouse gas (GHG) emissions	Very high	High	High	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Very low	Very low	Very low	Very low
Pollution/pollution removal	Non-GHG air pollutants	Very high	Medium	Low	Low	Low	Low	Low	Low	Low	Low	Very low	Very low	Very low	Very low
	Emissions of toxic soil and water pollutants	Very low	Medium	High	High	High	High	High	High	High	Medium	Low	Low	Very low	Very low
	Emissions of nutrient soil and water pollutants	N/A	Medium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	ND
	Solid waste	High	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Very low	Very low	Very low	Very low
	Disturbances	N/A	High	Very high	Very high	Very high	Very high	Medium	Very high	Very high	Medium	Low	Low	Very low	Very low
Resource use/replenishment	Water use	Medium	Medium	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Invasive alien species introduction/removal	Introduction of invasive alien species	N/A	Medium	Low	Low	Low	Low	Low	Low	Low	Low	N/A	N/A	N/A	N/A

N/A= Non-applicable
ND= No data

According to ENCORE, each sector's potential dependency on ecosystem services and potential impacts on natural capital assets were assessed, using sector research and expert interviews, to determine materiality, as Very High, High, Medium, Low or Very Low. Materiality ratings allow to determine which ecosystem services might be more critical to production processes, which potential impacts might be of greatest concern, and allows users to understand which areas might be most relevant for further analysis.

In Table 3, to assess the potential importance of the contribution an ecosystem service makes to a production process two aspects were considered: 1) how significant is the loss of functionality in the production processes if the ecosystem service is disrupted and 2) how significant is the financial loss due to the loss of functionality in the production process. A very high materiality rating means that the loss of functionality is severe and that the expected financial impact is severe as well.

In Table 4 to assess the importance of a potential impact of a production process on natural capital, the following three aspects were considered: 1) how frequently might the impact occur; 2) how quickly might the impact start to affect natural capital and 3) how severe might the impact be.

To summarize, considering construction to be the most relevant direct operation of DRAGADOS, the following 5 construction subsectors are considered.

- Construction of buildings (1)
- Construction of other civil engineering projects (2)
- Construction of roads and railways (3)
- Construction of utility projects (4)
- Other specialized construction activities (5)

Based on the information provided in Table 3, the most relevant ecosystem services for DRAGADOS construction activities are the following.

Table 5. Identification and ranking of the most relevant ecosystems services for DRAGADOS construction direct operations

Ecosystem service		(1)	(2)	(3)	(4)	(5)	Ranking
Provisioning services	Water supply	M	M	M	M	M	4
Regulating & maintenance services	Soil & sediment retention	H	H	H	H	M	2
	Water purification	M	M	M	M	M	4
	Flood mitigation	M	H	H	M	M	3
	Climate regulation	M	M	M	M	VL	5
	Storm mitigation	M	H	H	M	M	3
	Water flow regulation	M	M	M	M	M	4
	Rainfall pattern regulation	VH	VH	VH	VH	VH	1

The information provided by Table 5 shows that, at least 5 out of 8, are water-related issues associated to provisioning and regulation, water quality and available resources as well as services provided against extreme events (flood and storm mitigation). All of them are potentially sensitive to climate change or changes in water management and demand. Therefore, they may change for different time horizons.

Accordingly, based on the information provided in Table 4, the most relevant impact drivers for DRAGADOS construction activities are the following.

Table 6. Identification and ranking of the most relevant impact drivers for DRAGADOS construction direct operations

Drivers of nature change	Impact drivers	(1)	(2)	(3)	(4)	(5)	Ranking
Land, freshwater and ocean use change	Land ecosystem use	H	M	VH	M	M	3
	Freshwater ecosystem use	M	VH	M	VH	M	2
	Ocean ecosystem use	M	M	M	M	M	6
Climate change	Greenhouse gas emissions	H	M	M	M	M	5
Pollution/pollution removal	Emissions of toxic soil and water pollutants	H	H	H	H	H	4
	Solid waste	M	M	M	M	M	6
	Disturbances	VH	VH	VH	VH	VH	1

According to Table 6 the dominating impact drivers in DRAGADOS construction activities are linked to pollution and changes in freshwater and land use.

L3. Interface with nature

In order to identify biomes, ecosystems and areas of influences, project location specific information is required. Consequently, in this step we have continued downscaling the assessment to a level of granularity able to deliver the required information. Therefore, in this step we have selected 7 projects which allow us to perform a more comprehensive assessment of potentially material dependencies, impacts, risks and opportunities as well as to identify actions implemented to mitigate impacts on biodiversity at a later stage of our assessment.

The selection is based on criteria able to deliver a set of projects providing sufficient diversity within DRAGADOS activities in terms of: type of construction, geographic location, client attitude towards environmental issues, environmental regulation and ecological sensitivity.

Table 7. Selection of DRAGADOS projects for a higher granularity assessment.

#	Project name	Project type	Short description	Location
1	Isabella Lake Dam	Dam	Dam safety modification project	Lake Isabella, 40 miles northeast of Bakersfield, Kern County, California (USA)
2	Purple Line	Metro (LRT)	Purple Line is a 16-mile light rail line, with a total of 21 stations	From New Carrollton in Prince George's County to Bethesda in Montgomery County, Maryland (USA)
3	EDAR de Los Letrados	Wastewater treatment plant	New wastewater treatment plant for the Municipality of Granadilla de Abona	Granadilla de Abona-Tenerife, Canary Islands (Spain)
4	Eglinton Crosstown LRT	Metro (LRT)	A midtown connection between east and west Toronto will make the trip easier, thanks to the new Eglinton Crosstown LRT. 19 km with 25 stations along the dedicated route	Toronto (Canada)
5	Pearl Harbor Dry Dock Replacement	Dry Dock	The new dry dock will replace the smallest of the four at the Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility at Joint Base Pearl Harbor-Hickam.	Pearl Harbor, Hawaii (USA)
6	EIX DIAGONAL. Modificación 2+1	Highway	C-15 road conditioning over 40 km	From Igualada to Villafranca del Penedés (Barcelona), Spain
7	UTE SECTOR 2	Railway	New Railway Junction. connection 5.5 km	Between Mondragón-Elorrio-Bergara (Guipúzcoa), Spain

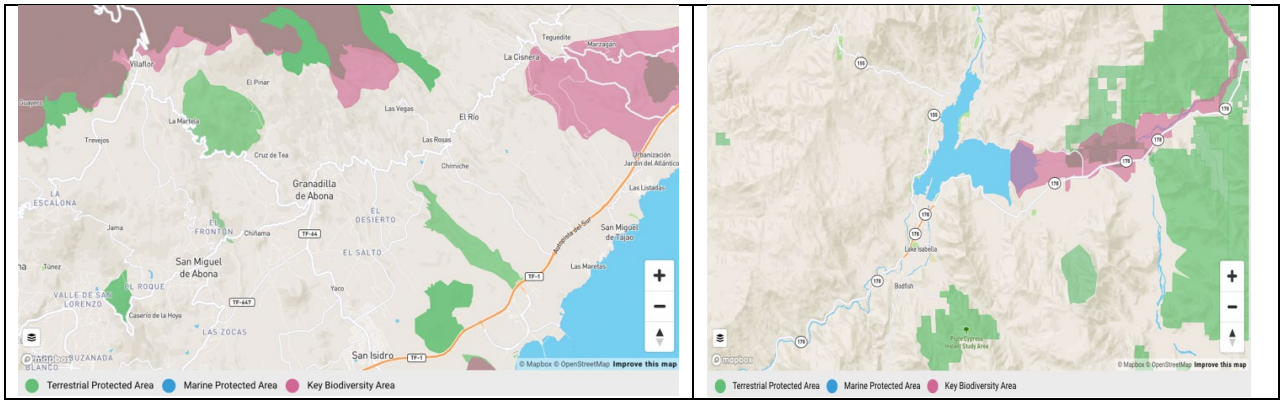
As it can be seen the selection includes railways, highways, LRT, port infrastructures, water treatment plants and dams, i.e. a high diversity within the DRAGADOS construction activities. Besides, locations cover the West and East coast of the US, Canada, two islands in the Pacific and Atlantic and two additional projects in Spain with a Mediterranean and an Atlantic ecosystem.

L4. Interface with sensitive locations

Building on the assessment in L1 to L3, in this step we assess whether DRAGADOS direct operations are located in ecologically sensitive areas. According to TNFD sensitive locations correspond to areas important for biodiversity; areas of high ecosystem integrity; areas of high physical water risk or areas of importance for ecosystem services provision, including benefits to Indigenous Peoples, Local Communities and stakeholder.

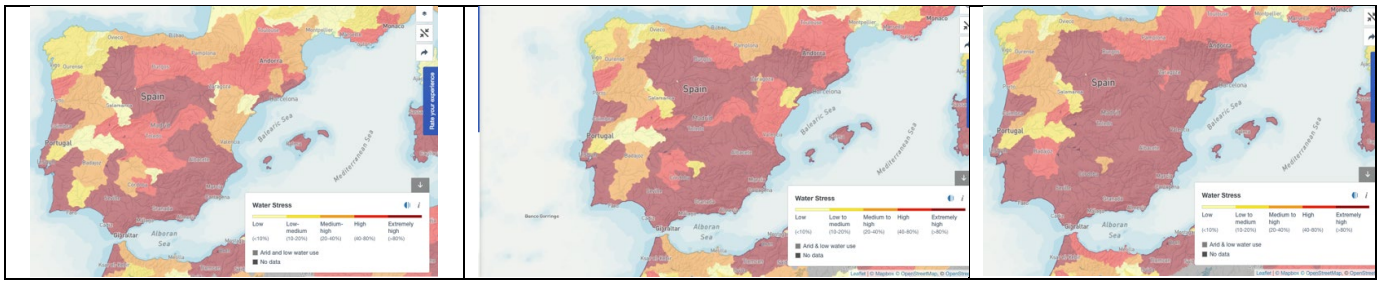
Accordingly, in our pilot test we cross locations identified in L1 with the *Integrated Biodiversity Assessment Tool (IBAT)* which includes *Key Biodiversity Areas*, protected areas and areas important for threatened species. Besides we use the baseline Water Stress indicator provided by *WRI Aqueduct Water Risk Atlas and Tools*.

Fig. 2. Maps showing the overlap between Key Biodiversity Areas and Protected Areas in the area of EDAR de Los Letrados (Spain) and Isabella Lake Dam (USA). (Source: IBAT)



As way of example, Figure 2 shows that the one of the Spanish locations is not within a biodiversity sensitive area whereas the California site is at a location nearby a terrestrial protected area and a Key Biodiversity area.

Fig. 3. Maps showing the water stress indicator (ratio of demand for water by human society/available water) in Spain for the baseline (present), short-term (< 5 years, approx. 2030) and long-term (2050) time horizons. For the future time horizons a business-as-usual case scenario is considered. (Source: Aqueduct: Water Risk Atlas).



Considering the fact that DRAGADOS develops an important part of its construction business in Spain, Figure 3 shows that, already for the baseline, an important part of Spain is under a water stress indicator > 40%. This situation is worsening in the short and long-terms under a business-as-usual scenario with an increasing trend in the geographic surface under a water stress indicator > 80%. This is potentially one of the most relevant drivers of risk for DRAGADOS construction activities in Spain and will be farther explored in this report.

Based on the approach and information provided, a similar assessment on sensitivity locations can be carried out for DRAGADOS projects and for the ACS Group at global scale on an individual project basis.

4.3. Evaluating nature-related dependencies and impacts (E)

The objective of this phase is to develop an understanding of DRAGADOS potentially material dependencies and impacts on nature.

In order to develop a proper methodological approach that can be applied beyond this pilot test and on an individual project basis, the team has decided to work with the environmental information developed for the selected projects.

Focusing on a reduced number of projects allows to collect site-specific granular information already developed for the environmental impact assessments (EIA) and provides the following information:

- Identification of dependencies and impacts (E2)

- Dependency and impact measurement (E3)
- Impact materiality assessment (E4)

Besides, the team has decided to use expert judgement and additional guidelines to provide dependencies and impacts beyond the ones found in the projects when assessing risks and opportunities. Results are the basis for the information presented in next phase, Phase A.

However, and in order to build further on the pilot test, the team has decided to assess one of the main dependencies/impacts found as relevant at the Group level. As has been already explained, water-related issues have been found to be one of the most relevant dependencies and impacts both at the preliminary screening exercise at ACS global level and during the previous Phases of the LEAP application. Therefore, following the LEAP recommendations for step E3, we have carried out a dependency/impact measurement process in order to assess the scale and scope of ACS dependency/impact on water.

4.4. Assessing nature-related risks and opportunities (A)

The main goal of this phase is to understand which nature-related risks and opportunities are material and should be disclosed by ACS. The aim of this pilot test has been setting the ground for this goal.

In this assessment the team has considered both physical and transition nature-related risks following the LEAP recommendations. In this pilot test, systemic risks have been neglected. However, it must be noted that in the following tables we have also included some risks associated to the value chain (supply chain) based on the team internal discussion and the results from the measurement of the water-related impacts/dependencies at ACS Group level, aiming at extending the work beyond direct operations.

The following potential risks have been identified:

Table 9. Risks arising from impacts

#	Risk type	Impact	Description	Time horizon
1	Transition: policy, market, reputational	General	Increased costs associated to the implementation of nature-related risks & opportunities assessments and reporting regulation requests on the matter	Short-term
2	Transition: market, reputational	General	Increased scrutiny surrounding biodiversity performance, including a growing demand from consumers and investors to include biodiversity risks and mitigation in corporate strategies.	Short-term
3	Transition: policy, market, reputational	General	Increased costs associated to monitoring costs to understand and manage impacts over the project life-cycle	Short and medium-term
4	Transition: market	Impacts associated with production of building materials	Increased client requests for reporting on nature-related risks in the supply chain with a particular focus on timber or other source of materials in protected areas.	Short and medium-term
5	Transition: policy, market	Impacts associated with production of building materials	Limits on access to and increased cost of high impact supply chain products, or products from sensitive areas due to additional regulatory requirements or client demands.	Medium and long-term.
6	Transition: policy	Land clearance, habitat fragmentation and degradation	Increased regulation on building design, locations or construction standards, etc. to meet the Global Biodiversity Framework requirements or other targets, restricting ability to clear land for new sites and increasing costs (e.g. required rerouting of infrastructure)	Medium and long-term
7	Transition; reputational	Land clearance, habitat fragmentation and degradation	Negative association of the Group with high degrees of land conversion and habitat degradation lead to reputational impact	Short and medium-term
8	Physical: acute and chronic	Land clearance, habitat fragmentation and degradation	Increased local temperatures; rates and severity of flooding, storm damage and landslides; disruption to access to water resource for construction projects and clients	Short to long-term with severity, frequency increasing in the

				long-term for high emission scenarios
9	Transition: policy	Contaminated soil and water from spills and waste accumulation	Increased pollution remediation and waste disposal requirement; costs of fixing inappropriate waste disposal	Short-term
10	Transition: liability	Contaminated soil and water from spills and waste accumulation	Retrospective litigation for toxification of water or soil as a result of poor management	Short- to long-term
11	Transition: Policy, market	Noise disruption to wildlife	Increased noise monitoring and management costs as regulation and interest increases in limiting impact to nature	Short- to long-term
12	Transition: reputational	Noise disruption to wildlife	Association of the company with poor noise in management leads to a reputational impact with clients	Short and medium-term
13	Transition: policy, market	Depletion of water resources	Increased investment required in water efficiency measures to address demands to reduce water use	Medium and long-term especially under high GHG emission scenarios
14	Transition: policy, market	Disruption to ecosystems due to planting of non-native species on landscaped areas	Potential requirement to have more diverse, local plants, which may increase initial purchase and ongoing maintenance costs, particularly if these plants are less resilient to climate change	Short- to long-term
15	Transition: policy, market	Disruption to ecosystems due to planting of non-native species on landscaped areas	Litigation for clearance costs of invasive alien species, reducing potential revenue from infrastructure construction	Short- to long-term
16	Transition: policy	Contamination of air, water bodies and soil due to congestion, improper sewage treatment and improper disposal of waste	Increase regulation of water pollution increases sewerage prices	Medium to long-term
17	Transition: policy	Depletion of water resources	Areas of water scarcity see increased restriction on water use or competition for the water that is available, pushing up prices	Medium to long-term with increasing risk under high GHG emission scenarios

Table 10. Risks arising from dependencies

#	Risk type	Dependency	Description	Time horizon
1	Physical: chronic	Sourcing of construction materials	Limits on access to and increased cost of high impact supply chain products, or products from habitats associated with threatened species due to faltering ecosystems slowing their production.	Medium- and long-term
2	Physical: chronic	Water supply	Risk of disruption to access to water as the water cycle is disrupted by climate change and other actors' withdrawals, holding up construction.	Medium- and long-term. More severe and with higher probability for high GHG emission scenarios
3	Transition: policy	Land availability	Tighter land protection for at-risk species, including tougher planning rules for sites near endangered species or high-value ecology, limits sites available for development and increases costs.	Medium- and long-term. Especially relevant for business units in ACS dealing with new concessions or infrastructure operation & management

4	Transition: policy	Land availability	Land that was previously banked for future development may now contain protected or threatened species as a result of other changes in the state of nature or reclassification of species, requiring pauses in construction	Medium- to long-term
5	Physical: acute	Protection from floods, storms, landslides and soil erosion	Landslides, storm damage and flooding due to loss of protective ecosystems, both as a result of wider degradation and the company's actions (e.g. habitat conversion, soil sealing).	Short-, medium- and long-term. Increasing risk due to increasing frequency of extreme events under high GHG emission scenarios
6	Physical: chronic	Protection from floods, storms, landslides and soil erosion	Soil erosion undermining foundations of assets as a result of loss of ecosystems that retain the soil, increasing maintenance costs and reducing asset value and usability.	Short-, medium- and long-term
7	Transition: policy, market	Benefits of green and blue space, air quality, noise mitigation and cultural value	Increased costs to fund onsite and offsite revegetation and regeneration or other nearby green or blue urban regeneration due to customer and regulatory demands.	Short-, medium- and long-term
8	Physical: chronic	Water supply	Risk of disruption to access to water as the water cycle is disrupted by climate change and other actors' withdrawals.	Medium- and long-term. More severe and with higher probability for high GHG emission scenarios

Work in progress is the establishment of prioritization criteria for nature-related risks. Criteria will be based, among others, on magnitude, likelihood and vulnerability.

At this point, it is important to highlight that these risks may become material if and only if no risk management measures are implemented.

ACS acknowledges the fact that its relationship with nature is also a source of opportunities. Similarly, as for the work done for risks, based on the previous assessment and internal discussions of the team, the following potential opportunities have been identified:

Table 11. Opportunities arising from impacts

#	Opportunity type	Impact	Description	Time horizon
1	Sustainability performance: Sustainable use of natural resources	General	Increased recognition of biodiversity management strategies and sustainable use of natural resources with impact on sustainability ratings, competitiveness and growing markets and increase positive reputation.	Short- to medium-term
2	Sustainability performance: Sustainable use of natural resources	General	Acceleration in the achievement of biodiversity related goals in ACS policies	Short- term
3	Sustainability performance: Sustainable use of natural resources	General	Increased recognition and implementation of circular economy strategies within ACS	Short- to medium-term
3	Business performance: Products and services	Impacts associated with production of building materials.	Increased demand for properties made with low impact, low toxicity, circular materials.	Short- to medium-term

4	Business performance: Resource efficiency	Impacts associated with production of building materials	Using construction materials more efficiently will lower construction costs and lower the asset's embedded impacts on nature.	Short- to medium-term
5	Sustainability performance: Sustainable use of natural resources	Impacts associated with production of building materials	Increased use of recycled or biodegradable materials	Short- to medium-term
6	Sustainability performance: Sustainable use of natural resources	Impacts associated with production of building materials	Shift in materials away from those associated with the highest impacts on nature and towards those with cultural and nature-related co-benefits.	Medium- to long-term
7	Business performance: Resource efficiency	Depletion of water resources.	Installation of water efficiency measures may save costs.	Short- to long-term
8	Business performance: Markets	Green space creation, improving environmental quality and protection from floods, storms and soil erosion, as well as providing amenity value.	Design, construction and operation of large-scale nature-based solutions or hybrid solutions may become a relevant business opportunity	Short- to medium-term
9	Sustainability performance: Ecosystem protection, restoration and regeneration	Soil decontamination to enable building.	Rehabilitating sites, removing waste and pollution so that the site is safe for development and also providing benefits to the surrounding environment.	Short- to long-term

Table 12. Opportunities arising from dependencies

#	Opportunity type	Dependency	Description	Time horizon
1	Business performance: Resource efficiency	Water supply	Installation of water efficiency measures may save costs.	Short- to long-term
2	Business performance: Products and services.	Protection from floods, storms, landslides and soil erosion	ACS may develop new products and services integrating nature and ecosystem services to – at least in part – substitute for grey infrastructure, for example for flood and storm protection and prevention of soil erosion	Short- to long-term

The potential materiality of these opportunities, the definition of prioritization criteria and the assessment of the associated efforts and needs for their implementation is currently ongoing. Prioritization criteria for opportunities will follow the same approach as for risks.

4.5. Preparing to respond (P)

Once the Locate, Evaluate and Assess phases have been completed, the project team has been working on the identification of ACS current policies and practices to address biodiversity-related impacts, dependencies and risks.

ACS response is founded on three essential pillars: 1) the ACS Environmental Policy as explained in the introduction of this document and the associated management protocols; 2) a strict compliance with the different jurisdictional environmental regulations where the Group is operating and beyond and 3) a long-lasting experience and evidence of successful management of biodiversity related matters.

ACS general principles for response follow the mitigation hierarchy, including four types of actions that should be followed sequentially in all our projects, namely, avoid, reduce, regenerate and restore.

Environmental Impact Assessments (EIAs), Environmental Management or Monitoring plans, which are part of our projects are the main tools to carry out an extensive assessment of how our projects interact with the environment and do include the necessary measures to reduce the impact of our activities on biodiversity. Besides we rely on our certified environmental management systems.

The assessment of the environmental documentation, publicly available, provided for the 7 projects shown in Table 7, provide evidence that ACS is dealing with this topic with responsible environmental stewardship. This work relies on the highly experience environmental teams of the ACS group and the continuous collaboration with external consultants and specialized companies. Additionally, it must be said that ACS invests in the training of its employees in sustainability related matters and develops awareness initiatives on biodiversity conservation and management through the ACS Foundation.

Furthermore, to provide some additional evidence, in an Annex to this assessment, a series of ACS responses at group level and project level are presented.

Finally, it has to be highlighted that, based on the LEAP recommendations, the ACS team is already working on improving the integration of nature-related risk and opportunities into the existing General Risk Management and Control policy, as well as into the Comprehensive Risk Management Control System by the implementation of a fully standardize approach

The Comprehensive Risk Control and Management System covers all types of risks that may threaten the fulfillment of the objectives of the organization and of the Group's companies. ACS has founded this system on a range of strategic and operational actions to mitigate risks and fulfil the objectives set by the Board. Therefore, it is the Group main risk management instrument in which nature-related risks are to be included.

The necessary adjustments, including the definition of appropriate assessment metrics or the internal collaboration to develop centralized nature-related datasets that fit into the current system are ongoing.

The full Integration of nature-related risk and opportunities will constitute the fourth pillar of ACS response to our interactions with biodiversity.

5. MAIN CONCLUSIONS ON DRAGADOS PILOT PROJECT

- As part of its commitment with biodiversity ACS has developed a pilot project that shows that the LEAP framework can be applicable at Group level. The pilot test developed at ACS is based on guidance notes published by the TNFD and is similar to the work developed by the framework early adopters.

- The assessment carried out downscales from an initial screening assessment developed at ACS Group global scale, to the direct operations and selected value chain components in construction of one of the Group companies, DRAGADOS. Finally, it tackles the individual project scale for a number of selected projects considered to be proxies of the main Group activities.

- The pilot project shows that the approach, tools and data used are robust to standardize biodiversity risk & opportunities materiality assessment within ACS and sets the ground to upscale this granular assessment at Group scale.

- Results confirm that risks and opportunities may arise for ACS from nature-related dependencies and impacts.

- The materiality is highly dependent on location and type of activity as well as on the time horizon of the assessment.

- The main nature-related risks & opportunities with potential materiality have been presented in Tables 9 to 12.

- However, the work conducted has also pointed out that, at least, at the short and medium-term time horizons, ACS has a high resilience against biodiversity related risks. This is thanks to a combination of: 1) our environmental policy, 2) the mitigation hierarchy framework that we apply to avoid, minimize, restore and offset the negative impacts on biodiversity and ecosystems within our activities, 3) our commitment to comply with the strict environmental regulations that apply in the jurisdictions where our activities take place and 4) our certified environmental management systems.

- Furthermore, the implementation of a fully standardize approach to assess nature-related risks and opportunities, as part of our General Risk Management and Control policy, as well as into the Comprehensive Risk Management Control System will improve our responsible management of biodiversity matters and improve our resilience against unexpected, residual or long-term biodiversity related risks. It will also help us to an early identification of material opportunities for our Group.

- As explained in the following ponint, during 2024 and 2025 ACS has continue developingfurther assessment in order to include other Group companies as well as value chains. The progressive integration of biodiversity risks within our Group's risk management systems will continue together with the development of systematic data collection for nature-related risk & opportunities assessment and the training of our environmental teams on the matter.

6. 2025 ACS GROUP BIODIVERSITY RISK ASSESSMENT UPGRADE

Building on:
o The 2022 biodiversity risk assessment developed by HOCHTIEF Group
o The 2024 double materiality analysis of ACS Group and HOCHTIEF Group
o The 2024 ACS Biodiversity Risk Assessment based on a pilot case for Dragados as a first step towards the adaptation of the LEAP approach as recommended by the TNFD framework

After the assessment of the latter, the ACS Working Group on Biodiversity & Water has concluded adoption of the LEAP approach is advisable, as it is the best approach to assess ACS Group biodiversity related matters. It fulfills the highest actual standards and is the one recommended by the TNFD. The approach addresses risks from an environmental impact perspective, as well as corporate risks (financial, regulatory and reputational).

As a next step and considering the large number and diversity of companies, activities, geographic span and complexity of their value chains, we have developed a multitier screening method for the selection of projects and sites where a full LEAP approach is to be developed due to its relevance for biodiversity related matters, with regard to environmental impacts from corporate operations, as well as corporate impacts imposed by environmental risks.

Below we are providing the description of this method.

- The so-called ACS Group Composite LEAP Process relies on an organized, step-by-step process and how to screen, assess and manage biodiversity risks across projects. The approach makes use of the combination of well-accepted tools such as ENCORE or the WWF Biodiversity Risk Filter (BRF) and others, with Environmental Assessment Reports or Biodiversity Management Plans for selected projects.

This approach has several benefits:

- It allows to narrow down a broad portfolio of projects through increasingly detailed analysis to focus only on those with the greatest biodiversity risk or opportunities.
- It allows a quick pre-screening of new projects.
- Incorporating tools such as ENCORE and BRF ensures that ecosystem services and biodiversity risk data remain consistent across all projects, supporting a coherent assessment while EIA information provides the necessary level of granularity and knowledge to guarantee appropriate biodiversity management plans implementation.
- Finally, this multitier screening approach is consistent with the approach followed by ACS for other environmental subjects such as climate and water.

6.1. The ACS Group composite LEAP process for biodiversity risk assessment and management

Summary
The approach is applied to the full portfolio of projects developed by ACS Group and it consists of the following steps.

1. Screening (Steps 1–3): The initial steps (1–3) focus on narrowing down the project list based on impact potential, geographic sensitivity, and ecosystem service dependencies. These steps help identify which projects are most likely to pose high biodiversity risks.
2. Composite Scoring (Step 4): By calculating the Composite Biodiversity Risk Score, projects are ranked by overall risk. This enables efficient prioritization, ensuring that the most impactful projects are addressed first.
3. Full LEAP Assessment (Step 5): For high-risk biodiversity related projects, the full LEAP process is applied, from establishing a detailed baseline (Locate) to impact assessment (Evaluate), risk prioritization and mitigation (Assess), and the development of a Biodiversity Management Plan (Prepare). Continuous monitoring and adaptive management ensure biodiversity protection throughout the project lifecycle.

This structured approach enables effective biodiversity management, ensuring that high-risk biodiversity related projects are prioritized for thorough assessment and mitigation, while moderate-risk biodiversity-based projects receive proportionate measures.

Step	Objective	Key Actions	KPIs	Expected outcome
Step 1: Project type and activity-based screening	Filter projects based on inherent impact potential	Classify ACS Group projects by type and scale, assign project type impact score based on activity level	Project Type Impact Score (1-5): score based on impact type, size and intensity	Initial list of high-impact projects, excluding low-impact activities
Step 2: Geographic biodiversity sensitivity screening	Identify high-impact projects in biodiversity sensitive areas	Assess proximity to sensitive areas including areas key biodiversity areas, of high ecosystem integrity, habitat rarity or endangered species presence	Proximity Score (1-3), Habitat Sensitivity Score (1-5), Endangered Species Presences Score (1-3)	Refined list of projects near or within sensitive areas or critical habitats
Step 3: Ecosystems service dependency screening	Assess dependency on critical ecosystem services	Evaluate dependencies on ecosystem services like provisioning, regulating & maintenance services connected to ACS Group activities	Water Dependency Score (1-3), Soil Stability Score (1-3), Air Quality Score (1-3)	Prioritized projects with high ecosystem service dependency
Step 4: Composite Biodiversity Risk Score	Integrate all risk factors into a single risk score	Calculate a weighted score combining impact, sensitivity and dependency scores	Composite Biodiversity Risk Score (1-5): weighted average over previous scores	Ranked list of projects by overall biodiversity risk
Step 5: LEAP assessment	Conduct a comprehensive biodiversity risk assessment for high-risk biodiversity related projects	Perform Locate, Evaluate, Assess and Prepare (LEAP) steps according to the TNFD recommendations for the high-risk biodiversity projects	Each phase has its own KPIs	Detailed BMP with monitoring and adaptive management for biodiversity protection

TABLE 1. Summary Table of the ACS Group Composite LEAP process for biodiversity risk assessment and management

3. Detailed description of the process

Step 1: Project Type and Activity-Based Screening

Objective:
Quickly filter out low-impact projects by assessing the nature, scale, and intensity of each project's activities. We'll focus on factors like land disturbance, resource use, and pollution potential—key elements that directly affect biodiversity.

This step is location agnostic.

Key Elements to Consider and Quantitative KPIs

1. Project Size and corresponding Land Use Change & Soil Sealing
    - Description: Larger projects may typically require more land, leading to greater habitat disruption, species displacement, and fragmentation.
    - KPI: Land Disturbance Score
        - Calculation:

- 5 – Very large projects (e.g., dams, highways, open-pit mines) requiring more than 100 hectares.
- 4 – Large projects (e.g., urban developments, large industrial plants) requiring 50–100 hectares.
- 3 – Medium projects (e.g., small commercial centers) requiring 10–50 hectares.
- 2 – Small projects (e.g., residential buildings) requiring 1–10 hectares.
- 1 – Minimal land use (e.g., temporary structures, maintenance work) with <1 hectare.

New Scoring Criteria
Greenfield Projects

Greenfield projects typically result in higher ecological impact due to their disruption of natural habitats.

5 – Very large projects: Require more than 100 hectares (e.g., dams, highways, open-pit mines).
4 – Large projects: Require 50–100 hectares (e.g., urban developments, large industrial plants).
3 – Medium projects: Require 10–50 hectares (e.g., small commercial centers).
2 – Small projects: Require 1–10 hectares (e.g., residential buildings).
1 – Minimal land use: Require less than 1 hectare (e.g., temporary structures, maintenance work).

Brownfield Projects

Brownfield projects are less disruptive as they repurpose previously developed land, leading to lower scores:

4 – Very large projects: Require more than 100 hectares (e.g., massive redevelopment of industrial sites).
3 – Large projects: Require 50–100 hectares (e.g., redevelopment of old factories into industrial parks).
2 – Medium projects: Require 10–50 hectares (e.g., retail parks on former warehouse land).
1 – Small projects: Require 1–10 hectares (e.g., residential infill).
0 – Minimal land use: Require less than 1 hectare (e.g., remediation of small contaminated areas)

2. Type of Activity and Intensity of Resource Use and corresponding contribution to Climate Change and direct Exploitation
   - Description: ACS Group projects' activities vary in their resource consumption and impact. Activities with high demands on resources like water, minerals, and soil stability may have greater biodiversity implications including the potential risk of introducing invasive species due to transportation or deforestation through the supply chain.
   - KPI: Resource Intensity Score
     - Calculation:
       - 5 – High-intensity mining (e.g., open-pit, extensive use of water and chemicals).
       - 4 – Heavy construction (e.g., infrastructure projects, dams).
       - 3 – Moderate resource use (e.g., urban construction, underground mining).
       - 2 – Low resource use (e.g., small residential or commercial buildings).
       - 1 – Minimal resource use (e.g., temporary structures).

<u>3.Waste Generation Potential and corresponding potential Pollution and Climate Change contributions</u>

   - Description: Projects with high emissions, sediment release or accidental spills, dust, noise, or waste generation have an increased risk of biodiversity impact, particularly affecting local species and air/water quality.
   - KPI: Pollution and Waste Score
     - Calculation:
       - 5 – Projects generating substantial GHG emissions, pollution/waste (e.g., chemical use, blasting).
       - 4 – Projects with high emissions, waste output (e.g., concrete plants, large construction sites).
       - 3 – Moderate emissions, pollution (e.g., smaller construction sites with dust and noise).

- 2 – Low emissions, pollution (e.g., minor renovation or maintenance work).
- 1 – Minimal emissions, pollution (e.g., temporary installations).

4.Duration and Temporal Scale of the Project

- Description: Longer project timelines increase the duration of biodiversity disturbance, allowing less time for ecosystem recovery.
- KPI: Project Duration Score
  - Calculation:
    - 5 – Projects lasting more than 10 years (e.g., large infrastructure or mining operations).
    - 4 – Projects lasting 5–10 years (e.g., major construction).
    - 3 – Projects lasting 2–5 years.
    - 2 – Projects lasting 6 months to 2 years.
    - 1 – Short-term projects (<6 months).

5.Proximity to Water Bodies or Ecologically Sensitive Zones (Indirect Screening)

- Description: Although geographic sensitivity is analyzed in Step 2, consider proximity to water bodies or sensitive zones here as a preliminary screen for potential high-impact projects.
- KPI: Preliminary Sensitivity Score
  - Calculation:
    - 3 – Located within 1 km of rivers, wetlands, or ecologically sensitive zones.
    - 2 – Located 1–5 km from these areas.
    - 1 – Located more than 5 km away.

Step 1: Combined Impact Score

Description: After assigning scores for each element above, we calculate a Combined Impact Score to identify projects with the highest biodiversity impact potential.

Weights Justification:

- Land Disturbance and Resource Intensity are weighted higher (30% each) due to their strong influence on biodiversity impacts.
- Pollution and Waste is weighted at 20% since it has a considerable effect, especially on species health.
- Project Duration and Preliminary Sensitivity have lower weights (10% each) but provide context for potential long-term and sensitive location impacts.

Selection Threshold:

Projects with a Combined Impact Score ≥ 3.5 are shortlisted for Step 2, Geographic Sensitivity Screening.

Step 2: Geographic Biodiversity Sensitivity Screening

1. Proximity to Protected or Biodiversity-Sensitive Areas (name consistency or differences with previous one)

- Description: Projects close to protected areas or critical habitats (e.g., national parks, Key Biodiversity Areas, biodiversity hotspots) pose a higher risk to biodiversity.
- Datasets:
  - World Database on Protected Areas (WDPA) for globally recognized protected areas.
  - Key Biodiversity Areas (KBA) Database for critical species habitats.
  - Biodiversity Hotspot Data from Conservation International or other regional biodiversity datasets.
  - Integrated Biodiversity Tool (IBAT)
- KPIs:
  - Proximity to Protected Area Score
    - Calculation:

        - 3 – Project within 1 km of a protected area or KBA.
        - 2 – Project within 1–5 km of a protected area or KBA.
        - 1 – Project more than 5 km away.

2. Habitat Sensitivity and Rarity
    - Description: Projects located in or near rare or highly sensitive habitats (e.g., wetlands, primary forests, coral reefs) can have a significant impact on local biodiversity and local species population.
    - Datasets:
        - Global Habitat Data (e.g., WWF Ecoregions) for habitat types.
        - Wetlands and Forest Cover Data from national or international sources.
        - Regional and local data sets
    - KPIs:
        - Habitat Sensitivity Score
            - Calculation:
                - 5 – Project in a unique or highly sensitive habitat (e.g., wetlands, old-growth forests).
                - 4 – Project near moderately sensitive habitat (e.g., secondary forests, grasslands).
                - 3 – Project in or near common habitats with lower sensitivity (e.g., scrublands, mixed-use areas).
                - 2 – Urbanized or disturbed land with limited biodiversity value.
                - 1 – Urbanized or disturbed land with negligible biodiversity value.

3. Presence of Threatened or Endangered Species
    - Description: The presence of threatened or endangered species near a project site increases the risk to biodiversity and potential extinction of local species and may require more stringent mitigation measures.
    - Datasets:
        - IUCN Red List for species conservation status.
        - Global Biodiversity Information Facility (GBIF) for species occurrence data.
        - Integrated Biodiversity Tool (IBAT)
        - National and regional data sets
    - KPIs:
        - Species Presence Score
            - Calculation:
                - 3 – Presence of critically endangered or endangered species.
                - 2 – Presence of vulnerable or near-threatened species.
                - 1 – Presence of least-concern species or no sensitive species recorded.

<u>Step 2: Combined Geographic Sensitivity Score</u>

- Description: A composite score combining proximity to sensitive areas, habitat sensitivity and endangered species presence. This score helps rank projects based on its geographic location with respect biodiversity sensitive areas
- Weight Justification:
    - Habitat Sensitivity (50%) and Proximity (25%) are weighted higher due to their strong influence on biodiversity risks.
    - Endangered Species Presence (25%) is also important, especially for threatened species

Selection Threshold:
- Projects with a Combined Impact Score ≥ 2 are shortlisted for Step 2, Geographic Sensitivity Screening
- Projects with ≥ 25% inside a biodiversity sensitive area are automatically shortlisted for Step 2.

Step 3: Ecosystem Service Dependency Screening

- Description: Projects that rely on and may impact ecosystem services, such as water supply, soil stability, air quality regulation and flooding, pose a higher risk if these services are disrupted.
- Datasets:
  - ENCORE Database for ecosystem service dependencies across different project types
  - WRI Aqueduct Tool
- KPIs:
- Water Dependency Score
  Description: Many construction and mining projects are highly water-dependent for activities like dust suppression, concrete production, ore processing, and sanitation.
  - Calculation:
    - 4 – Very high water dependency (e.g., construction projects needing dust suppression, concrete production).
    - 3 – High water dependency (e.g., urban development).
    - 2 – Moderate water dependency. (e.g., small construction projects)
    - 1 – Low or negligible water dependency (e.g.,low-impact or temporary structures)

- Soil Stability Dependency Score
  Description: Construction and mining often disturb soil, increasing erosion risk and affecting nearby ecosystems. Stable soil is essential for project and ecological integrity, especially in hilly or erosion-prone areas.
  - Calculation:
  - 3 – High dependency on stable soils (e.g., projects on slopes or erosion-prone areas).
    - 2 – Moderate dependency (e.g., projects with minor grading).
    - 1 – Low dependency (flat, stable areas).

- Air Quality Dependency Score
  Description: Dust, emissions, and particulate matter from construction and mining affect local air quality. Maintaining healthy vegetation around project sites helps regulate air quality.
    - Calculation:
      - 3 – High dependency on air quality regulation (e.g., activities with high dust or emissions).
      - 2 – Moderate dependency. (e.g., activities with moderate dust or emissions)
      - 1 – Low dependency (e.g., low-emission projects).

- Flood Regulation Dependency Score
  Description: Projects in flood-prone areas depend on natural flood regulation provided by wetlands, riparian zones, and vegetation. Loss of these features can increase flood risks.
    - Calculation:
      - 3 – High flood regulation dependency (e.g., projects in flood-prone areas (i.e.based on return periods in local regulations) .
      - 2 – Moderate dependency.
      - 1 – Low dependency (e.g., projects in non-flood zones).

Step 3: Ecosystem Services Dependency Score

- Description: This score aggregates dependency levels, highlighting projects that are most at risk if ecosystem services are compromised.

Weight Justification:

- Water Dependency has the highest weight (40%) due to its critical importance in construction and mining operations as well as on nearby communities and ecosystems.
- Soil Stability, Air Quality and Flood Regulation are weighted at 20% each, reflecting their importance in maintaining project integrity and health.

Selection Threshold:
Projects with an Overall Ecosystem Service Dependency Score ≥ 2.5 should be prioritized for further analysis, as they have a high dependency on ecosystem services that, if disrupted, could have major operational and biodiversity implications.

Step 4: Composite Biodiversity Risk Score

- Description: Integrate the findings from Steps 1 through 3 into a single score that quantifies the overall biodiversity risk associated with each project. This score will enable the ACS Group to objectively rank projects, focusing attention and resources on those with the highest combined risks.

- KPIs:
    - Composite Biodiversity Risk Score

    The Composite Biodiversity Risk Score is calculated by combining the following scores:
    1. Project Type Impact Score (from Step 1)
    2. Geographic Sensitivity Score (from Step 2)
    3. Ecosystem Services Dependency Score (from Step 3)
- Weights Justification
    - Project Type Impact Score: 40%
    - Geographic Sensitivity Score: 30%
    - Ecosystem Service Dependency Score: 30%

- Project Type Impact Score has the highest weight (40%) because the nature and scale of project activities (e.g., large-scale construction, open-pit mining) are often the primary drivers of biodiversity impact.
- Geographic Sensitivity Score is weighted at 30% to reflect the significance of the project's location within or near biodiversity-sensitive areas, which increases the risk to ecosystems and species.
- Ecosystem Service Dependency Score also receives a 30% weight, as projects that heavily rely on ecosystem services (e.g., water supply, soil stability) pose higher biodiversity risks if these services are compromised.

Each component score should be normalized to a scale from 1 to 5 before applying the weights, ensuring consistency across the calculation.

Interpretation of the Composite Biodiversity Risk Score
Once calculated, the Composite Biodiversity Risk Score provides a clear metric for comparing projects. The higher the score, the greater the biodiversity risk. ACS Group can categorize projects based on score ranges to prioritize those that require immediate attention.
Score Ranges:
- High Risk (≥ 4.0): Projects with high biodiversity impact potential. Prioritize these projects for a LEAP assessments and contribute to biodiversity management in the areas under our control.
- Moderate Risk (3.0 – 3.9): Projects with moderate biodiversity risk. These projects should be further evaluated, with targeted assessments as needed.
- Low Risk (< 3.0): Projects with lower biodiversity risks. These may require basic monitoring and low-intensity biodiversity management.

Advantages of Using a Composite Biodiversity Risk Score
1. Comprehensive Risk Assessment: The composite score incorporates multiple dimensions of biodiversity risk, providing a holistic view of each project's impact potential.
2. Objective Prioritization: By standardizing scores and weighting key factors, ACS Group can objectively rank projects, ensuring that resources are focused on the highest-risk projects.

3. Targeted Biodiversity Management: The scoring system allows ACS Group to customize management efforts based on the level of risk, from rigorous LEAP assessments for high-risk projects to lighter monitoring for lower-risk ones.
4. Data-Driven Decision-Making: With a quantifiable risk score, ACS Group can make data-driven decisions about biodiversity management priorities.

Step 5: Full LEAP Assessment

This step involves a detailed evaluation of high-risk projects identified through the Composite Biodiversity Risk Score. The LEAP (Locate, Evaluate, Assess, Prepare) approach provides a structured framework to thoroughly assess and mitigate biodiversity risks.

The LEAP assessment will be developed according to the pilot case developed in “ACS Biodiversity Risk & Opportunities Assessment Application of the TNFD” and will rely on the Environmental Impact Assessments developed for each of the projects.

ANNEX: SAMPLE CASES OF ACS RESPONSES TO BIODIVERSITY-RELATED IMPACTS, DEPENDENCIES AND RISKS.

A. RESPONSES TO WATER-RELATED IMPACTS/DEPENDENCIES

ACS acknowledges the need to reduce consumption of this natural resource, especially in areas under water stress. Since the beginning of 2019, the ACS Group has been monitoring water consumption corresponding to water stress areas, accounting for 1,157,921 m^3 of the total water consumption in these areas in 2023. Following the commitment set out in our 2025 Master Sustainability Plan, progress toward developing a method for calculating the water footprint is one of the commitments and pillars of the ACS Group's strategy for reducing water consumption and conserving water. Thus, in 2023, Group companies representing 84.8% of the Group's sales have an established method for calculating their water footprint, in accordance with the objectives of the Master Sustainability Plan. The ACS Group thus has adequate measurement systems (at the project, company and corporate levels), allowing detailed knowledge of the main sources of consumption.

This information makes it possible to develop the most suitable efficiency measures in each case. In 2023, the different ACS Group companies continued to apply measures aimed at reducing water consumption. Thus, for example, at Hochtief (76.8% of the ACS Group's total water consumption), following the criteria established in the ACS Group's Sustainability Policy, the "HOCHTIEF commitment to water conservation" was approved and published in 2023, which establishes homogeneous and binding definitions of water-related indicators and enables both the operating companies and Hochtief's partners to understand and implement plans to achieve its water-related commitments.

At the project level, the greatest water consumption comes from dust suppression, levelling and soil compaction procedures, and from processing natural resources in plants, which is why many of the consumption reduction initiatives undertaken focus on these areas.

By way of example, in 2023, for the purpose of water reduction in a data center built in the United States, Turner's team collected rainwater and used it in a retention pond to suppress dust, saving more than 1.1 million liters of water on this project alone. In Canada, Clark Builders reduced the dust generated on a construction site by stabilizing the soil with vegetation. For further dust suppression a rainwater harvesting system was used, as the project is located in a water stressed area. The project team also avoided using water for levelling and compaction.

It should also be noted that the ACS Group also performs exhaustive control on the quality of the water discharged into the environment, in order to ensure that the discharges do not have significant effects on the environment and always complies with the provisions in local legislation in this matter.

B. REPONSES TO IMPACTS ON BIODIVERSITY

In 2023, ACS carried out numerous projects in relation to biodiversity conservation, such as:

- In Turner's IAD11 project in Virginia, a habitat management plan for eagles was implemented for the duration of the project. The package provides for a mandatory protection radius of 330 feet around the eagles' nest and blasting restrictions for six months before and during the breeding season to protect the animals' natural habitat.
- Turner team in Toronto set about preserving and restoring forests along the Credit River in Mississauga as part of the @yourriverwood initiative. Together, the employees removed 113 kg of invasive plant species that pose a threat to the native flora and fauna. The employees also planted a variety of wildflowers, shrubs and trees.
- DRAGADOS, together with its Joint Venture partner Hawaiian Dredging, is implementing several measures to protect biological diversity and resources in the Pearl Harbour Dry Dock 3 Replacement project.

In the case of marine biological resources, three types of monitoring are envisaged that will protect or benefit Hawaiian monk seals (HMS), green sea turtles and hawksbill turtles (species listed under the US Protected Species Act (ESA)):

1. Qualified personnel must identify ESA-listed species in close proximity to construction activities that transmit sound in water (pile driving, pile extraction, dredging and marine lane preparation and demolition), and notify the construction team when work needs to stop and when work can resume after a stoppage.
2. Specialized observers on vessels transiting the port must look for ESA-listed species approaching the vessel, and instruct the vessel's commander to stop or slow down to reduce the risk of collision; and
3. Use of a bubble curtain to control underwater sound levels during pile driving.

In addition, the project is sampling the work area to identify areas where birds or bats may nest or roost, to avoid future impacts on these species.

DRAGADOS also uses best management practices to protect Hawaii's pristine waters during construction, maintaining a very high level of water quality. Different tools, such as anti-sediment barriers and improved "BioSocks", wind barriers, and adhesive polymers, are used to minimize erosion and sediment loss during the onshore construction. In addition, turbidity curtains are being used to isolate the work areas during construction work in the water and are continuously monitored to ensure that the water quality is maintained during construction. DRAGADOS will stop the works and/or implement appropriate corrective actions if the water quality is at risk of being affected beyond the permitted parameters.