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Risks





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RISKS

# Prepared for uncertainty

Effective risk management enables the company not only to detect and manage risks that threaten the achievement of its business objectives, but also to identify and leverage competitive advantages.

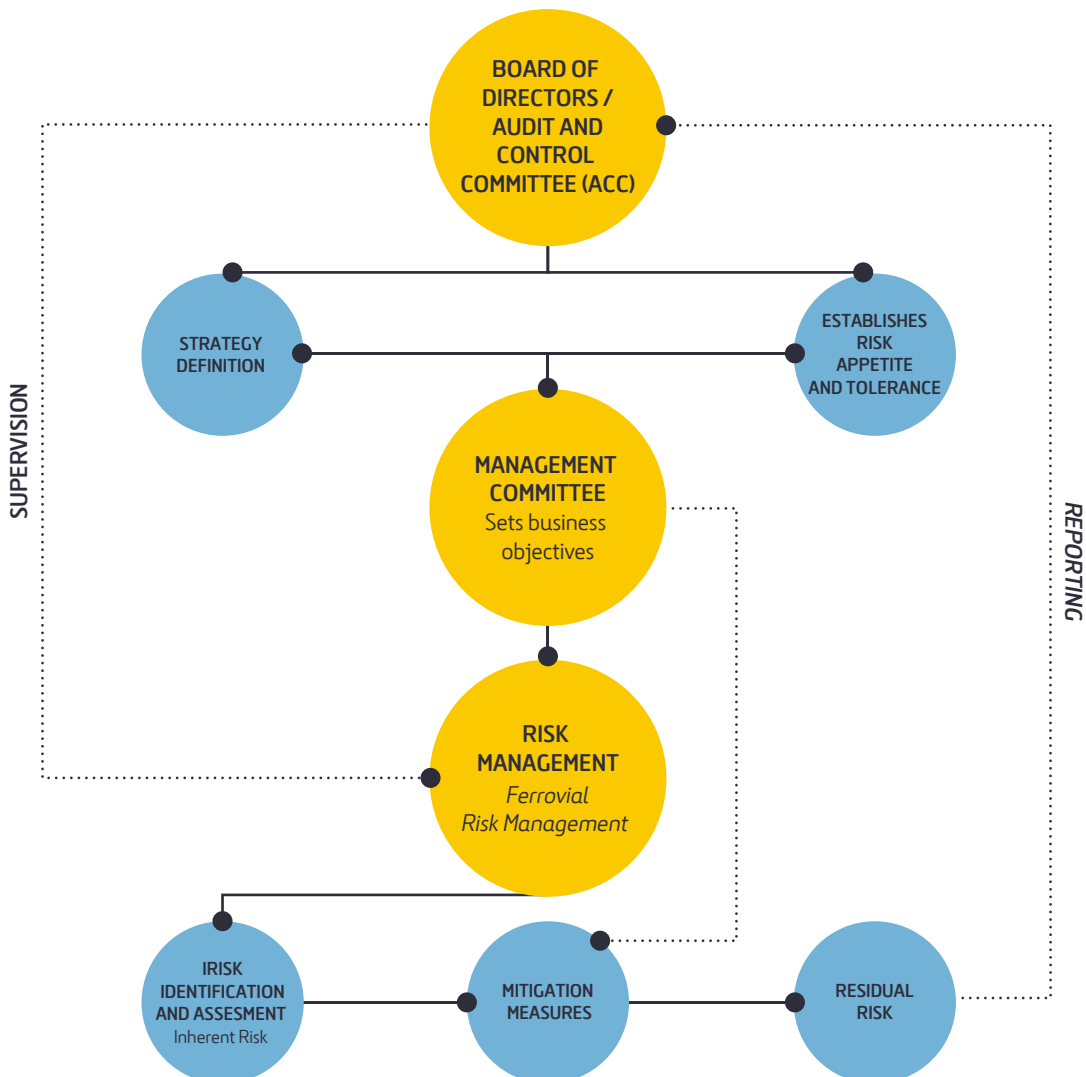
The Risk Control and Management Policy, approved by the Board of Directors, establishes the general framework for the control and management of risks of various kinds that the management team may encounter in the pursuit of business objectives, as well as the acceptable risk and the level of tolerance per risk factor. The Board establishes and periodically reviews the risk appetite.

Through the application of common metrics, the process allows to identify risk events in advance and assess them in terms of their probability of occurrence and their potential impact on business objectives, including corporate reputation. In this way, Ferrovial can take the most appropriate mitigation measures according to the nature of the risk.

**EFFECTIVE RISK MANAGEMENT. FERROVIAL RISK MANAGEMENT**

The company has a risk identification and assessment process, called Ferrovial Risk Management (FRM), managed by the Compliance and Risk Department, promoted by the Management Committee and implemented in all the company's business units, under the periodic supervision of the Audit and Control Committee of the Board of Directors.

For each risk event identified, two assessments are made: an inherent assessment prior to the specific control measures implemented to mitigate the risk, and a residual assessment, after specific control measures have been implemented.



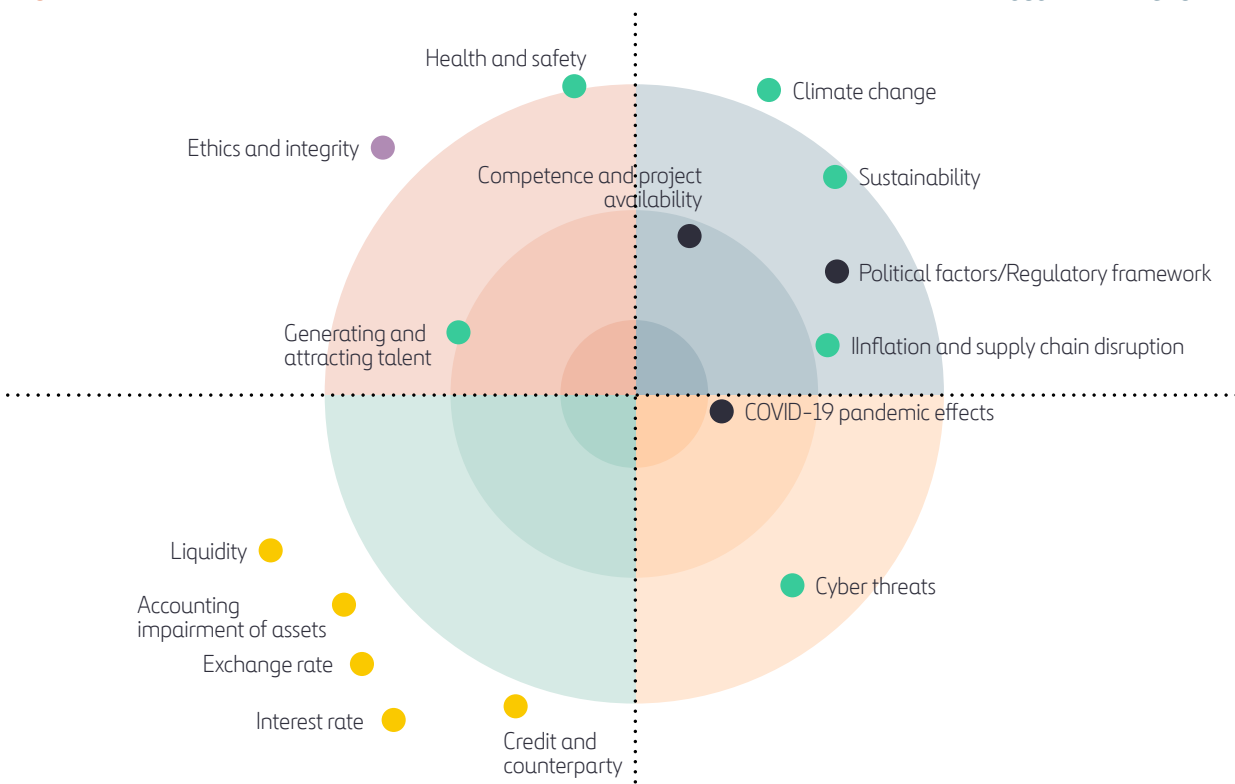
# Main risks

The Board of Directors supervises, through the Audit and Control Committee, the risk identification and assessment process (Ferrovial Risk Management) managed by the Management Committee and the Compliance and Risk Department.

The chart shows the most relevant risk events that threaten the execution of Ferrovial's corporate strategy.

## PEOPLE

## SUSTAINABLE GROWTH



Please note: Closer proximity to the center point of the diagram indicates greater relative severity. Risk events that threaten several strategic priorities have been placed in the quadrant with the highest relative impact.

## OPERATIONAL EXCELLENCE

## INNOVATION

● **Strategic risks:** related to the market and local influences on each business.

● **Financial risks:** risks associated with changes to financial data, access to the financial markets, cash management, the reliability of financial information and tax-related risks.

● **Operational risks:** risks associated with bidding processes, production, provision of service, generating income and incurring costs.

● **Compliance risks:** risks linked to compliance with applicable law, commitments with third parties and self-imposed obligations deriving from the Code of Ethics.

The most relevant risk events, their potential impact and the main control measures implemented to mitigate their impact and/or probability of occurrence are described below.

Risk Event	Description	Potential Impact	Control Measures
Return to pre-COVID mobility patterns	Following the challenge posed by the pandemic, there has been an acceleration of the trend towards digitalization in social interaction (teleworking, e-commerce). This evolution, coupled with the current context of global economic slowdown (war in Ukraine, inflationary environment and rising interest rates) puts at risk the return to pre-COVID mobility scenarios and, therefore, the performance and value of Ferrovial's assets.	<ul style="list-style-type: none"> <li>Asset valuation.</li> <li>Liquidity.</li> <li>Compliance with financial covenants.</li> <li>Margins and flows in operating infrastructure projects.</li> <li>Business opportunities (delays in bidding processes).</li> </ul>	<ul style="list-style-type: none"> <li>Measures to preserve liquidity in the short/medium term.</li> <li>Negotiation of financial waivers with creditors.</li> <li>Analysis and study of medium-term mobility trends, as well as review of scenarios and alternatives.</li> </ul>
Competence and availability of value-generating projects	The market for infrastructure development and operation projects is highly competitive and is exposed to political and social factors that are difficult for operators to manage. These circumstances may have an impact on the achievement of the company's growth objectives.	<ul style="list-style-type: none"> <li>Reduction of business opportunities.</li> <li>Compliance with growth objectives.</li> <li>Margin reductions due to increased risk.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of improvements in the project study and bidding processes.</li> <li>Analysis of new markets.</li> <li>Unsolicited proposals.</li> <li>Review of risk profile by project type.</li> </ul>
Talent retention and attraction	Changes in employee motivation and expectations as a result of the pandemic, the strong demand for skilled labor and the low level of unemployment in some of the geographical areas in which Ferrovial operates, make it difficult to attract and retain talent, which could impact the company's competitiveness.	<ul style="list-style-type: none"> <li>Loss of business opportunities due to lack of qualified personnel.</li> <li>Failure to meet customer commitments (deadlines, quality, etc.).</li> <li>Reduced margins due to increased costs.</li> </ul>	<ul style="list-style-type: none"> <li>Plan to identify and promote talent in the organization.</li> <li>Promote the attraction of local talent.</li> <li>Succession plan for key positions.</li> <li>Measures to adapt to the new work environment.</li> </ul>
Inflation and supply chain disruption	<p>The economic recovery with the end of the COVID restrictions has led to an increase in the demand for raw materials worldwide, causing a spiral of price increases and stressing supply chains, all of which has been aggravated by the conflict in Ukraine.</p> <p>In this context, Ferrovial is facing increases in the cost of materials and some raw materials, which jeopardizes compliance with delivery deadlines and expected profitability.</p>	<ul style="list-style-type: none"> <li>Reduction of margins due to cost increases.</li> <li>Non-compliance with commitments to customers.</li> <li>Fulfillment of growth objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of price review mechanisms in contracts.</li> <li>Negotiation of pre-contracts with suppliers and subcontractors.</li> <li>Advance planning of supplies, from the study and bidding phase.</li> <li>Monitoring of market trends and supply planning.</li> <li>Materials hedging.</li> </ul>
Political factors/ Regulatory framework	Ferrovial's businesses are subject to local administrative regulations. The current context of geo-economic crisis encourages in some markets economic policies aimed at prioritizing national or regional interests, and/or increasing fiscal pressure. These interventions could affect asset management and the development of future projects. In particular, Heathrow Airport is currently in the process of developing the regulatory framework for the next five years, the final outcome of which could have an impact on the value of the asset.	<ul style="list-style-type: none"> <li>Compliance with business plans.</li> <li>Reduction of bidding processes for projects in which Ferrovial has competitive advantages (P3).</li> <li>Impact on project cash flows and liquidity in the short/medium term.</li> <li>Increase in the tax burden.</li> </ul>	<ul style="list-style-type: none"> <li>Constant monitoring of regulatory and legislative processes that could affect activities.</li> <li>Monitoring of political movements in order to anticipate possible impacts.</li> <li>Participation in the negotiation of new regulatory frameworks.</li> </ul>



<p>Cyber threats (see cybersecurity section, pages 106 y 107)</p>	<p>With the constant development of the information society, businesses are increasingly dependent on technology and connectivity, leading to growing exposure to cyber threat risk. The conflict between Ukraine and Russia has further increased the number of attacks and their severity against companies and critical assets (attack on supply chains, asset disruption, phishing, digital identity theft, etc.).</p> <p>In this context, infrastructures are exposed to these threats, which can impact the normal operation of assets, their ability to generate the expected value and the company's reputation.</p>	<ul style="list-style-type: none"> <li>• Degradation or impossibility to operate the assets.</li> <li>• Economic loss due to business recovery costs.</li> <li>• Penalties for non-compliance with regulatory and/or contractual requirements.</li> <li>• Impact on the business plan with the consequent reduction in the value of the asset.</li> <li>• Damage to corporate reputation and competitive advantage, compromising potential business opportunities.</li> <li>• Loss or theft of know-how and/or intellectual and industrial property.</li> <li>• Fraud impact.</li> </ul>	<ul style="list-style-type: none"> <li>• Global Security Model, based on NIST CSF and ISO 27002, ISO 27001 certified (audited annually).</li> <li>• Periodically evaluated security capabilities and controls that implement the security model.</li> <li>• Global Cybersecurity Committee and Community, as levers for the deployment of security capabilities.</li> <li>• Insurance policies with coverage for cyberincidents of various kinds.</li> <li>• Establishment of formal collaboration agreements with national and international cybersecurity agencies.</li> <li>• Deployment of advanced protection capabilities.</li> </ul>
<p>Sustainability (see The Environment section, pages 80-87)</p>	<p>Investors and infrastructure funds are increasingly prioritizing Environmental, Social and Governance (ESG) aspects in their decision-making.</p> <p>Any failure to comply with Ferrovial's objectives in the fight against climate change could have a negative impact on its reputation, analysts' ratings and third parties' investment decisions.</p>	<ul style="list-style-type: none"> <li>• Difficulty in accessing financing.</li> <li>• Tightening of project financing conditions.</li> <li>• Penalization by potential investors.</li> <li>• Loss of positioning in sustainability indexes.</li> <li>• Damage to corporate reputation.</li> </ul>	<ul style="list-style-type: none"> <li>• The Horizon 24 Strategic Plan, focused on the promotion, construction and management of sustainable infrastructures.</li> <li>• Presence in several of the most internationally recognized sustainability indexes, among others: Dow Jones Sustainability Index, Sustainalytics, FTSE4Good, Moody's, STOXX or CDP.</li> <li>• Development and implementation of the sustainability strategy.</li> </ul>
<p>Health &amp; Safety (see HS&amp;W section, pages 76-77)</p>	<p>The risk of an accident is inherent to the nature of Ferrovial's activities. Failure to have appropriate mitigation measures in force could jeopardize the safety and health of people (employees, customers, etc.) and may also have a negative impact on the Group's operations.</p> <p>Failure to comply with the company's health and safety policies and processes could trigger, in addition to physical damage, a reputational risk or even loss of business opportunities.</p>	<ul style="list-style-type: none"> <li>• Physical damage to employees and third parties.</li> <li>• Operational impacts due to interruption in operations.</li> <li>• Civil/criminal liability.</li> <li>• Damage to corporate reputation.</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated occupational health and safety as a core value of the company.</li> <li>• Implementation of a health and safety strategy.</li> <li>• Implementation of health and safety systems.</li> <li>• Continuous training for employees.</li> <li>• Audit plan for management systems.</li> <li>• Civil and professional liability coverage.</li> </ul>
<p>Climate Change (see The Environment section, pages 80-87)</p>	<p>Ferrovial is exposed to risks derived from climate change. On the one hand, there are physical risks, such as extreme weather events, which may affect infrastructures and, on the other, transition risks, because global trends to reduce the causes and consequences of climate change may entail economic (such as an increase in the cost of raw materials), regulatory, technological and/or reputational effects.</p>	<ul style="list-style-type: none"> <li>• Interruption of operations due to physical damage to infrastructure.</li> <li>• Decreased productivity in extreme weather conditions.</li> <li>• Increased premiums for coverage.</li> <li>• Increase in operational costs due to: raw material price increases, increase in fossil fuel taxes, payment for emissions produced, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Process for identifying and assessing the risks associated with climate change to which the company may be exposed in order to anticipate them and implement remediation programs.</li> <li>• Control and monitoring tools.</li> <li>• Implementation of recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).</li> </ul>

Ethics and Integrity (see Integrity section, pages 94-95)	The company is exposed to the risk of its employees or collaborators committing acts that may involve non-compliance with the rules and requirements of integrity, transparency and respect for legality and human rights.	<ul style="list-style-type: none"> <li>• Criminal liability of individuals and legal entities.</li> <li>• Reduction of business opportunities due to non-compliance with ethical requirements.</li> <li>• Damage to corporate reputation.</li> <li>• Economic impact from sanctions.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance program aimed at preventing acts contrary to ethics and integrity.</li> <li>• Certified criminal and anti-bribery prevention system (UNE-ISO 19601 and ISO 37001).</li> <li>• Specific training plan to promote an ethical culture and prevent irregularities, especially corruption.</li> </ul>
Financial Risks (see IAGC22, section E)	The Group's businesses are affected by changes in financial variables, such as interest rates, exchange rates, inflation, credit and liquidity.	<ul style="list-style-type: none"> <li>• Loss of opportunities due to reduced project financing capacity.</li> <li>• Reduction of net margins.</li> <li>• Fulfillment of financial commitments.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial risk management policies.</li> <li>• Analysis and active management of the risk exposure of the main financial variables.</li> <li>• Analysis of sensitivity to the variation of the different variables.</li> <li>• Effective management of financial alternatives.</li> </ul>

## EMERGING RISKS

Furthermore, thanks to the Ferrovial Risk Management process, emerging risks caused by external agents with a potentially significant long-term impact on the business are also identified, assessed and monitored. Among others, the following risks stand out:

Risk Event	Description	Potential Impact	Control measures
Protection of Biodiversity and Natural Capital (see Environment section, pages 80-87)	<p>Biodiversity plays a key role in the provision of ecosystem services that support the economy and social well-being. The degradation of ecosystems and natural capital entails operational, economic and reputational risks for the development of business activities.</p> <p>In particular, Ferrovial could be affected by the loss of quality of certain ecosystem services, such as the lack of water or the reduced availability of certain raw materials.</p>	<ul style="list-style-type: none"> <li>• Reductions in project margins and cash flows.</li> <li>• Reduction of business opportunities.</li> <li>• Loss of license to operate and/or stoppage of activities.</li> <li>• Reputational impact.</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of biodiversity policy.</li> <li>• Implementation of an environmental management system that considers biodiversity as a key aspect.</li> <li>• Development of a methodology and tool for measuring natural capital debt called INCA (Integrated Natural Capital Assessment).</li> </ul>
Global geopolitical conflict	The increase in political tensions worldwide because of the war in Ukraine increases the risk of a large-scale armed conflict. In this context, countries tend to boost regional economies at the expense of global integration by applying competition and trade restrictions, sanctions, investment controls, expropriations or other restrictions. All this can lead to a global recession with serious effects on the economy.	<ul style="list-style-type: none"> <li>• Compliance with growth objectives.</li> <li>• Reductions in project margins and cash flows.</li> <li>• Reduction of business opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of political movements in order to anticipate possible impacts.</li> <li>• Prioritize investments in jurisdictions with political stability and legal certainty.</li> </ul>