



## ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

**End of fiscal year:** 31/12/2013

**TAX ID NO. (CIF):** A-28037224

**Corporate Name:**

Fomento de Construcciones y Contratas, S.A.

**Registered Office:**

Calle Balmes, 36. 08007 Barcelona

## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES FORM

In order to better understand the form and how it should be completed, the instructions that are at the end of this report on how to fill it in should be read.

### A. OWNERSHIP STRUCTURE

#### A.1. Complete the table below on the Company's share structure:

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|---------------------|-------------------|------------------|-------------------------|
| 30/06/2008          | 127,303,296       | 127,303,296      | 127,303,296             |

State whether there are different classes of shares with different associated rights:

|     |    |                                     |
|-----|----|-------------------------------------|
| YES | NO | <input checked="" type="checkbox"/> |
|-----|----|-------------------------------------|

| Class | Number of shares | Unit nominal value | Number of voting rights | Different rights |
|-------|------------------|--------------------|-------------------------|------------------|
| –     | –                | –                  | –                       | –                |

#### A.2. State direct and indirect owners of significant stakes in the entity at year-end, excluding directors:

| Name of shareholder   | Number of direct voting rights | Indirect voting rights<br>Direct holder of stake | Number of voting rights | % of total voting rights |
|-----------------------|--------------------------------|--------------------------------------------------|-------------------------|--------------------------|
| Gates III, William H. | –                              | Cascade Investment, LLC.                         | 7,301,838               | 5.736%                   |

State significant changes in the ownership structure in the year:

| Name of shareholder    | Transaction date | Description of the transaction |
|------------------------|------------------|--------------------------------|
| Credit Suisse Group AG | 13/09/2013       | Exceeds 3%                     |
| HM Treasury            | 10/10/2013       | Dropped below 3%               |
| Credit Suisse Group AG | 27/12/2013       | Dropped below 3%               |

#### A.3. Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

| Name of director                        | Number of direct voting rights | Indirect voting rights<br>Direct owner of stake | Number of voting rights | % of total voting rights |
|-----------------------------------------|--------------------------------|-------------------------------------------------|-------------------------|--------------------------|
| Mr Gonzalo Anes y Álvarez de Castrillón | 11,350                         | –                                               | –                       | 0.009                    |
| B-1998, S.L.                            | 55,334,260                     | AZATE, S.A.                                     | 8,353,815               | 50.029                   |
| Mr Juan Béjar Ochoa                     | 35,688                         | –                                               | –                       | 0.028                    |
| Cartera Deva, S.A.                      | 100                            | –                                               | –                       | 0.000                    |
| Dominum Desga, S.A.                     | 4,132                          | –                                               | –                       | 0.003                    |
| Dominum Dirección y Gestión, S.L.       | 10                             | –                                               | –                       | 0.000                    |
| EAC Inversiones Corporativas, S.L       | 32                             | –                                               | –                       | 0.000                    |
| Mr Fernando Falcó Fernández de Córdova  | 35,677                         | –                                               | –                       | 0.028                    |
| Mr Felipe Bernabé García Pérez          | 55,571                         | –                                               | –                       | 0.044                    |
| Larranza XXI, S.L.                      | 10                             | –                                               | –                       | 0.000                    |
| Mr Rafael Montes Sánchez                | 98,903                         | Ms Josefa Fernández Mayo                        | 20,697                  | 0.094                    |
| Mr Marcelino Oreja Aguirre              | 14,000                         | –                                               | –                       | 0.011                    |
| Mr Olivier Orsini                       | 100                            | –                                               | –                       | 0.000                    |
| Mr Gonzalo Rodríguez Mourullo           | 100                            | –                                               | –                       | 0.000                    |
| Mr Claude Serra                         | 200                            | –                                               | –                       | 0.000                    |
| Mr Gustavo Villapalos Salas             | 100                            | –                                               | –                       | 0.000                    |

Total % of voting rights held by the Board of Directors: 50.246%

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

| Name of director               | Number of direct voting rights | Indirect voting rights<br>Direct owner of stake | Number of voting rights | Number of equivalent shares | % of total voting rights |
|--------------------------------|--------------------------------|-------------------------------------------------|-------------------------|-----------------------------|--------------------------|
| Mr Felipe Bernabé García Pérez | 12,500                         | –                                               | –                       | 12,500                      | 0.009                    |

#### NOTE:

Fomento de Construcciones y Contratas, S.A. (hereafter FCC) is controlled by B-1998, S.L., which owns 50.029% of FCC shares, of which:

55,334,260 are held directly and 8,353,815 are held indirectly through subsidiary Azate, S.A.

The company B-1998, S.L. is held by investors according to the following breakdown: Ms Esther Koplowitz (directly or indirectly) holds 89.65%; Eurocis, S.A., 5.01%; Larranza XXI, S.L., 5.34%.

Ms Esther Koplowitz Romero de Juseu also owns 123,313 shares of FCC directly and indirectly she owns 39,172, through Dominum Desga, S.A. (4,132 shares), Dominum Dirección y Gestión, S.L. (10 shares), and Ejecución y Organización de Recursos, S.L. (35,040 shares), fully owned by Ms Esther Koplowitz Romero de Juseu.

**A.4. State, where appropriate, any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:**

| Related names or company names | Type of relationship | Brief description |
|--------------------------------|----------------------|-------------------|
| –                              | –                    | –                 |

**A.5. State, where appropriate, any commercial, contractual or corporate relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:**

| Related names or company names | Type of relationship | Brief description |
|--------------------------------|----------------------|-------------------|
| –                              | –                    | –                 |

**A.6. State whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Securities Market Act. If so, list the shareholders involved and briefly describe the agreements:**

|                                         |    |
|-----------------------------------------|----|
| YES <input checked="" type="checkbox"/> | NO |
|-----------------------------------------|----|

| Participants in the shareholders' agreement | % of share capital affected | Brief description of the agreement                                                    |
|---------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------|
| Ms Esther Koplowitz Romero de Juseu         | 52.483                      | Relevant event of 30/07/2004 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |
| Ms Esther Koplowitz Romero de Juseu         | 52.483                      | Relevant event of 13/01/2005 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |
| Ms Esther Koplowitz Romero de Juseu         | 52.483                      | Relevant event of 19/07/2007 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |
| Ms Esther Koplowitz Romero de Juseu         | 52.483                      | Relevant event of 26/12/2007 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |
| Ms Esther Koplowitz Romero de Juseu         | 52.483                      | Relevant event of 04/02/2008 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |
| Ms Esther Koplowitz Romero de Juseu         | 53.829                      | Relevant event of 26/05/2011 <a href="http://www.cnmv.es">www.cnmv.es</a> (See note). |

## CORPORATE GOVERNANCE

State whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

| YES NO <input checked="" type="checkbox"/> |                             |                                 |
|--------------------------------------------|-----------------------------|---------------------------------|
| Participants in the concerted action       | % of share capital affected | Brief description of the action |
| –                                          | –                           | –                               |

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

### NOTE:

On 30 July 2004 a Relevant Event was published on the CNMV website consisting of the acquisition of part of the equity interests of Ms Esther Koplowitz Romero de Juseu in the company B-1998, S.L. by the companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A, and the Peugeot family in France through the company Simante, S.L.

On 13 January 2005 a Relevant Event was published whereby the company Dominum Dirección y Gestión, S.L. Sociedad Unipersonal (fully held by Ms Esther Koplowitz Romero de Juseu) agreed with the company Larranza XXI, S.L. (a company belonging to the Bodegas Faustino Group) 'the transfer to the latter of a minority interest that the former held in the company B-1998, S.L., a company which in turn directly or indirectly holds 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

Also on 13 January 2005 a Relevant Event was published whereby the company Dominum Dirección y Gestión, S.L. Sociedad Unipersonal (Sole Corporation) (fully held by Ms Esther Koplowitz Romero de Juseu) agreed with the companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Ibersuizas Holdings, S.L., Cartera Deva, S.A., Arzubi Inversiones, S.A. and EBN Banco de Negocios, S.A., 'the transfer to the latter of a minority interest that the former held in the company B-1998, S.L., a company which in turn directly or indirectly holds 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.'

On 19 July 2007 a Relevant Event was published consisting of 'the renewal with amendments of the contracts of the partners of the company B-1998, S.L., without altering the full direct and indirect holding of Ms Esther Koplowitz Romero de Juseu in B-1998, S.L. or the agreements between the parties in relation to the governance of both B-1998, S.L. and indirectly of Fomento de Construcciones y Contratas, S.A., or any provisions regarding the control of those two companies.'

On 26 December 2007 a Relevant Event was published consisting of 'the reorganisation of the holding in the company B-1998, S.L. Ms Esther Koplowitz Romero de Juseu, through the company Dominum Dirección y Gestión, S.L., of which she owns 100% of its capital, has signed with Ibersuizas Holdings, S.L. the purchase and sale, effective 30 January 2008, of 10.55% of the equity interests in the company B-1998, S.L., which is the holder of 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

This transaction, done at the request of Ms Esther Koplowitz, who increases her holding in FCC, represents the divestment of Ibersuizas Group from the share capital of B-1998, S.L. and consequently from FCC Group, Ibersuizas Holdings, S.L. shall no longer be a party to the shareholder agreement regulating the relations between partners of B-1998, S.L. At the same time, on the above-mentioned effective date of the contract, Ibersuizas Holdings, S.A. shall tender its resignation as a member of the Board of Directors of B-1998, S.L. and Ibersuizas Alfa, S.L. shall tender its resignation as a member of the Board of Directors of Fomento de Construcciones y Contratas, S.A.

On 4 February 2008 a Relevant Event was published consisting of 'the effective purchase by Ms Esther Koplowitz of the holding that Ibersuizas Holdings owned in B-1998, S.L. as the primary shareholder of Fomento De Construcciones Y Contratas, S.A. (FCC) with 52.483%. The agreement was reached on 24 December 2007.

On 12 July 2010 a Relevant Event was published whereby 'The entrepreneur Esther Koplowitz has reached an agreement with Simante, S.L. to acquire the latter's holding in the share capital of B-1998, S.L. for 88 million euros.

By virtue of the agreement, Simante shall assign all of its shares in B-1998 to Dominum Dirección y Gestión S.L. The transaction, involving 5.7% of the equity interests in B-1998, shall take place in the month of September.'



Said Relevant Events highlight the main agreements regarding the control of the companies (FCC and B-1998, S.L.) reached by Ms Esther Koplowitz Romero de Juseu and the investors, since the respective purchase transactions:

- Ms Esther Koplowitz Romero de Juseu will retain control of B-1998, S.L. and, therefore, of Azate, S.A. and FCC.
- The Board of Directors of B-1998, S.L. shall be made up of twelve directors, and the investors, as a whole, are entitled to designate a maximum of three directors, and in no event may they designate more than one third of the members of the Board of Directors of B-1998, S.L.
- Ms Esther Koplowitz Romero de Juseu in any event may appoint the majority of the members of the Boards of Directors of FCC and its subsidiaries. The investors may designate, as a whole, a maximum of two members, and in no event more than one third of the members of the Board of Directors of FCC.
- Ms Esther Koplowitz Romero de Juseu shall be entitled to designate the Chairman of the Board of Directors of FCC, the Chief Executive Officer of FCC and at least two thirds of the members of its Executive Committee.
- FCC's pay-out will be at least 50%.

There are a number of agreements between Ms Esther Koplowitz Romero de Juseu and the investors with the aim of protecting the investment of the latter in B-1998, S.L., in their capacity as minority shareholders, which is described below:

- In relation to B-1998, S.L.:

In relation to B-1998, S.L. and subject to the general rule that the resolutions (whether of the General Meeting of Partners or of the Board of Directors) are subject to the principle of approval by simple majority of the share capital, as an exception, a number of special cases are established where the approval must be by consensus:

- Amendments of the Bylaws implying the transfer of the registered office abroad, the change of the corporate purpose or the increase or reduction of the share capital, unless said transactions are imposed by the law or, in the case of capital reductions, they are to be carried out via the acquisition of equity interests of B-1998 S.L, directly or indirectly held by Ms Esther Koplowitz Romero de Juseu or by Dominum Dirección y Gestión, S.L., by B-1998 S.L. itself, for the subsequent redemption

thereof, or they are to be carried out via the redemption of the equity interests of B-1998, S.L., directly or indirectly held by Ms Esther Koplowitz Romero de Juseu or by Dominum Dirección y Gestión, S.L., and charged to reserves which, pursuant to the Bylaws or due to provisions not included in the Bylaws, only Ms Esther Koplowitz Romero de Juseu is entitled to use.

- Any type of transformation, merger or spin-off or the total transfer of assets and liabilities;
- The dissolution or winding-up of B-1998, S.L.;
- The overriding of pre-emptive subscription rights in capital increases and the exclusion of shareholders;
- The amendment of the management regime of B-1998, S.L.;
- The establishment or amendment of the dividend policy agreed to among the investors in respect of the rights stated in the Bylaws or those not included in the Bylaws corresponding to the equity interests owned by the investors;
- Acts of disposal or encumbrance, under any title, of any relevant assets of B-1998, S.L., specifically of FCC shares or of shares or equity interests of any other companies in which B-1998 S.L. owns or may own holdings in the future;
- The increase of structural costs such that, on an annual basis, exceed those stated on the balance sheet of the company as of 31 December 2003, increased by the general year-on-year CPI plus two percentage points; excluded from the above calculation is the remuneration received by B-1998 S.L. as a consequence of its presence on the Board of Directors of FCC (hereinafter, Remuneration of the Board of FCC), as well as the remuneration of the members of the Board of Directors of B-1998 S.L, insofar as they do not exceed the remuneration of the Board of FCC;
- Granting or maintaining powers that allow for the disposal of FCC shares, by any means;
- The borrowings of B-1998, S.L. and obtaining or providing guarantees which, overall, exceed 500,000 euros;
- Creating or acquiring direct subsidiaries (other than FCC subsidiaries) or acquiring shares in entities other than those in which B-1998, S.L. already owns a holding.

- In relation to FCC:

In relation to FCC and subject to the general rule that the resolutions (whether of the General Meeting or of the Board of Directors) are subject to the principle of approval

by simple majority of the share capital, as an exception a number of special cases are established where the approval must be by consensus:

- Amendments of the Bylaws implying the transfer of the registered office abroad, the increase or reduction of the share capital, unless said transactions are imposed by the law;
- Changing the corporate purpose, insofar as doing so includes the incorporation of activities not related to construction, services, cement and real estate;
- The transformation, merger or division in any of its forms.
- The merger of FCC Construcción, S.A., Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. as a consequence of which B-1998, S.L. indirectly ceases to hold over 50% of the voting rights of the entity resulting from the merger.
- The overriding of pre-emptive subscription rights in capital increases.
- The amendment of the management regime.
- Acts of disposal, encumbrance or acquisition, under any title, of FCC assets outside the corporate purpose of said entity, provided that they are relevant and, in any event, the above-mentioned acts, included within the corporate purpose of FCC, when they entail a total or aggregate value equal to or above 700,000,000 euros (increased annually by the CPI), or a significant amendment of the current structure of FCC Group or represent more than 10% of the consolidated assets of FCC Group.
- Any transactions that may lead to or represent a variation of more than 20% of FCC's equity or over 10% of the FCC Group's consolidated assets.
- The granting of powers that could allow, under any title, the above-mentioned disposals, encumbrances or acquisitions; the foregoing in no way whatsoever limits the right of Ms Esther Koplowitz Romero de Juseu to designate and revoke the FCC CEO.
- The borrowings of FCC and the obtainment or provision of guarantees by the latter (excluding, in any event, for the purpose of the above-mentioned calculation, guarantees within the ordinary course of business and borrowing without recourse - project finance) which, collectively, exceed 2.5 times the gross operating profit registered on FCC's last consolidated balance sheet.

If it is not possible to reach the necessary consensus between Ms Esther Koplowitz Romero de Juseu and the Investors for the adoption of decisions in the above-mentioned special cases, the Investors shall act as required in order to preserve the pre-existing situation. On 26 May 2011 a Relevant Event was published, consisting of the renewal with amendments of the purchase and sale agreement of investment and divestment of

partners of B-1998 SL and the extension thereof, between Dominum Dirección y Gestión S.L., Eurocis SL, and Larranza XXI, S.L. Said Relevant Event publishes the contents of the notarial deed of renewal.

For further information, please check the full contents of the shareholder agreements available on the CNMV website, as Relevant Events of the company dated 30 July 2004, 13 January 2005, 19 July 2007, 26 December 2007, 4 February 2008 and 26 May 2011.

#### A.7. State whether there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 4 of the Securities Market Law: If so, name the person:

|                                         |    |
|-----------------------------------------|----|
| YES <input checked="" type="checkbox"/> | NO |
| Name or company name                    |    |
| Ms Esther Koplowitz Romero de Juseu     |    |
| Comments                                |    |
| -                                       |    |

#### A.8. Complete the tables below about the Company's treasury shares:

At year end:

| Number of direct shares | Number of indirect shares (*) | % of share capital |
|-------------------------|-------------------------------|--------------------|
| 280,670                 | 0                             | 0.216              |

(\*) Through:

| Name of direct owner of stake | Number of direct shares |
|-------------------------------|-------------------------|
| -                             | -                       |
| Total:                        | -                       |

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

| Date of disclosure | Total number of direct shares acquired | Total number of indirect shares acquired | % of share capital |
|--------------------|----------------------------------------|------------------------------------------|--------------------|
| 06-02-2013         | 1.278.312                              | 0                                        | 1,004              |
| 21-03-2013         | 1.312.419                              | 0                                        | 1,031              |
| 05-06-2013         | 1.291.779                              | 0                                        | 1,015              |
| 10-07-2013         | 644.620                                | 0                                        | 0,506              |
| 14-08-2013         | 1.470.220                              | 0                                        | 1,155              |
| 10-09-2013         | 1.337.304                              | 0                                        | 1,050              |
| 14-10-2013         | 1.355.832                              | 0                                        | 1,065              |
| 24-10-2013         | 292.194                                | 0                                        | 0,230              |
| 13-12-2013         | 1.276.126                              | 0                                        | 1,005              |

#### A.9. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to buy or sell own shares.

##### Resolution of the Annual General Meeting of 23 May 2013 (item seven of the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two of the agenda to approve a buyback programme of own shares to enable the Company to fulfil the obligations deriving from the issuance of exchangeable bonds, resolved under item one of the agenda at that same General Meeting.

The Board of Directors considers that, taking into account, among other particulars, the circumstances that gave rise to the acquisition of treasury stock on the basis of the above-mentioned resolution of the General Meeting, the Company must have the possibility of having such shares at their disposal, subject to the Board of Directors closely monitoring the price of the Company's shares and, if necessary, it may approve a new share buyback programme under the terms passed by the above-mentioned General Meeting of Shareholders of 30 November 2009.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company,

which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda.

##### Resolution of the Extraordinary General Meeting of 30 November 2009 (item two of the agenda)

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, to approve a Company share buyback programme whose only purpose is (i) to fulfil the obligations deriving from the issuance of exchangeable bonds for a maximum amount of four hundred and fifty million euros (€450,000,000) approved by the Company under the resolution of the General Meeting of Shareholders on 18 June 2008 and by virtue of an Executive Committee resolution dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (including, for this purpose, the 5,090,000 shares loaned to the Underwriters), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the General Meeting. As a result of the foregoing, resolution six adopted by the General Meeting on 10 June 2009 is annulled to the extent that it has not been executed and the Company is authorised so that, directly or via any of its subsidiaries, within a period of five years at the most from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit, shares of the Company by any means allowed by law, all in conformity with Article 75 and related Articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its exchange or conversion obligations arising from the issuance of the Bonds and/or to reduce the Company's capital, as the case may be.

## Resolution of the Annual General Meeting of 23 May 2013 (Item seven of the agenda)

According to the usual practice of listed companies, it is advisable that the Board of Directors have an authorisation for the derivative acquisition of treasury stock in the future, and for such purpose Fomento de Construcciones y Contratas, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their stock exchange price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

- The maximum value would be the result of increasing by 20 per cent the highest market price in the three months prior to the time of acquisition.
- The minimum value would be the result of deducting 20 per cent from the lowest market price, likewise in the three months prior to the time of acquisition.

By virtue of this authorisation the Board, the Executive Committee and the CEO, indiscriminately, may buy treasury stock, according to the terms provided in article 146 of the Capital Companies Act.

The Board of Directors, the Executive Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes which have as their object or which entail the delivery of shares or share options, pursuant to the provisions in article 146.1 of the Capital Companies Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the treasury shares, which must be fully called up, should allow the companies in the FCC Group that have acquired them to fill in the non-disposable reserve established by article 148, rule 3, of the Capital Companies Act."

## Resolution of the Annual General Meeting of 27 May 2010 (Item seven of the agenda)

## B. Company shares buyback programme and capital reduction

Under the provisions of Article 3 et seq. of the European Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Resolution for a maximum of three hundred million euros (€300,000,000) (the "Securities"), and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes that have not been completed), which henceforth will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.

The Company is authorised so that, directly or via any of its subsidiaries, within a period of five years at the most from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares of the Company by any means allowed by law, all in conformity with Article 75 and related articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed the limits legally applicable.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its obligations to deliver existing shares in connection with the securities issue or, where appropriate, to reduce the Company's capital so as to limit the dilution of existing shares if the pre-existing shareholders exercise their right to convert or subscribe the newly issued shares in connection with the bond issue.



This resolution does not eliminate or alter the terms and conditions of previous share buyback programmes approved by the Company or the corresponding authorisations for the derivative acquisition of treasury stock, which shall remain in force. This share buyback programme is compatible with previous programmes in place. However, this programme may only be carried out to the extent that it does not preclude the complete fulfilment of prior share buyback programmes and hence the achievement of the aims for which they were approved.

**NOTE:**

A Relevant Event was reported to the CNMV on 1 July 2011 under number 146731 communicating the suspension of the Share Buyback Programme by the Company.

Furthermore, on 6 July 2011, a Relevant Event was reported to the CNMV under number 146998, communicating the subscription of a liquidity contract with Santander Investment Bolsa, Sociedad de Valores, S.A.

A Relevant Event was reported to the CNMV on 26 July 2013 under number 191238 communicating the renewal of the liquidity contract. The CNMV was informed of the end of operations pursuant to the liquidity contract subscribed with Santander Investment Bolsa, Sociedad de Valores, S.A., on 6 July 2011 in respect of company shares under the operativity conditions established by applicable regulations. FCC has subscribed a Liquidity Contract with Bankia Bolsa, Sociedad de Valores, S.A. This contract is applicable to Spanish stock exchanges and the object of the agreement is to favour the liquidity of the transactions and stability of the trading price. The term of the Liquidity Contract is twelve months, tacitly renewable for 12-month periods and 180,000 shares and EUR 1.7 million is allocated.

It was also reported that said liquidity contract is established in conformity with the provisions in Circular 3/2007, of 19 December, of the National Securities Market Commission.

**A.10. State whether there are any restrictions on the transfer of securities and/or any restriction on voting rights. In particular, state the existence of any types of restrictions which might hinder the takeover of the company by acquiring shares on the market.**

YES NO ☒

Description of the restrictions

**A.11. State whether the General Meeting of Shareholders have approved the adoption of breakthrough measures in the event of a takeover bid pursuant to the provisions of Law 6/2007?**

YES NO ☒

Detail if applicable, the approved measures and the terms on which the restrictions will be rendered ineffective:

**A.12. State whether the company has issued securities that are not traded on a regulated market in the European Community.**

YES NO ☒

Detail if applicable the different classes of shares and, for each class of shares, the rights and obligations they confer.

**B. GENERAL SHAREHOLDERS' MEETING**

**B.1. State and if applicable, explain whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required to hold a General Shareholders' Meeting.**

YES ☒ NO

## CORPORATE GOVERNANCE

|                                | Quorum percentage other than that established in art. 193 of the Capital Companies Act for general cases | Quorum percentage other than that established in art. 194 of the Capital Companies Act for special cases |
|--------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Quorum required at first call  | 50                                                                                                       | –                                                                                                        |
| Quorum required at second call | 45                                                                                                       | 45                                                                                                       |

| Description of differences                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The annual and extraordinary General Meetings are quorate when, pursuant to article 11.9 of the General Meeting of Shareholder Regulations:</p> <p>Generally, the shareholders present or represented at first call possess at least fifty per cent of the share capital with voting rights. At second call, the General Meeting is quorate when the shareholders present or represented possess at least forty-five per cent of the share capital with voting rights.</p> <p>Specifically, in order for the General Meeting to validly decide on bond issues, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws, shareholders possessing at least fifty per cent of the share capital with voting rights must be present or represented at the meeting at first call. At second call, it will suffice for shareholders accounting for at least forty-five per cent of the subscribed voting capital to be present or represented.</p> <p>When the shareholders in attendance or represented at second call account for less than fifty per cent of the subscribed capital with voting rights, the types of resolutions referred to above may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.</p> |

### B.2 State and if applicable, explain any differences from the arrangements established in the Capital Companies Act (LSC) for the adoption of corporate resolutions:

|     |    |                                     |
|-----|----|-------------------------------------|
| YES | NO | <input checked="" type="checkbox"/> |
|-----|----|-------------------------------------|

Describe how they differ from the arrangements established in the Capital Companies Act.

|                                                      | Special majority other than that established in article 201.2 of the Capital Companies Act for the cases mentioned in art. 194.1 of Capital Companies Act | Other cases requiring a special majority |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| % established by the entity for adopting resolutions | –                                                                                                                                                         | –                                        |

| Describe the differences |
|--------------------------|
| –                        |

### B.3. State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

There are no differences with respect to the rules established out in the Capital Companies Act.

### B.4. State the figures on attendance at General Meetings held during the year referred to in this report and those of the previous year:

| Date of General Meeting | Attendance figures |               |                   |        |         |
|-------------------------|--------------------|---------------|-------------------|--------|---------|
|                         | % present          | % represented | % distance votes: |        | Total   |
|                         |                    |               | Electronic voting | Others |         |
| 23/05/2013              | 55.425%            | 8.558%        |                   | 0.234% | 63.983% |

#### NOTE:

The final attendance list was as follows:

- 216 shareholders in attendance controlling 70,557,840 shares accounting for 55.425% of the share capital.
- 1,191 shareholders represented controlling 10,895,236 shares accounting for 8.558% of the share capital.

As established in the Capital Companies Act, the 78 shareholders controlling 297,771 shares who resorted to distance voting were counted as shareholders in attendance.

Therefore the total number of shares present or represented at the General Meeting was 81,453,076, accounting for 63.983% of the subscribed share capital and valued at EUR 81,453,076.00.

The Company held 11,574,900 shares of treasury stock, equivalent to 9.092% of the share capital.

**B.5. State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting:**

YES NO ☒

No. of shares required to attend the General Meeting

**B.6. State whether it has been resolved that certain decisions entailing a structural modification of the company ('subsidiarisation', purchase and sale of core operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted to the General Meeting of Shareholders for approval, even though it is not expressly required by Commercial Laws.**

YES ☒ NO

Article 8.6 of the Board Regulations establishes that the Board of Directors will be answerable for its performance to the General Meeting of Shareholders, and it shall submit to the prior approval of the latter, any transactions entailing a structural amendment of the Company, in particular the following:

- (i) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the Company itself, even though the latter retains full control of the former;
- (ii) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- (iii) Operations that are equivalent to the Company's liquidation.

**B.7. State the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.**

On the Fomento de Construcciones y Contratas, S.A. website, [www.fcc.es](http://www.fcc.es), there are specific sections on the home page under 'Information for shareholders and investors' and 'Corporate responsibility', which include the information required by Act 26/2003, of 18 July, Legislative Royal Decree 1/2010, of 2 July, the Ministry of Economy Order ECO/3722/2003, of 26 December, Circular 1/2004, of 17 March, of the National Securities Market Commission, the Ministry of Economy and Finance Order EHA/3050/2004, of 15 December, and Royal Decree 1333/2005, of 11 November.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles. All of its pages can be printed.

The FCC website has been designed and programmed according to the WAI (Web Accessibility Initiative) guidelines, which sets international standards for the creation of web contents accessible across the world. The AENOR Accessibility Consultants, after conducting a technical analysis of accessibility, established that the FCC Group website complies with all of the priority 2 and priority 1 checkpoints, according to the UNE 139803:2004 Standard, which is in turn based on the Web 1.0 Content Accessibility Guidelines of W3C (known as WAI guidelines).

The site includes a link to the Fomento de Construcciones y Contratas, S.A. data reported to the CNMV website.

## C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1. Board of Directors

#### C.1.1. Maximum and minimum number of Directors established in the bylaws:

|                             |    |
|-----------------------------|----|
| Maximum number of Directors | 22 |
| Minimum number of Directors | 5  |

#### C.1.2. Fill in the table below with the members of the Board:

| Individual or Company name of Director  | Representative                      | Board position     | Date of first appointment | Date of last appointment | Election procedure           |
|-----------------------------------------|-------------------------------------|--------------------|---------------------------|--------------------------|------------------------------|
| Dominum Desga, S.A.                     | Ms Esther Alcocer Koplowitz         | Chairwoman         | 27/09/2000                | 01/06/2011               | Voted at Shareholder Meeting |
| B-1998, S.L.                            | Ms Esther Koplowitz Romero de Juseu | 1st Vice-president | 17/12/1996                | 31/05/2012               | Voted at Shareholder Meeting |
| Mr Juan Béjar Ochoa                     | –                                   | CEO                | 23/05/2013                | 23/05/2013               | Voted at Shareholder Meeting |
| Mr Gonzalo Anes y Álvarez De Castrillón | –                                   | Director           | 30/06/1991                | 27/05/2010               | Voted at Shareholder Meeting |
| Cartera Deva, S.A.                      | Mr Jaime Llantada Aguinaga          | Director           | 15/09/2004                | 27/05/2010               | Voted at Shareholder Meeting |
| Dominum Dirección y Gestión, S.L.       | Ms Carmen Alcocer Koplowitz         | Director           | 26/10/2004                | 27/05/2010               | Voted at Shareholder Meeting |
| EAC Inversiones Corporativas, S.L.      | Ms Alicia Alcocer Koplowitz         | Director           | 30/03/1999                | 11/06/2009               | Voted at Shareholder Meeting |

| Individual or Company name of Director   | Representative             | Board position | Date of first appointment | Date of last appointment | Election procedure           |
|------------------------------------------|----------------------------|----------------|---------------------------|--------------------------|------------------------------|
| Mr Fernando Falcó y Fernández de Córdova | –                          | Director       | 18/12/2003                | 27/05/2010               | Voted at Shareholder Meeting |
| Mr Felipe Bernabé García Pérez           | –                          | Director       | 30/03/1999                | 27/05/2010               | Voted at Shareholder Meeting |
| Larranza XXI, S.L.                       | Ms Lourdes Martínez Zabala | Director       | 13/01/2005                | 27/05/2010               | Voted at Shareholder Meeting |
| Mr Rafael Montes Sánchez                 | –                          | Director       | 06/03/1992                | 11/06/2009               | Voted at Shareholder Meeting |
| Mr Marcelino Oreja Aguirre               | –                          | Director       | 21/12/1999                | 27/05/2010               | Voted at Shareholder Meeting |
| Mr Olivier Orsini                        | –                          | Director       | 18/07/2013                | 18/07/2013               | Co-optation                  |
| Mr César Ortega Gómez                    | –                          | Director       | 28/06/2007                | 31/05/2012               | Voted at Shareholder Meeting |
| Mr Henri Proglio                         | –                          | Director       | 27/05/2010                | 27/05/2010               | Voted at Shareholder Meeting |
| Mr Gonzalo Rodríguez Mourullo            | –                          | Director       | 18/07/2013                | 18/07/2013               | Co-optation                  |
| Mr Claude Serra                          | –                          | Director       | 18/12/2013                | 18/12/2013               | Co-optation                  |
| Mr Gustavo Villapalos Salas              | –                          | Director       | 18/07/2013                | 18/07/2013               | Co-optation                  |

|                           |    |
|---------------------------|----|
| Total number of Directors | 18 |
|---------------------------|----|

State any Directors who have left the Board of Directors during the reporting period:

| Individual or Company name of Director | Status of Director at time of leaving | Date left  |
|----------------------------------------|---------------------------------------|------------|
| Mr Juan Castells Masana                | External nominee Director             | 02/08/2013 |
| Mr Baldomero Falcones Jaquotot         | Executive Director                    | 31/01/2013 |
| Mr Antonio Pérez Colmenero             | External nominee Director             | 18/07/2013 |
| Mr Nicolás Redondo Terreros            | External independent Director         | 18/07/2013 |
| Mr Javier Ribas                        | External independent Director         | 18/07/2013 |

#### NOTE:

Mr Jaime Llantada Aguinaga was replaced by Mr Pablo Marín López-Otero as the representative of Cartera Deva, S.A. on 8 January 2014.

C.1.3. Fill in the table below on the members of the Board and their status:

#### EXECUTIVE DIRECTORS

| Individual or Company name of Director | Committee that proposed the appointment | Position in the Company |
|----------------------------------------|-----------------------------------------|-------------------------|
| Mr Juan Béjar Ochoa                    | Appointments and Remuneration Committee | CEO                     |
| Mr Felipe B. García Pérez              | Appointments and Remuneration Committee | COMPANY SECRETARY       |

|                                     |        |
|-------------------------------------|--------|
| Total number of executive Directors | 2      |
| % of the Board                      | 11,111 |

#### EXTERNAL NOMINEE DIRECTORS

| Individual or Company name of Director   | Committee that proposed the appointment | Name of the significant shareholder who is represented or who proposed the appointment |
|------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------|
| B-1998, S.L.                             | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Cartera Deva, S.A.                       | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Dominum Desga, S.A                       | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Dominum Dirección y Gestión, S.L.        | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| EAC Inversiones Corporativas, S.L        | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Mr Fernando Falcó y Fernández de Córdova | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Larranza XXI, S.L.                       | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Mr Rafael Montes Sánchez                 | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Mr Marcelino Oreja Aguirre               | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |
| Mr Claude Serra                          | Appointments and Remuneration Committee | B-1998, S.L.                                                                           |

|                                   |        |
|-----------------------------------|--------|
| Total number of nominee Directors | 10     |
| % of the Board                    | 55.555 |



## EXTERNAL INDEPENDENT DIRECTORS

| Name of Director                        | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr Gonzalo Anes y Álvarez de Castrillón | Ph.D. in Economics from the University of Madrid. Professor of History and Economic Institutions at the Madrid Complutense University School of Economics. Full member of the Spanish Royal Academy of History, and its director since 1998. Member of the Prado Museum Board of Trustees since 1982 and was its chairman from 1986 to 1990. He has been a Director of the Bank of Spain and of Repsol-YPF and he is currently a Director of FCC and a member of its Audit and Control Committee and of its Appointments and Remuneration Committee. He holds the title of Marquis of Castrillón. |
| Mr. Olivier Orsini                      | He has a degree in Applied Economics and a diploma from the Ecole Supérieure de Commerce de Paris, and is widely experienced internationally in the environmental services and infrastructure management sectors.<br>He was Chairman of Proactiva from December 2002 to 2013. He was Secretary General of Veolia Environnement, the first environmental services group in the world, where he has developed practically his entire professional career up until April 2012.<br>He is a Director of FCC and a member of its Appointments and Remuneration Committee.                               |
| Mr César Ortega Gómez                   | General Manager of Banco Santander. He holds a degree in Economics and Business Studies and a master in tax consulting from ICADE. He has studied law and philosophy. Former partner of Arthur Andersen Asesores Legales y Tributarios and of Garrigues Abogados for 12 years. Board member of Grupo Santander, S.L., Bancos Latinoamericanos Santander, S.L., Santusa Holding, S.L., Santander Holding Gestión, S.L. and Santander Investment, S.A.                                                                                                                                              |
| Mr Henri Proglio                        | He holds a degree from the HEC Paris Business School (1971). Currently chairman and CEO of EDF and member of the board of directors and supervisory committee of Dassault Aviation, Natixis, CNP Seguros. Among other positions he has been the chairman of the board of directors of Veolia Medio Ambiente, chairman of the board of directors of several Vivendi Medio Ambiente business units: Aguas Generales and Vivendi Agua, CGEA (ONYX: Waste Management- Connex: Transport), and Dalkia (Energy services), vice-chairman of Vivendi,                                                     |

| Name of Director                      | Profile                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
|                                       | chairman of Générale des Eaux, CEO and member of the board of directors of Vivendi Agua, executive vice chairman of Compagnie Générale des Eaux, member of the executive committee of Compagnie Générale des Eaux. He is also a former senior officer of Compagnie Générale des Eaux and chairman and managing director of CGEA, a subsidiary of Compagnie Générale des Eaux in the transport and waste management area.<br>He was awarded the French Legion of Honour medal.                                                                                                                                                                                              |        |
| Mr. Gonzalo Rodríguez Mourullo        | Ph.D. in law from the University of Santiago de Compostela. Currently he is professor emeritus of the Autonomous University of Madrid and full member of the Royal Academy of Case Law and Legislation. He was awarded the Castelao Medal, the highest distinction of the Xunta de Galicia, for his contribution to law. He is a member of the Madrid Bar Association since 1962.<br>He is a director of FCC and a member of its Appointments and Remuneration Committee.                                                                                                                                                                                                  |        |
| Mr. Gustavo Villapalos Salas          | Ph.D. in Law and professor of Law History at the Complutense University of Madrid, of which he was the rector from 1987 to 1995. In 1995 he was appointed Minister of Education, Culture and Sports for the Autonomous Community of Madrid, a position he held until 2001. He is Doctor Honoris Causa of over 20 universities across the world; he is the chairman of the Human Rights sub-committee of the OSCE, a member of the UNESCO advisory committee on human cultural goods and of the Royal Academy of Case Law and Legislation.<br>Director of FCC, S.A.; chairman of its Audit and Control Committee and member of its Appointments and Remuneration Committee. |        |
| Total number of independent Directors |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 6      |
| % of total Board members              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 33.333 |

State whether any of the Directors considered independent Directors receive from the Company or from the group any sums or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his/her own name or as a significant shareholder, director or senior executive of a company, that has or that has had such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform functions as an independent Director.

| Individual or Company name of Director | Description of the transaction | Statement |
|----------------------------------------|--------------------------------|-----------|
| –                                      | –                              | –         |

### OTHER EXTERNAL DIRECTORS

| Individual or Company name of Director | Committee that proposed the appointment |
|----------------------------------------|-----------------------------------------|
| –                                      | –                                       |

|                                          |   |
|------------------------------------------|---|
| Total number of other external Directors | – |
| % of total Board members                 | – |

State why these Directors cannot be considered nominee or independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

| Individual or Company name of Director | Reasons | Company, executive or shareholder with which he/she is related |
|----------------------------------------|---------|----------------------------------------------------------------|
| –                                      | –       | –                                                              |

Indicate any changes in Directors' status in the period:

| Individual or Company name of Director | Date of change | Former status | Current status |
|----------------------------------------|----------------|---------------|----------------|
| –                                      | –              | –             | –              |
| –                                      | –              | –             | –              |

C.1.4. Fill in the table below with information on the number of women on the Board over the last four years, as well as what type of Directors they are:

|                | Number of women Directors |        |        |        | % of total Directors of the same kind |        |        |        |
|----------------|---------------------------|--------|--------|--------|---------------------------------------|--------|--------|--------|
|                | FY t                      | FY t-1 | FY t-2 | FY t-3 | FY t                                  | FY t-1 | FY t-2 | FY t-3 |
| Executive      | 0                         | 0      | 0      | 0      | 0                                     | 0      | 0      | 0      |
| Nominee        | 5                         | 5      | 5      | 4      | 50.000                                | 45.454 | 45.454 | 33.333 |
| Independent    | 0                         | 0      | 0      | 0      | 0                                     | 0      | 0      | 0      |
| Other External | 0                         | 0      | 0      | 0      | 0                                     | 0      | 0      | 0      |
| Total:         | 5                         | 5      | 5      | 4      | 27.777                                | 27.777 | 27.777 | 21.053 |

C.1.5. Describe the measures adopted, if appropriate, in order to include a number of women on the Board of Directors so as to be able to reach a balanced number of women and men on the Board.

| Explanation of the measures |
|-----------------------------|
| –                           |

C.1.6. Explain the measures adopted, if appropriate, by the Appointments Committee so that the selection procedures is free of implicit biases hindering the selection of women board members, and so that the Company deliberately seeks women candidates with the appropriate professional profile:

| Explanation of the measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Art. 42.3.h of the Board Regulations establishes the following among the functions of the Appointments and Remuneration Committee: "Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female Directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Board, if applicable, using the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation." |

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

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| Explanation of the reasons |
|----------------------------|
| –                          |

C.1.7. State how shareholders with significant holdings are represented on the Board:

B-1998, S.L., the holding company of FCC, is a member of the Board of Directors. Also, nine directors have been appointed at the proposal of B-1998, S.L.: Dominum Desga, S.A; EAC Inversiones Corporativas, S.L.; Dominum Dirección y Gestión, S.L.; Fernando Falcó y Fernández de Córdova; Marcelino Oreja Aguirre; Rafael Montes Sánchez; Cartera Deva, S.A.; Larranza XXI, S.L., and Claude Serra.

William H. Gates III is not represented on the Board of Directors of FCC.

C.1.8. Explain, as the case may be, the reasons why nominee directors have been appointed at the request of shareholders whose holding is below 5% of the capital:

| Name or company name of shareholder | Reason |
|-------------------------------------|--------|
| –                                   | –      |

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have nominee Directors. Detail the reasons for any such rejection, as the case may be:

|     |    |                                     |
|-----|----|-------------------------------------|
| YES | NO | <input checked="" type="checkbox"/> |
|-----|----|-------------------------------------|

| Name or company name of shareholder | Explanation |
|-------------------------------------|-------------|
| –                                   | –           |

C.1.9. State whether any directors have withdrawn from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

| Name of Director               | Reason for removal |
|--------------------------------|--------------------|
| Mr Juan Castells Masana        | Personal reasons.  |
| Mr Baldomero Falcones Jaquotot | Personal reasons.  |
| Mr Antonio Pérez Colmenero     | Personal reasons.  |
| Mr Nicolás Redondo Terreros    | Personal reasons.  |
| Mr Javier Ribas                | Personal reasons.  |

C.1.10. State the powers delegated to the CEO(s), if any are delegated:

| Name or Company name of Director | Brief description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Juan Béjar Ochoa                 | <p>Article 35.2 of the Rules of the Board of Directors establishes that: "The Board may delegate permanently, to one or more of its members, all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Association or these Rules, may not be delegated.</p> <p>In order to be valid, the permanent delegation of the powers of the Board of Directors and the designation of the Director or Directors delegated with such powers, regardless of their title, will require the favourable vote of at least two-thirds of the members of the Board of Directors.</p> <p>The CEO is responsible for representing and managing the Company's business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective powers.</p> <p>The effective representation and management of the Company's business affairs includes but is not limited to:</p> <ul style="list-style-type: none"> <li>● Supporting the Board of Directors in defining the Group's strategy.</li> <li>● Drafting the Business Plan and Annual Budget to be submitted to the Board of Directors for approval.</li> <li>● Preparing, and submitting to the Board of Directors or the Executive Committee for approval, depending on whether the amount involved is more or less than eighteen million euros, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility.</li> <li>● Hiring and dismissing any company employees, with the exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules.</li> </ul> <p>Once a year, at the first Board meeting of the year, the CEO will inform the members of the Executive Committee of the actual level of compliance with the forecasts made, with regard to the investment proposals submitted to the Committee and to the Board of Directors for approval."</p> <p>Article 7.2 of the Rules of the Board of Directors establishes that: "In any event, through the passing of resolutions which must be approved in each case as stipulated by law and the Articles of Association, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated:</p> |

| Name or Company name of Director | Brief description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Juan Béjar Ochoa                 | <ul style="list-style-type: none"> <li>a) Appointment and removal of the Chairman, Vice-Chairman, CEOs, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the CEO, appointment, removal and, when appropriate, indemnity clauses for the senior executives in the Company's functional areas (Administration, Finance, Human Resources, and the General Secretariat), of members of the Steering Committee and, in general, the Company's Senior Executives.</li> <li>b) Propose to respective Boards of Directors, at the initiative of the CEO and through the Company's representatives, the appointment, and possible removal and, when appropriate, indemnity clauses of the Chairmen and General Managers of the parent companies of FCC Group, acting in this connection in pursuit of the corporate interest of each of them.</li> <li>c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Association, and revoking such powers.</li> <li>d) Appointment and removal of Directors who are to make up the various Committees envisaged in these Rules.</li> <li>e) Supervising the Board's Delegated Committees.</li> <li>f) The appointment of Directors by co-optation if vacancies arise, up until the next General Meeting.</li> <li>g) The acceptance of resignations tendered by Directors.</li> <li>h) Drafting the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends, as the case may be.</li> <li>i) Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the CEO, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise.</li> <li>j) Approving investments and financing policy, particularly the approval of investments, divestments, credit lines, loans, surety or guarantee lines, and other financial facilities within the limits that the Board of Directors itself establishes, as well as investments and any other types of transactions whose specific circumstances make them strategic.</li> </ul> |

| Name or Company name of Director | Brief description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Juan Béjar Ochoa                 | <p>k) In general, the Board's organisation powers and especially the power to amend the Rules herein.</p> <p>l) The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting."</p> <p>Also, article 8 ("General Functions – Equilibrium in the development of functions"), establishes in section 1:</p> <p>"It is up to the Board of Directors to develop any actions that are necessary to carry out the corporate purpose established in the Bylaws, pursuant to the applicable laws." On the other hand, section 2 states that: "Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers."</p> <p>The Board of Directors, at its meeting of 31 January 2013, delegated to Mr Juan Béjar Ochoa, effective as from 1 February 2013, a number of different kinds of powers, such as: financial powers, powers of relationship with clients and suppliers, powers related to employment, administration and disposal, powers related to companies and associations, of a legal nature and internal powers. This delegation facilitates the management of the Group and enhances the external manifestation of the Company's will.</p> |

C.1.11. Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:

| Name or Company name of Director   | Name of group entity                          | Position           |
|------------------------------------|-----------------------------------------------|--------------------|
| Cartera Deva, S.A.                 | Cementos Portland Valderrivas, S.A.           | Director           |
| EAC Inversiones Corporativas, S.L. | Cementos Portland Valderrivas, S.A.           | Director           |
| Mr Juan Béjar Ochoa                | Cementos Portland Valderrivas, S.A.           | Director           |
| Mr Rafael Montes Sánchez           | Cementos Portland Valderrivas, S.A.           | Director           |
| Mr Felipe B. García Pérez          | Ethern Electric Power S.A. (Sole Corporation) | Director-Secretary |
|                                    | FCC Environmental LLC                         | Director           |
|                                    | FCC Power Generation, S.L. (Sole Corporation) | Director-Secretary |
|                                    | FCC Construcción, S.A.                        | Director-Secretary |
| Mr Olivier Orsini                  | Cementos Portland Valderrivas, S.A.           | Director           |
| Mr Gustavo Villapalos Salas        | Cementos Portland Valderrivas, S.A.           | Director           |

C.1.12. State, if appropriate, the directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

| Name of Director                   | Name of listed company | Position |
|------------------------------------|------------------------|----------|
| Mr Marcelino Oreja Aguirre         | Barclays Bank, S.A.    | Director |
| EAC Inversiones Corporativas, S.L. | Realia Business, S.A.  | Director |
| Mr Rafael Montes Sánchez           | Realia Business, S.A.  | Director |

C.1.13. State whether the Company has established rules about the number of directorships its Board members can hold, and describe any such rules:

YES ☒ NO

#### Explanation of the rules

Article 24.3 of the Board Rules establishes that "Before accepting any management position or Directorship at another company or entity, Directors must consult the Appointments and Remuneration Committee.

Article 22.3 of these Rules establishes that "Directors must inform the Appointments and Remuneration Committee of any other professional obligations they may have, in case they might interfere in the required dedication to office, and the Board of Directors, after receiving a proposal of the Appointments and Remuneration Committee, must establish how many directorships its Board members may hold."

#### C.1.14. State the policies and general strategies that the Board in full session has reserved the right to approve:

|                                                                                                       | Yes | No |
|-------------------------------------------------------------------------------------------------------|-----|----|
| Investment and financing policy                                                                       | X   |    |
| Definition of the structure of the group of companies                                                 | X   |    |
| Corporate governance policy                                                                           | X   |    |
| Corporate social responsibility policy                                                                | X   |    |
| Strategic or business plan and the annual management and budget objectives                            | X   |    |
| Remuneration policy and assessment of senior executive performance                                    | X   |    |
| Risk control and management policy and periodical follow-up of internal control and reporting systems | X   |    |
| Dividend and treasury share policy, especially its limits                                             | X   |    |

#### C.1.15. Indicate the overall remuneration of the Board of Directors:

|                                                                                                              |       |
|--------------------------------------------------------------------------------------------------------------|-------|
| Remuneration of the Board of Directors (thousand euros)                                                      | 3,864 |
| Amount of the overall remuneration corresponding to pension rights accrued by the Directors (thousand euros) | 2,829 |
| Overall remuneration of the Board of Directors (thousand euros)                                              | 6,694 |

#### NOTE:

The amount of the overall remuneration corresponding to pension rights accrued by Directors includes the rights accrued by one of the Executive Directors as a consequence

of the contracting and payment of an insurance premium, carried out by the company at the time to meet the payment of contingencies related, among other items, to death or to permanent labour disability and to retirement bonuses and pensions (see section C.1.45). During the year 2013 no contributions were made to said insurance in relation to that Director.

On 31 January 2013 Mr. Baldomero Falcones Jacquotot was removed from the Board. Mr. Falcones received 7,500 thousand euros, corresponding to the severance agreed to with the Company by the former CEO for the early termination of his contract.

#### C.1.16. Identify the senior executives who are not executive directors, and state the total remuneration they accrued during the year:

| Name or company name            | Position(s)                                                   |
|---------------------------------|---------------------------------------------------------------|
| Mr Agustín García Gila          | Chairman of FCC Medio Ambiente                                |
| Mr Eduardo González Gómez       | Chairman of Energy and Chairman of FCC Aqualia                |
| Mr Fernando Moreno García       | Chairman of FCC Construcción, S.A.                            |
| Mr Antonio Gómez Ciria          | General Manager of Administration                             |
| Mr Miguel Hernanz Sanjuan       | General Manager of Internal Audit                             |
| Mr Víctor Pastor Fernández      | General Manager of Finance                                    |
| Mr José Luis Sáenz de Miera     | Chairman and CEO of Cementos Portland Valderrivas             |
| Mr José Manuel Velasco Guardado | General Manager of communication and Corporate Responsibility |
| Ms Ana Villacañas Beades        | General Manager of Organisation                               |

|                                                             |         |
|-------------------------------------------------------------|---------|
| Total remuneration of senior executives (in thousand euros) | 4,191.5 |
|-------------------------------------------------------------|---------|

#### NOTE:

In the year 2013 the following individuals lost their senior executive status: Mr Francisco Martín Monteagudo (General Manager of Human Resources), Mr José Mayor Oreja (former Chairman of FCC Construcción) and José Luis de la Torre Sánchez (former Chairman of FCC Servicios). In the case of the last two and as a consequence of the contracting and payment at the time of an insurance premium, carried out by the company to meet the



## CORPORATE GOVERNANCE

payment of contingencies related, among other items, to death or to permanent labour disability and to retirement bonuses and pensions, as beneficiaries of said insurance they received an amount equivalent to 3.5 times their net annual remuneration.

### C.1.17. State, if appropriate, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

| Name or Company name of Director         | Company name of significant shareholder | Position |
|------------------------------------------|-----------------------------------------|----------|
| Cartera Deva, S.A.                       | B-1998, S.L.                            | Director |
| Dominum Desga, S.A.                      | B-1998, S.L.                            | Director |
| Dominum Dirección y Gestión, S.L.        | B-1998, S.L.                            | Director |
| EAC Inversiones Corporativas, S.L.       | B-1998, S.L.                            | Director |
| Mr Fernando Falcó y Fernández De Córdova | B-1998, S.L.                            | Director |
| Mr Rafael Montes Sánchez                 | B-1998, S.L.                            | Director |

Describe any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

| Name or Company name of Director | Name of significant shareholder | Description of relationship         |
|----------------------------------|---------------------------------|-------------------------------------|
| Cartera Deva, S.A.               | B-1998, S.L.                    | B-1998, S.L. shareholder agreements |
| Larranza XXI, S.L.               | B-1998, S.L.                    | B-1998, S.L. shareholder agreements |

### C.1.18. State whether there have been any amendments of the Board Rules during the year:

YES ☒ NO

#### Description of the amendments

Pursuant to the provisions in article 4 of the Rules of the Board of Directors of Fomento de Construcciones y Contratas, S.A., the Audit and Control Committee, at its meeting of 10 April 2013, unanimously resolved to submit to the Board of Directors the amendment of the Rules of the Board of Directors of the Company.

The Board of Directors resolved upon this amendment on 10 April 2013.

The content and scope of the amendment are provided as follows:

1. The wording has been adapted to the novelties introduced by Order ECC/461/2013, of 20 March, determining the contents and structure of the annual report on corporate governance, on the annual report on remuneration and on other reporting instruments of listed public limited companies, savings banks and other entities issuing securities that may be negotiated on official securities markets.

The following amendments were made:

- A) Article 6 (qualitative composition) section 2.a) in order to adapt the definition of independent director to that established by Article 8 of Order ECC/461/2013, of 20 March; in relation thereto, a Temporary Provision was incorporated to the Rules in order to include what was established in the Second Temporary Provision of said Order.

- B) Article 45 (contents of the Corporate webpage), in order to provide the minimum contents of the Company web page established by Article 13 of Order ECC/461/2013, of 20 March,.

2. Certain technical improvements and harmonisations with other internal regulatory texts of the Company were introduced.

The following were amended:

- A) Article 18 (term of office) to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the reduction from five (5) to three (3) years of the term of office of the members of the Board of Directors.

- B) Article 40 (Executive Committee) section 6, to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the performance of Chairman of the Executive Committee functions by another member of the committee in the absence of the chairman or if said office is vacant.

- C) Article 40 (Executive Committee) section 8, to regulate the system for calling the Executive Committee under the terms provided in the Bylaws, as well as to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the system for calling the Executive Committee in the absence of the chairman or if said office is vacant.

#### Description of the amendments

- D) Article 41 (Audit and Control Committee), section 6, to regulate the system for calling and performing the functions of chairman of the Audit and Control Committee in the absence of the chairman or if said office is vacant.
- E) Article 42 (Appointments and Remuneration Committee), section 6, to regulate the system for calling and performing the functions of chairman of the Appointments and Remuneration Committee in the absence of the chairman or if said office is vacant.
- F) Article 43 (Strategy Committee), section 8, to regulate the system for calling and performing the functions of chairman of the Strategy Committee in the absence of the chairman or if said office is vacant.

The Audit and Control Committee, pursuant to the provisions in article 4.3 of the Rules of the Board of Directors of the Company, unanimously resolved to propose and report favourably on the proposal of amending the Rules that was submitted by the Committee to the Board so that the latter could approve it. Regarding the amendment of articles 18 and 40 of the Regulations, the efficacy thereof was conditional upon the approval by the Annual General Meeting of the Company of the amendments of the bylaws related to said provisions.

On 23 May 2013, the Annual General Meeting of the Company informed on the amendments introduced in the Rules since the last General Meeting. Also, the amendments of the bylaws (articles 29 and 36) that had a bearing on said provisions were approved.

#### C.1.19. State the procedures for the selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the process and the criteria for each procedure.

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for three-year terms.

Ms Esther Koplowitz Romero de Juseu shall in any event be entitled to appoint the majority of the members of the Board of Directors of FCC and of its subsidiaries. As a group, the Investors may appoint up to two members but never more than one-third of the total Board of Directors of FCC.

Ms Esther Koplowitz Romero de Juseu may appoint the Chairman of the Board of Directors of FCC, the CEO of FCC and at least two-thirds of the members of the Executive Committee.

Moreover, Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

#### Article 16. "Appointment, ratification or re-appointment of Directors"

*"Proposals for the appointment or re-appointment of Directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law, must fall upon people of recognised integrity, solvency, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent Directors, and based on a prior report from the Appointments and Remuneration Committee, in the case of other Directors."*

#### Article 18. "Term of office"

*"1. Directors shall hold office for the term established in the bylaws.*

*2. The Directors appointed by co-optation will hold office until the next General Meeting is held. This period will not count toward the term established in the preceding paragraph.*

*3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for two years.*

*4. If the Board of Directors deems it appropriate, it may dispense former Directors from this obligation or shorten the term thereof."*

#### Article 19. "Re-appointment of Directors"

*"Prior to proposing re-appointment of any Director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed Directors during their previous mandate."*

Evaluation:

#### Article 38. "Meetings of the Board of Directors"

*"6: The plenary session of the Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work and the efficacy of its rules and correcting any aspects which have been shown to be dysfunctional, if necessary. At that meeting, in the light of the relevant report submitted by the Appointments and Remuneration Committee, it will also evaluate the performance of functions of the Chairman of the Board and of the CEO, as well as the performance of its committees based on the reports submitted by these."*

#### Article 20. "Removal of Directors"

"1. Directors shall be removed from office when the term for which they were appointed has elapsed or when the General Meeting decides so, exercising the powers granted to it by the law and the bylaws."

#### Article 21. "Nature of Board resolutions on this matter"

"Pursuant to the provisions of Article 25 of these Rules, the Directors being proposed for appointment, re-appointment or removal may not participate in the debates or vote on these issues."

#### C.1.20. State whether the Board of Directors has evaluated its activities during the year:

YES ☒ NO

If applicable, explain to what extent that self-evaluation has given rise to important changes in its internal organisation and in the procedures applying to its activities:

##### Description of Amendments

The Board of Directors of Fomento de Construcciones y Contratas, S.A. issued, on 31 January 2013, a report evaluating the quality and efficiency of its performance and of its Committees in relation to the year 2012, in order to comply with the duty imposed by Article 38.6 of the Rules of the Board of Directors.

All of the members of the Board of Directors play an active role in preparing the report, taking into consideration the comments, appraisals, opinions and suggestions of all of them in that process. In the year 2012 the consultancy firm Spencer Stuart collaborated in this task: after analysing the replies to the questionnaire sent to each of the Directors and interviewing several of them, the firm drafted the "self-evaluation" document that accompanied the report for 2011, which was passed by the Board of Directors at its meeting of 27 February 2012.

The document drafted by Spencer Stuart included a number of recommendations to improve the performance of the Board, which were considered by the Board at its meeting on 27 February, and a mandate was issued for the Appointments and Remuneration Committee to see to the effective implementation of the recommendations and to propose to the Board any actions it deemed suited for such purpose.

##### Description of Amendments

Fulfilling the above mandate, after being submitted by the Chairwoman of the Appointments and Remuneration Committee, at the meeting of the Board of Directors held on 10 May 2012 a resolution was passed (Resolution 25/2012) whereby the document submitted by that Committee was approved.

Since only 11 months had elapsed since the implementation of the measures (considering that the self-evaluation takes place at the first meeting of the year), it does not seem necessary to resort to an external consultant again this year.

The evaluation process was carried out via the appraisal of a number of aspects with a bearing on the functioning, efficiency and quality of the performance and decision-making of the Board of Directors, as well as the members' contributions to the performance of the functions and the achievement of the objectives entrusted to the Board.

Also, the respect of and compliance with the bylaws, the Rules of the Board of Directors and, generally, the Company's Rules of Corporate Governance, including the above-mentioned rules that were approved on 10 May 2012, by the Board of Directors and its members have been taken into account.

#### C.1.21. State the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board establishes the following:

1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Bylaws."
2. The Directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:
  - a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.
  - b) In the case of nominee directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that its number of nominee directors must be reduced.
  - c) When they fall under a situation of incompatibility or legal disqualification provided by law.
  - d) When the Board, by a two-thirds majority, asks the director to resign:
    - ⊙ if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee or

- when his or her permanence on the Board may jeopardise the Company's credibility and reputation; directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether the director must resign or not, and it must give a justification in the Annual Corporate Governance Report.

**C.1.22. Explain whether the functions of the Company's chief executive are performed by the Chairman of the Board. If so, state the measures taken to limit the risk of a single person accumulating power:**

YES NO ☒

Risk-limiting measures  
-

State whether the Company has established rules to empower an independent Director to request a Board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external Directors; and to lead the Board's evaluation; detail any such rules:

YES ☒ NO

Explanation of the rules  
Article 34.3 of the Rules of the Board establishes the following:  
"When a Company's Chairman is also its chief executive or first executive, an independent Director should be empowered by the Board to request the calling of Board meetings or the inclusion of new business on the agenda, to coordinate and give voice to the concerns of external Directors, and to lead the Board's evaluation of the Chairman".

**C.1.23. Is a supermajority, other than the legal majority, required in some decisions?**

YES NO ☒

If so, describe the differences.

Description of differences  
-

**C.1.24. Detail whether there are specific requirements, other than those relating to directors, to be appointed Chairman.**

YES NO ☒

Description of requirements  
-

**C.1.25. State whether the chairman has a casting vote:**

YES NO ☒

Issues on which there is a casting vote  
-

**C.1.26. State whether the Bylaws or the Rules of the Board establish an age limit for directors:**

YES NO ☒

|                         |                          |
|-------------------------|--------------------------|
| Age limit for Chairman  | <input type="checkbox"/> |
| Age limit for CEO       | <input type="checkbox"/> |
| Age limit for Directors | <input type="checkbox"/> |

## CORPORATE GOVERNANCE

C.1.27. State whether the Bylaws or the Rules of the Board establish a term limit for independent directors:

YES ☒ NO

Maximum number of years in office 12 years

C.1.28. State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether it is compulsory to delegate one's vote to a Director of the same class. If so, give a brief description.

There are no are formal processes for delegating votes on the Board of Directors.

C.1.29. State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairman did not attend the Board meeting. Proxies granted with specific instructions are counted as attendances:

Number of meetings of the Board of Directors 13

Number of Board meetings without the attendance of its Chairman 0

Indicate the number of meetings held by the various Board Committees in the year:

Number of Executive or Delegated Committee meetings 8

Number of Audit Committee meetings 9

Number of Appointments and Remuneration Committee meetings 11

C.1.30. State the number of Board of Directors meetings held in the year that were attended by all its members. Proxies granted with specific instructions are counted as attendances:

Attendance by Board members 229

% of attendance over the total votes during the year 89.52

C.1.31. State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

YES ☒ NO

Indicate any person(s), if applicable, who have certified the company's individual and consolidated financial statements for approval by the Board:

| Name                       | Position                          |
|----------------------------|-----------------------------------|
| Mr Juan Béjar Ochoa        | CEO                               |
| Mr Juan José Drago Masia   | General Manager of Administration |
| Mr Víctor Pastor Fernández | General Manager of Finance        |

C.1.32. Detail whether the Board of Directors has established any mechanisms, to avoid any qualifications in the audit report on the individual and consolidated financial statements that it has approved to be presented to the General Meeting.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' approval of the 2013 financial statements, the Audit and Control Committee has thoroughly examined those statements and requested that the external auditor on the Committee explain the conclusions of its review so that, once the statements were approved by the Board, the external auditor's report would contain no qualifications.

### C.1.33 Is the Secretary of the Board a Director?

YES NO ☒

#### NOTE:

Mr Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

### C.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the Appointments Committee was consulted and if the appointment or removal was approved by the full Board:

#### Appointment and removal procedure

Article 36 of the Board Rules (Secretary of the Board. Functions. Vice-secretary of the Board) states that the Secretary of the Board cannot be a director. His/her appointment and removal must be approved by a full Board meeting based on a proposal by the Appointments and Remuneration Committee.

Also, Article 42 of the Rules (Appointments and Remuneration Committee) establishes in section 3 i) that the Appointments and Remuneration Committee shall have the authority to report, advise and make proposals within its functions, in particular "j) Reporting on the appointment and removal of the Secretary of the Board."

Mr Francisco Vicent Chuliá was appointed non-voting Secretary of the Board at a Board meeting held on 26 October 2004. The current Appointments Committee did not exist at the time. The appointment was a unanimously resolution.

|                                                             | Yes | No |
|-------------------------------------------------------------|-----|----|
| Is the Appointments Committee consulted on the appointment? | X   |    |
| Is the Appointments Committee consulted on the removal?     | X   |    |
| Does the full Board approve the appointment?                | X   |    |
| Does the full Board approve the removal?                    | X   |    |

Is the Board Secretary entrusted in particular with ensuring compliance with corporate governance recommendations?

YES ☒ NO

#### Comments

Article 36.2 of the Rules of the Board establishes that the Secretary shall especially ensure that the Board's actions: (i) are adjusted to the letter and spirit of the Laws and rules, including those approved by regulatory bodies; (ii) are in accordance with the Bylaws and the Rules of the General Meeting, the Board and any others that the Company may have; (iii) and that they bear in mind the recommendations on good governance included in the Bylaws and Rules of the Company.

### C.1.35. State the mechanisms, if any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

These mechanisms are included in Article 41.4 of the Rules of the Board, which states as follows:

"4. The key function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Liaising between the Board of Directors and the Company's external Auditor, assessing the results of each audit, with the following additional duties with respect to the external Auditor:
  - Making recommendations to the Board of Directors for the selection, appointment, re-election and removal of the external Auditor, and the terms and conditions of his or her engagement;



- (ii) receiving regular information from the external Auditor on the progress and findings of the audit programme, and checking that senior executives are acting on its recommendations;
  - (iii) discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted;
  - (iv) ensuring the independence of the external Auditor and, in particular, establishing appropriate measures to ensure that:
    - 1) contracting consulting and advisory services with that Auditor or a company of its group does not jeopardise its independence, to which end the Committee will receive an annual report from the Auditors confirming in writing their independence in respect of the Company or the entities directly or indirectly related to it and information on any additional services of any kind rendered to the companies by the Auditors or by persons or entities related to them, as provided for in the Auditing Act; and
    - 2) the Company issues a relevant event to the CNMV related to the change in Auditor, with a statement about any disagreements with the outgoing Auditor and their nature; where the external Auditor resigns, the Committee must examine the reasons;
  - (v) and seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.
- c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's Auditors or auditing companies. This report must necessarily address any additional services of the kind referred to in section b) (iv) 1 above.
- d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.
- e) Supervising and analysing the risk control and management policy, identifying at least:
  - (i) the different types of risk to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
  - (ii) the determination of the risk level the Company sees as acceptable;
  - (iii) the measures in place to mitigate the impact of identified risks, should they occur;
  - (iv) and the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks, and submission to the Board for approval.
- f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the financial information released periodically to the markets, checking for compliance with legal requirements and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions:
  - (i) the financial information that the Company must release periodically by virtue of being listed, ensuring that the interim financial statements are drawn up in accordance with the same accounting principles as the annual financial statements and, to this end, considering the advisability of a limited review by the Company's external Auditor;
  - (ii) and the creation, or acquisition of holdings in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC group.
- g) With respect to internal control and reporting systems:
  - (i) monitoring the preparation and the integrity of the financial information prepared on the Company and, as the case may be, the Group, checking for compliance with legal requirements, the accurate definition of the consolidation perimeter, and the correct application of accounting principles;
  - (ii) reviewing internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed;
  - (iii) monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing that department's budget; receiving regular reports on its activities; and verifying that senior executives are acting on the findings and recommendations of its reports;
  - (iv) periodically receiving information from the Response Committee and the Management Control and Risk Management Department, respectively, on how they carry out their activities and on how internal controls work;

(v) and ensuring that the internal codes of conduct and the rules of corporate governance comply with the requirements of law and are appropriate for the Company, and reviewing compliance, by the persons governed by those codes and governance rules, of their obligations to inform the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to these Rules, as provided in Article 4.3.

i) Deciding on requests for information presented by directors, by virtue of Article 30.3 of these Rules, to the Committee, and requesting the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 38.3 of these Rules.”

C.1.36. State whether the Company changed its external auditor during the year. If appropriate, identify the outgoing and incoming auditors:

YES NO ☒

If so, identify the incoming and outgoing auditor:

| Outgoing auditor | Incoming auditor |
|------------------|------------------|
| –                | –                |

If there was a disagreement with the outgoing auditor, provide a description thereof:

| Explanation of disagreement |
|-----------------------------|
| –                           |

C.1.37. State whether the audit firm performs other work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group:

YES ☒ NO

|                                                                     | Company | Group | Total |
|---------------------------------------------------------------------|---------|-------|-------|
| Amount of other non-audit jobs (thousand Euros)                     | 50      | 179   | 229   |
| Amount of non-audit jobs / total amount billed by audit firm (in %) | 16.821  | 6.419 | 7.422 |

C.1.38. State whether the auditors' report on the previous year's financial statements had any reservations or was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or reservation.

YES NO ☒

| Explanation of the reasons |
|----------------------------|
| –                          |

C.1.39. State the number of consecutive years that the current audit firm has been auditing the financial statements of the Company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

|                                                                                                            | Company | Group |
|------------------------------------------------------------------------------------------------------------|---------|-------|
| Number of consecutive years                                                                                | 12      | 12    |
| Number of years the current audit firm has audited / number of years the Company has been audited (as a %) | 50      | 50    |

**C.1.40. State whether there is a procedure for directors to engage external consultants and, if so, provide details:**

YES ☒ NO

**Detail the procedure**

Article 31 "Expert assistance" of the Rules of the Board states that:

- "1. In order to assist them in performing their duties, external directors are entitled to obtain the necessary assistance from the Company to perform their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.
2. Requests to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that:
- a) it is necessary for the proper performance by independent directors of their assigned duties,
  - b) the cost is reasonable, in view of the importance of the problem and the assets and revenues of FCC, and
  - c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel.
3. Requests for expert assistance by any of the Board Committees should not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met."

**C.1.41. State whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:**

YES ☒ NO

**Detail the procedure**

Article 38 "Meetings of the Board of Directors" of the Rules of the Board defines the procedure as follows:

"1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC so require, in accordance with a calendar and issues set at the beginning of the year, to which each director, along with any of the Board's Committees, may propose the addition of other items not initially envisaged in the agenda, such proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date if it is earlier.

2. The announcement of the ordinary meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or his alternate or the Secretary or Vice-Secretary, by order of the Chairman.

Notwithstanding the provisions of Article 30 of the Bylaws, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and if applicable, to vote on the issues submitted to them for their consideration. In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters.

3. The Chairman will decide the meeting agenda. The Directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them.

When a specific item is included on the meeting agenda as requested by the Directors, then the Directors who requested the inclusion of that item must forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members.

In view of the Directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion.

4. Board meetings may be held via multi-conference call, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must be located, the announcement must state that directors can attend via conference call, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes of meetings held in this way, in addition to the names of the directors who physically attended or if appropriate, those represented by another director, those who attended via multi-conference call, videoconference or an equivalent system."

C.1.42 State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the Company's name or reputation, and describe any that exist:

YES ☒ NO

Explain the rules:

According to Article 29 of the Rules of the Board of Directors' duty of disclosure, "Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d. Legal, administrative, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC." Also, article 20.2.d) on Removal of Directors states that "Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: d. When the Board requests the resignation by a majority of at least two thirds of its members: - When their permanence on the Board may jeopardise the Company's credibility and reputation, and Directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any Director is indicted or tried for any of the crimes stated in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the Director must resign, and it must give a justification in the Annual Corporate Governance Report."

C.1.43. State whether any member of the Board of Directors has informed the Company that he has been charged with, or tried for, any of the crimes stated in Article 213 of the Capital Companies Act:

YES NO ☒

| Name of Director | Criminal Case | Comments |
|------------------|---------------|----------|
| -                | -             | -        |

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the Director to remain in office, or if applicable, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

| Decision or action taken | Explanation |
|--------------------------|-------------|
| -                        | -           |

C.1.44. Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

There are none.

C.1.45. State on an aggregated basis and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to wrongful dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

| Number of beneficiaries                                                                                 | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of beneficiary                                                                                     | Description of the resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Second Vice-president and CEO, Company Secretary (and Director), and Chairman of FCC Construcción, S.A. | <p>Notwithstanding their director status, the two Executive Directors (the second vice-president and CEO, as well as the company secretary, who is also a director) have contractual arrangements with the company that regulate the performance of their managerial and executive functions. In both cases they are permanent contracts, which in general, the regulations applicable are:</p> <p>(i) agreements for the provision of services, in the case of the second vice-president and CEO, and</p> <p>(ii) senior executive employment agreements, in the case of the company secretary.</p> <p>The contracts of the CEO, the company secretary and the chairman of FCC Construcción may be terminated by either party, and under certain circumstances said officers shall have the right to severance provided that the termination of the contractual relationship is not a consequence of non-performance of their functions, under the following terms:</p> <p>© Second vice-president and CEO:</p> <p>If the contract is terminated prior to 31/01/2015: Two annuities (average annual fixed + variable remuneration + average variable triennial) plus the triennial variable bonus that is accrued and not collected. From this sum all the amounts will be deducted, for</p> |

| Number of beneficiaries                                                                                 | 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of beneficiary                                                                                     | Description of the resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Second Vice-president and CEO, Company Secretary (and Director), and Chairman of FCC Construcción, S.A. | <p>whatever item, received after 1 February 2013. The severance amount cannot be lower than one annuity.</p> <p>Termination between 31/01/2015 and 30/06/2015: A fixed annuity (€2.5 M), plus:</p> <ul style="list-style-type: none"> <li>○ The average variable annual remuneration of the last 2 years.</li> <li>○ The average triennial annual remuneration of the last 2 years.</li> <li>○ The current triennial remuneration accrued and not collected.</li> </ul> <p>As from 30/06/2019: a figure equivalent to the minimum established by Law for senior executives.</p> <ul style="list-style-type: none"> <li>○ Company Secretary (and director) and chairman of FCC Construcción, S.A.:</li> </ul> <p>The Company, with the authorisation of the Executive Committee, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent labour disability, to retirement bonuses and pensions and other concepts in favour of some of the executive directors and senior executives.</p> <p>In particular, the contingencies giving rise to severance pay are those that entail the termination of the employment relationship for any of the following reasons:</p> <ul style="list-style-type: none"> <li>a) Unilateral decision by the Company.</li> <li>b) Winding up or disappearance of the parent company for any reason, including merger or spin-off.</li> <li>c) Death or permanent disability.</li> <li>d) Declaration of physical disability or legal incompetence for any other reason.</li> <li>e) A substantial change in professional conditions.</li> <li>f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent.</li> <li>g) Resignation at age 65, by unilateral decision of the executive.</li> </ul> <p>As of 1 December 2013 an amount of 3.5 net annuities of wages were accumulated in the insurance premium for both the above people.</p> |
| Director General of Administration                                                                      | Two gross annuities in the event of wrongful dismissal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

Indicate whether these contracts have to be notified to and/or approved by the Company's or group's bodies:

|                                  | Board of Directors                  | General Meeting |
|----------------------------------|-------------------------------------|-----------------|
| Body that authorises the clauses | <input checked="" type="checkbox"/> |                 |

|                                                 | YES                                 | NO |
|-------------------------------------------------|-------------------------------------|----|
| Is the General Meeting informed of the clauses? | <input checked="" type="checkbox"/> |    |

## C.2. Board of Director Committees

C.2.1. Describe all the Board of Director Committees, their members and the proportion of nominee and independent directors among them:

### EXECUTIVE OR DELEGATE COMMITTEE

| Name                                                                        | Position                  | Type      |
|-----------------------------------------------------------------------------|---------------------------|-----------|
| Mr Juan Béjar Ochoa                                                         | Chairman                  | Executive |
| Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.                | Member                    | Nominee   |
| Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L. | Member                    | Nominee   |
| Mr Fernando Falcó y Fernández de Córdova                                    | Member                    | Nominee   |
| Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.                  | Member                    | Nominee   |
| Mr Francisco Vicent Chuliá                                                  | Non-member Secretary      |           |
| Mr Felipe B. García Pérez                                                   | Non-member Vice-secretary | Executive |

|                               |    |
|-------------------------------|----|
| % of Executive Directors      | 20 |
| % of Nominee Directors        | 80 |
| % of Independent Directors    | 0  |
| % of other External Directors | 0  |

## AUDIT COMMITTEE

| Name                                                                        | Position             | Type        |
|-----------------------------------------------------------------------------|----------------------|-------------|
| Mr Gustavo Villapalos Salas                                                 | Chairman             | Independent |
| Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.                | Member               | Nominee     |
| Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L. | Member               | Nominee     |
| Mr Gonzalo Anes y Álvarez De Castrillón                                     | Member               | Independent |
| Mr Fernando Falcó y Fernández de Córdova                                    | Member               | Nominee     |
| Mr José María Verdú Ramos                                                   | Non-member Secretary | –           |

|                               |    |
|-------------------------------|----|
| % of Executive Directors      | 0  |
| % of Nominee Directors        | 60 |
| % of Independent Directors    | 40 |
| % of other External Directors | 0  |

## APPOINTMENTS AND REMUNERATION COMMITTEE

| Name                                                                        | Position             | Type        |
|-----------------------------------------------------------------------------|----------------------|-------------|
| Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.                | Chairman             | Nominee     |
| Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L. | Member               | Nominee     |
| Ms Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.  | Member               | Nominee     |
| Mr Gonzalo Anes y Álvarez De Castrillón                                     | Member               | Independent |
| Mr Fernando Falcó y Fernández de Córdova                                    | Member               | Nominee     |
| Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.                  | Member               | Nominee     |
| Mr Rafael Montes Sánchez                                                    | Member               | Nominee     |
| Mr Olivier Orsini                                                           | Member               | Independent |
| Mr Gonzalo Rodríguez Mourullo                                               | Member               | Independent |
| Mr Gustavo Villapalos Salas                                                 | Member               | Independent |
| Mr José María Verdú Ramos                                                   | Non-member Secretary | –           |

|                               |    |
|-------------------------------|----|
| % of Executive Directors      | 0  |
| % of Nominee Directors        | 60 |
| % of Independent Directors    | 40 |
| % of other External Directors | 0  |

## STRATEGY COMMITTEE

| Name                                                                        | Position           | Type        |
|-----------------------------------------------------------------------------|--------------------|-------------|
| Ms Esther Koplowitz Romero de Juseu on behalf of B-1998, S.L.               | Chairman           | Nominee     |
| Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.                | Member             | Nominee     |
| Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L. | Member             | Nominee     |
| Ms Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.  | Member             | Nominee     |
| Mr Fernando Falcó y Fernández de Córdova                                    | Member             | Nominee     |
| Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.                  | Member             | Nominee     |
| Ms Lourdes Martínez Zabala on behalf of Larranza XXI, S.L.                  | Member             | Nominee     |
| Mr Rafael Montes Sánchez                                                    | Member / Secretary | Nominee     |
| Mr Gustavo Villapalos Salas                                                 | Member             | Independent |

|                               |        |
|-------------------------------|--------|
| % of Executive Directors      | 0      |
| % of Nominee Directors        | 88.889 |
| % of Independent Directors    | 11.111 |
| % of other External Directors | 0      |



**C.2.2. Fill in the table below on the number of female Directors on the Board Committees during the last four years:**

|                                            | FY t<br>Number % | Number of Female Directors<br>FY t-1<br>Number % | FY t-2<br>Number % | FY t-3<br>Number % |
|--------------------------------------------|------------------|--------------------------------------------------|--------------------|--------------------|
| Executive Committee                        | 2<br>29%         | 2<br>33%                                         | 2<br>33%           | 2<br>33%           |
| Audit Committee                            | 2<br>40%         | 2<br>40%                                         | 2<br>40%           | 2<br>40%           |
| Appointments and<br>Remuneration Committee | 3<br>30%         | 3<br>33%                                         | 3<br>33%           | 3<br>33%           |
| Strategy Committee                         | 5<br>55%         | 5<br>50%                                         | 5<br>50%           | 4<br>40%           |

**C.2.3. State whether the following functions are attributed to the Audit Committee:**

|                                                                                                                                                                                                                                                                                                                                                       | Yes | No |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal requirements, the accurate definition of the scope of consolidation, and the correct application of accounting principles.                                                       | X   |    |
| Periodically check the internal control and risk management systems, in order that the principal risks are identified, managed and announced adequately.                                                                                                                                                                                              | X   |    |
| Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports. | X   |    |
| Establish and supervise a mechanism whereby employees can report, confidentially and, if necessary, anonymously, any irregularities they detect, in particular financial or accounting irregularities, with potentially serious implications for the Company.                                                                                         | X   |    |
| Make recommendations to the Board for the selection, appointment, re- appointment and removal of the external auditor, and the terms and conditions of his/her engagement.                                                                                                                                                                            | X   |    |
| Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.                                                                                                                                                                        | X   |    |
| Monitor the independence of the external auditor                                                                                                                                                                                                                                                                                                      | X   |    |

**C.2.4. Give a description of the rules of organisation and functioning, together with the responsibilities attributed to each one of the Board committees.**

**EXECUTIVE COMMITTEE:**

Its rules are determined by Article 36 of the Bylaws of FCC, which are extracted below:

*"The Executive Committee will be convened by the Chairman, on its own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date. However, the Executive Committee may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency."*

*"The meetings shall be held at the Company's registered offices or another location designated by the Chairman and stated in the notice."*

*In order for the Executive Committee to be quorate, there must be a majority of members present or represented.*

*Absent members may be represented by another member of the Executive Committee by notifying the Chairman in writing.*

*The deliberations will be directed by the Chairman who will give the floor to the attendees who request to speak.*

*If the Chairman of the Executive Committee is absent, or if the position is vacant, his/her functions will be exercised by a Committee member chosen by majority vote of those in attendance.*

*Resolutions will be passed by absolute majority of the Committee members.*

*In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Committee will request that a meeting be convened as provided for in Article 30 of the Bylaws, [...]"*

Additionally, Article 40 of the Rules of the Board of Directors establishes that:

- "2. The Board of Directors will designate the directors to form part of the Executive Committee, ensuring as far as possible that its structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Committee.*
- 3. The Executive Committee will be composed of a minimum of five and a maximum of ten members.*
- 4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board.*
- 5. Any vacancies arising will be filled as quickly as possible by the Board of Directors.*
- 6. In the absence of the Chairman of the Executive Committee, or if this position is vacant, a Committee member will be chosen to perform his/her functions.*
- 7. The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and vote.*
- 8. The Executive Committee will be convened by the Chairman, on his/her own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date and not less than 10 days. The Executive Committee may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to vote [...].*
- 9. The Executive Committee will be quorate when at least the majority of its members are present or represented at the meeting.*

- 10. The Executive Committee, through its Chairman, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.*
- 11. In all other matters, the Executive Committee will be governed by the pertinent provisions of the Bylaws and, specially, by the provisions relating to the Board of Directors contained in the Bylaws and these Rules."*

#### AUDIT AND CONTROL COMMITTEE:

Its functions are governed by Article 41 of the Board Rules. It must comprise at least three Directors designated by the Board of Directors taking into account their knowledge and experience of accounting, auditing or risk management; all of its members will be external Directors, and the Committee will appoint a Chairman from among its members, who will hold office for no more than four years; it may also appoint a Vice-Chairman. The term of the members of the Committee may not exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as Directors.

At least one of the members of the Audit and Control Committee must be an independent Director and will be appointed based on his/her accounting and/or auditing expertise and experience.

The Secretary and Vice-Secretary, if any, shall be chosen by the Committee and need not be Board members.

The members of the Committee may obtain advice from external professionals. These advisors will attend the meetings and may speak but not vote.

The key function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial and economic information, the internal controls and the independence of the external auditors.

Its main responsibilities include:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Liaising between the Board of Directors and the external auditor, evaluating the results of each audit.
- Supervising the Company's internal auditing services.
- Analysing the risk control and management policy.
- Supervising the process of drafting the individual and consolidated financial statements and management reports and the regular financial disclosures to the markets.
- Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services rendered.
- Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to the Board Rules.

#### APPOINTMENTS AND REMUNERATION COMMITTEE:

This Committee is organised and governed by Article 42 of the Rules of the Board of Directors.

- "1. The FCC Board of Directors shall permanently establish an Appointments and Remuneration Committee. It will be composed of a minimum of three (3) Board members appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.*
- 2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairman and to ensure the smooth operation of the Committee, duly reflecting, in the meeting minutes, the development of the deliberations, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration*

*Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.*

*There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairman shall have a casting vote in the event of a tie.*

- 3. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and it will have the following functions in particular, in addition to those already indicated in these Rules:*
  - a) Evaluating the skills, knowledge and experience needed on the Board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding the time and dedication necessary for them to properly perform their duties. Any Director member may suggest Directorship candidates to the Appointments and Remuneration Committee for its consideration.*
  - b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, making recommendations to the Board so the handover proceeds in a planned and orderly manner.*
  - c) Proposing the appointment and re-appointment of independent Directors and advising on proposals for the appointment and re-appointment of the other Directors.*
  - d) Advising on proposals to maintain independent Directors in their positions after 12 years and advising on proposals for the removal of independent Directors, in accordance with Article 20.3.*
  - e) Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2 of these rules, and making the proposals for reprimands envisaged in Article 20.2. d) of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee and reported to the Board of Directors in each case.*
  - f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the senior executives' contracts, advising*

and proposing on multi-year incentive plans for the Company's senior executives, particularly those related to the value of the shares. It may also propose to the Board of Directors the distribution among the Directors of the remuneration arising from their membership of the Board that is resolved by the General Meeting of Shareholders, pursuant to the provisions in the Corporate Bylaws and in these Rules.

- g) Preparing and maintaining a record of the status of Directors and senior executives of FCC.
- h) Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female Directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation.
- i) Advising on the proposed appointment of members of the Board of Directors Committees.
- j) Advising on the appointment and removal of the Secretary of the Board.
- k) Verifying the qualifications of the Directors under Article 6.4.
- l) Receiving the information provided by Directors under Article 24.2 of these Rules.
- m) Advising, if applicable, on any professional or commercial transactions referred to in Article 25.3 of these Rules.
- n) Advising on the use, for the benefit of a Director, of business opportunities or assets of FCC which have been previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules.
- o) Receiving and safeguard the registration of situations mentioned in section e) above and the personal information furnished by the Directors, as established in article 29 of these Rules.
- p) Requesting, as the case may be, the inclusion of items on the Agenda of Board meetings, under the conditions and in the terms provided in article 38.3 of these Rules.

When dealing with matters referring to the Executive Directors and Senior Executives, the Appointments and Remuneration Committee will consult with the Chairman and the Chief Executive of the Company.

- 4. The Appointments and Remuneration Committee will regulate its own operations with regard to all matters not stipulated in the Bylaws and these Rules, whose provisions

relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee.

- 5. The Appointments and Remuneration Committee will have access to all the documentation and information needed to perform its functions. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 31 of these Rules will apply to them.
- 6. The Committee will meet periodically, at least once per quarter, and when convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

- 7. Discussions will be directed by the chairman, who will give the floor to the attendants wishing to speak.

In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his functions will be performed by the member chosen for such purpose by a majority of those attending the meeting."

#### STRATEGY COMMITTEE:

This Committee is governed by Article 43 of the Rules of the Board of Directors.

- "1. [...] It shall be made up by the Directors appointed by the Board of Directors for a period not to exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely to the extent that they are also re-appointed as Directors. The majority of the members of the Strategy Committee will be external Directors.

- 2. The Strategy Committee will choose a Chairman from among its non-executive members. The Committee will also designate a Secretary, who need not be a member of the

## CORPORATE GOVERNANCE

Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the discussions and the resolutions adopted.

3. The members of the Strategy Committee will step down from the Committee when they cease to be Directors or when it is decided by the Board."
4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and proposals as may be necessary.
5. In particular, the Strategy Committee will inform the Board of proposals regarding investments, divestments, agreements of association with third parties, development of new lines of business and financial transactions which, because of their relevance, in the opinion of the Board may affect the Group's strategy; it will also inform the Board of any other matters which it may submit because they are not allocated to any of the other Committees.
6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will apply.
7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may speak at the meetings but may not vote.
8. The Strategy Committee will meet periodically and as convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

*In the absence of the chairman of the Strategy Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.*

9. Discussions will be directed by the chairman, who will give the floor to the attendants wishing to speak.

*In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the member chosen for such purpose by a majority of those attending the meeting."*

10. The minutes of each Committee meeting will be drafted and signed by the Committee members in attendance.
11. Any member of FCC Group's management team or personnel who is asked to attend the Strategy Committee's meetings will be obliged to attend, collaborate and provide the information at his/her disposal.
12. The Strategy Committee will have access to all the documentation and information needed to perform its functions.
13. The Strategy Committee will regulate its own operations with regard to all matters not stipulated in the Bylaws and these Rules, whose provisions relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee."

**C.2.5. Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available to be queried, and any amendments made during the year. Also, indicate whether an annual report on each Committee's activities has been drafted voluntarily.**

The Rules of the Board, amended on 10 April 2013, regulates in its articles the functioning of the various Board Committees: Executive Committee (Article 40), Audit and Control Committee (Article 41), Appointments and Remuneration Committee (Article 42), and Strategy Committee (Article 43).

Pursuant to article 38.6 of the Rules of the Board, "the Board in full session will dedicate the first of its meetings in the year to evaluate the quality and efficiency of its own performance during the previous year, valuing the quality of its work, evaluating the efficacy of its rules and, where applicable, correcting aspects found to be dysfunctional. Also, based on a report drawn up by the Appointments and Remuneration Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."



Regarding the self-evaluation of the Board and of its Committees, see section C.1.20 herein.

#### C.2.6. State whether the executive or delegated Committee's composition reflects the participation of the different Directors within the Board based on their type:

YES NO ☒

##### If not, detail the composition of the Delegated or Executive Committee

The Executive Committee is made up by 80% of External Directors and 20% of Executive Directors, whereas the Board of Directors has 88.9% of External Directors and 11.1% of Executive Directors. The Board of Directors has six Independent Directors, of which none are members of the Executive Committee.

## D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

### D.1. Identify the body authorised to approve related party and intra-group transactions and the procedure for such approval.

#### Body authorised to approve related-party transactions

The authorised body is the Board of Directors via the Appointments and Remuneration Committee. Article 25 of the Rules of the Board of Directors establishes that:

- "1. Directors must refrain from attending and taking part in the discussions affecting related-party transactions and generally matters in which they may be directly or indirectly involved, and from voting on the corresponding decisions, and they must not delegate their vote and leave the assembly room while the Board discusses the matter and votes.  
An indirect interest on the part of the Director is considered to exist when that matter affects a related party.
2. Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group or their related companies.

#### Body authorised to approve related-party transactions

3. In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required for the following cases:
  - a) Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from executive Directors' employment relationship.
  - b) Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group.
  - c) Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties
  - d) Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

The request for authorisation will be submitted to the Corporate Responsibility Department, which will in turn ask the FCC area involved for a report, which will subsequently be sent together with the application to the Appointments and Remuneration Committee.
4. The authorisation referred to in the item above will not be necessary for related-party transactions that fulfil all of the following three conditions:
  - a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.
  - b) They are performed at market prices or rates generally set by the person supplying the goods or services.
  - c) Their amount is not more than 1% of the Company's annual revenues.
5. In any event, all material transactions of any kind between Directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect).
6. For the purpose of the provision herein, related parties will be deemed to be those included in article 231 of the Capital Companies Act."



#### Procedure for approving related-party transactions

–

Explain whether the approval of related-party transactions has been delegated, stating the body or persons to whom it has been delegated, as the case may be.

This has not been delegated.

#### D.2. Detail any significant transactions due to the amount or subject matter thereof between the Company or entities in its group and significant shareholders of the Company:

| Name or company name of significant shareholder | Name or company name of group company or entity | Nature of relationship | Type of transaction   | Amount (thousand euros) |
|-------------------------------------------------|-------------------------------------------------|------------------------|-----------------------|-------------------------|
| B-1998, S.L.                                    | FCC Medio Ambiente, S.A.                        | Contractual            | Provision of services | 2.067                   |
| B-1998, S.L.                                    | Servicios Especiales de Limpieza, S.A.          | Contractual            | Provision of services | 0.918                   |

#### D.3. Detail any significant transactions due to the amount or subject matter thereof between the Company or entities in its group and administrators or executives of the Company:

| Name or company name of the administrators or executives | Name or company name of the related party | Relation    | Nature of the transaction | Amount (thousand euros) |
|----------------------------------------------------------|-------------------------------------------|-------------|---------------------------|-------------------------|
| B-1998, S.L.                                             | FCC Medio Ambiente, S.A.                  | Contractual | Cleaning services         | 2.067                   |
| B-1998, S.L.                                             | Servicios Especiales de Limpieza, S.A.    | Contractual | Cleaning services         | 0.918                   |

#### D.4. Detail the significant transactions between the Company and other companies in the group, except those that are eliminated in consolidation or do not form part of the Company's normal operations with regard to their purpose and conditions:

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

| Name of group entity | Brief description of transaction | Amount (thousand euros) |
|----------------------|----------------------------------|-------------------------|
| –                    | –                                | –                       |

#### NOTE:

There are many transactions between group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

#### D.5. Indicate the amount of the transactions with related parties.

#### D.6. Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the group and its directors, executives or significant shareholders.

Article 25.2, 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board of Directors establishes that Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies. Under Article 25.3, "In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required:

- Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from executive Directors' employment relationship.
- Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant

shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. For this purpose, related party is as defined in Article 127 ter 5 of the Public Limited Companies Act.

- c. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties.
  - d. Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.
4. The authorisation referred to in the preceding item will not be necessary for related-party transactions that fulfil all of the following three conditions:
    - a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.
    - b) They are performed at market prices or rates generally set by the person supplying the goods or services.
    - c) Their amount is not more than 1% of the Company's annual revenues.
  5. In any event, all material transactions of any kind between Directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect).

Under Article 25.1, "An indirect interest on the part of the Director is likewise considered to exist when that matter affects a related party."

#### NOTE:

The Director Mr Henri Proglio is also the chairman of Electricité de France (EDF). The rest of the members of the Board of Directors of the Company have declared that they do not hold office or holdings in the capital of entities with the same, similar or supplementary business as that making up the corporate purpose of Fomento de Construcciones y Contratas, S.A.

#### D.7. Is more than one Group company listed in Spain?

YES ☒ NO

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries

Cementos Portland Valderrivas, S.A.

Has a public definition been established describing precisely the respective business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

YES NO ☒

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

–

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

–

## E. RISK CONTROL SYSTEMS

### E.1. Explain the scope of the Company's Risk Management System.

FCC Group has an integrated Risk Management Model, which is gradually being extended and will enable the Company to deal effectively with all of the risks to which its business operations are exposed, as it operates in different geographic areas, activities and legal environments which, in turn, entail different risk levels inherent to the activities in which it carries out its operations.

The chosen model includes devising an advance Risk Map using Enterprise Risk Management (Coso II) methodology, which provides senior executives with valuable information and contributes to the definition of FCC Group's strategy.

FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of risks, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy is appropriately integrated within the Group's organisation.

Given the singularity of each one of FCC Group's business areas, the risk management is carried out in each of the areas, drawing up a Risk Map for each one and, subsequently, based on the information that is reported, FCC Group's consolidated Risk Map is drawn up.

With this policy, risk management takes place in each of the business areas, via:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each of the business areas.
- Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- The identification of the controls and procedures to mitigate the economic impact of the risks and the likelihood of their occurrence.
- The identification of an owner for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.
- Additionally, for risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical

levels within the Accepted Risk area. These action plans include the measures needed to reinforce existing controls and they even incorporate new controls thereto.

- The implementation of specific procedures to carry out Risk Management in each of the business areas, ensuring that it is part of the decision-making process.

Additionally, the results of the Continuous Risk Management are communicated to the Audit Committee, the highest body in charge of supervising the management of the Group's Risks, as set out in the Group's Rules of the Board of Directors.

In this way, the policy will allow FCC Group to:

- Take steps to prevent the materialisation (probability of occurrence) or to minimise their economic impact, by identifying the key risks in advance, whenever an area is identified where internal control may be enhanced.
- Relate the goals sought by the Group both with the risks that could prevent the execution thereof and with the necessary control activities to prevent the materialisation or to minimise the economic impact if the risks materialise.
- Ensure that the legal regulations in force are fulfilled, as well as the Group's rules and internal procedures.
- Review that the processes for preparing financial reports are adequate to ensure the reliability and integrity of said information.
- The safeguarding of assets.

By following the best business practices in this field and applying the Coso II methodology, the Group has classified its risks as follows:

- Strategic risks: These are the risks related to the Group's strategy and hence managed on a priority basis. These risks are related to the markets/countries/sectors where the FCC Group operates. Also included in this category are reputational, innovation and economic planning risks.
- Operating risks: These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to tender and contracting processes, selection of partners, subcontractors and suppliers, human resources management and ongoing personnel training.
- Compliance risks: These are the risks affecting internal and external regulatory compliance, including those relative to the compliance with the FCC Group code of

ethics, compliance with applicable laws regarding legal, fiscal, ICFR, data protection, quality, environment, IT security and occupational risk prevention matters.

- Financial risks: Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, access to financial market, exchange rates and interest rates.

## E.2. Identify the company bodies in charge of drawing up and executing the Risk Management System:

### ● Executive Committee

The Board may permanently delegate in the Executive Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws, or the Rules of the Board. Like the plenary Board, the Committee ensures that FCC Group's organisation structure, planning systems and operations management processes are designed to deal effectively with the different risks to which FCC Group's business is exposed.

### ● Audit and Control Committee

According to article 41 of the Rules of the Board of Directors and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit Committee is to support the Board of Directors in its supervisory and oversight efforts, particularly with regard to risk management and control policies, the monitoring of the Risk Maps and the action plans needed to mitigate the most relevant risks that are identified, and the supervision of the Company's internal audit services.

### ● Strategy Committee

The Strategy Committee supports the Board of Directors in determining the Group's strategy based on the guidelines agreed by the Board, preparing the corresponding reports and proposed agreements in this regard. The Strategy Committee is responsible for ensuring that the objectives of the strategy plan can be achieved by the Company assuming an acceptable level of controlled risk so as to protect the interests of shareholders, other stakeholders and society in general, as well as the Group's reputation.

### ● Steering Committee

The Steering Committee is chaired by the Chairman of FCC Group and composed of members assigned to the Committee by the plenary Board of Directors. Its functions

include reviewing FCC Group's consolidated financial information on a monthly basis, especially when the information must be reported to the CNMV.

### ● Risk Committee of each one of the business areas

This committee monitors from time to time the risk exposure level of each one of the FCC Group business areas, analysing the relevant risks that may affect the forecasts and goals to be reached by each of them.

### ● Response Committee

This committee is in charge of supervising the proper functioning of the Whistleblowing Channel, assessing possible improvements of the controls and systems established in the Company, processing communications in order to solve them, encouraging the knowledge of the Code of Ethics and regularly drawing up reports on the level of compliance therewith. It may establish corrective actions and, if it considers it necessary, penalties.

## E.3. State the main risks that may affect achieving the business goals.

### 1. Strategic risks

#### Strategic planning/Market/Country

FCC Group's strategic planning process identifies the objectives to be met in each business area based on the improvements to be introduced, the market opportunities present and the level of risk considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

To mitigate the market risks inherent to each line of business, the Group maintains a diversified position between businesses related to infrastructure construction and management, environmental services, energy and others. In the field of geographic diversification, in 2013 foreign activity accounted for 42% of total sales, being particularly important in the Group's most significant areas, infrastructure construction and environmental services.

#### Technological capacity/Innovation

FCC Group is aware that its success in the highly competitive markets where it operates depends on offering clients added value through technical and economic capabilities. In this regard, FCC Group is very active in the field of technological research and

innovation and also places a great deal of importance on the on-going training of its personnel.

FCC Group has outsourced the management of its information infrastructure and telecommunications systems. FCC Group has also implemented a common information system which is intended to cover its individual financial reporting needs on the one hand and to standardise the process of consolidating the Group's economic-financial information on the other. Furthermore, the Group is currently in the process of implementing a scorecard that will automatically provide management indicators, which will increase the quantity and quality of the information available to Senior Executives.

#### Reputation management / Corporate governance

Reputation management is part of FCC Group's Code of Ethics and of the work developed in matters related to Corporate Responsibility and ethics. Social responsibility policies are an inherent part of FCC Group, for which conducting business requires a comprehensive commitment to the society it is part of.

Once again in 2013, the Company's corporate responsibility management and results have been recognised by a number of renowned independent observers. Among these are the selective responsible investment indexes DJSI Stoxx, FTSE4good and FTSE Ibex 35.

The Spanish Carbon Disclosure Project (CDP) report also recognised FCC for its risks and opportunities analysis system in the climate change field.

## 2. Operating risks

#### Tendering and contracting.

The risks and opportunities arising during the tendering and contracting process constitute one of the main challenges faced by FCC Group. In this respect, the Group is in the midst of a process of redefining the specific processes related to managing risks in the tender and contracting stages. The Company has formally established policies and procedures that focus on technical quality technological capacity, economic viability and competitive bidding. The process of preparing, presenting and monitoring bids must be authorised at various levels within the organisation, the main bid preparation tasks are entrusted to the highly qualified technical staff of the specific departments.

#### Selection of partners, subcontracting and suppliers

The Group has a rigorous process for selecting the partners with whom it works in different business areas, which consists of applying the procedures contained in FCC Group's General Standards Manual.

The risks associated with subcontracting are controlled by uniformly applying the subcontracting model established by the FCC Group in accordance with the aforementioned General Standards Manual, which establishes a protocol of action indicating the minimum requirements for FCC Group companies to be able to subcontract public or private sector contracts.

The Human Resources Manual also defines the labour responsibilities assumed by the FCC Group in connection with the personnel subcontracted for projects or services.

#### Personnel management and ongoing personnel training

FCC Group is working on an ambitious project to modernise its IT and personnel management systems, incorporating all the information into a single, global database for the entire Group in order to support and facilitate the human resources management process.

The project also includes a SAP computer tool to design and implement the payrolls of all FCC Group companies in Spain in order to enhance the security, quality and uniformity of the payroll process.

FCC Group has training procedures in place in Spain and specific subsidiaries which take the form of structured training plans based on both regularly scheduled basic and refresher training courses as well as 'ad hoc' training to cover specific needs as they arise. In particular, FCC Group develops training plans for all personnel involved in the preparation of the Group's financial statements. This plan is constantly being updated to adapt to the business and regulatory environments in which FCC Group's companies are operating and to stay abreast of changes to International Financial Reporting Standards and the regulation and evolution of internal controls on financial reporting.

In the 2013 Corporate Training Plan specific training has been included related to Risk Management, including risks associated to ICFR and its evaluation, as well as criminal risks derived from the responsibility of legal entities.

### 3. Regulatory and compliance risks

Regulatory or Compliance risks are those arising from the breach of requirements and limitations established by Law and by the specific regulations applying to each business sector, as well as the breach of professional obligations or codes of conduct and contractual obligations.

#### Risks arising from the breach of the Code of Ethics

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders. Compliance with the Code of Ethics is mandatory for all Group employees and for those third parties who accept it voluntarily.

FCC Group's Code of Ethics is a tool for guiding the Group's actions in matters of a social, environmental or ethical nature of certain significance. The Group offers an online training tool for the Code of Ethics.

Persons bound by the Code of Ethics have the obligation to report any breaches of the Code. To do so, they may use the established channels and procedures to report incidents confidentially, in good faith and without fear of reprisals. FCC Group has established a general communication procedure for matters related to the Code of Ethics.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, FCC Group, by creating a working group made up by the General Internal Auditing Management, the General Legal Counsel Management and the General Administration Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

- Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, among others.

- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, publishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group has drafted a Crime Response and Prevention Manual which is explained in the following section on legal risk management. In addition to this, the response protocols when a crime is committed were defined.

Also, in the light of the reform of the Criminal Code in this area, the Group is currently carrying out impact studies.

#### Legal risks

FCC Group has procedures in place to guarantee compliance with the regulations governing each one of the economic activities developed by the Group. The different specialised departments stay abreast of regulatory changes, advising the Group's units accordingly and issuing standards as needed to standardise the Group's criteria and guarantee compliance with the law.

For operations outside Spain, the FCC Group seeks legal advice from local professionals in relation to the specific laws and regulations that affect the Group's business in each country.

Regarding the recent reform of the Criminal Code in relation to the criminal liability of legal entities, FCC Group has drafted a Crime Response and Prevention Manual which has two clearly differentiated parts:

- The first part deals with prevention and consists of identifying and updating any behaviour within the Group that may involve the risk of committing a crime and then planning and implementing controls to mitigate these risks. To do so, the Group has set up certain oversight bodies and mandatory procedures. During the year 2013 a report



was drawn up on the functioning of the internal controls established in the catalogue of crime and risk behaviour priorities.

- The second part deals with the bodies and procedures implemented to respond to behaviours which could constitute the commission of a violation within FCC Group, especially behaviour which could be interpreted as illegal.

### Risks arising from the breach of fiscal regulations

Within the context of the delegation of powers agreed by the Board of Directors and the Chairman and the business model established in the FCC General Guidelines and the Financial-Economic Manual, in addition to the specific powers vested in the person responsible for the Fiscal Division, the functions of this Division include: proposing criteria relative to the Group's fiscal policies as well as to advise on and coordinate their application, with fiscal efficiency, in corporate acquisitions and reorganisations operations and for those presented by the different business areas in connection with their activities.

In addition, in order to minimise fiscal risks and ensure proper reporting and control on fiscal risks, FCC, along with other large Spanish Corporations and the Spanish tax authorities, is a signatory to the Code of Good Tax Practices approved by the Large Companies Forum, and it complies with the contents thereof. In compliance with the terms of the Code, the Tax Division reports to the Audit and Control Committee on the Group's tax policies through the General Administration Management to the Audit and Control Committee on the Groups tax policies.

### Internal Control over Financial Reporting (ICFR)

Publicly listed companies are obliged to disclose information in the Annual Corporate Governance Report (ACGR) on their Internal Control System over Financial Reporting (hereinafter ICFR). Also, the Audit Committees of publicly listed companies have assumed new internal control responsibilities.

In this regard and in connection with the good practices proposed in the report published by the CNMV, FCC Group has prepared an ICFR Report for 2013 which is part of this Annual Corporate Governance Report and it has been subject to an external audit.

### Personal data protection systems

The processing of personal data, primarily for compliance with the Data Protection Act (LOPD) is specifically regulated in the markets where FCC operates. To manage the risk of

non-compliance, there is a programme that measures the impact on each business area and then establishes the necessary legal, organisational and technical controls in each case.

### Quality assurance systems

FCC Group has formally implemented quality management systems in all of its business areas, which are deeply rooted in the organisation. These systems have been UNE-EN ISO 9001 certified and regularly pass the periodic audits performed by external professionals.

The quality control committees in the different areas of the Group are the supreme executive bodies with the authority to establish guidelines, oversee compliance and review systems.

### Environmental risks

FCC Group has implemented environmental management systems in the different business areas, which underscore the following:

- Compliance with the environmental regulations applicable to the activities of each area.
- Establishment and attainment of continuous improvement targets beyond those required by prevailing legislation or contracts.
- Minimising environmental impacts through proper operational control.
- An ongoing analysis of risks and possible improvements.

These management systems have been implemented in the different business units according to UNE-EN and the Group has obtained ISO 14001 certification for its Environmental Management System.

### Information security systems

FCC Group has an operating unit entrusted with analysing and mitigating the factors that could lead to a security failure in its information systems.

For each new project that involves changes to FCC Group's information system, the risks are analysed to determine the specific threats and define the pertinent measures. With regard to information processing risk, FCC Group has established a Corporate Information Security Policy laying down common information management criteria to mitigate those risks which could affect the confidentiality, availability and integrity of information. These

criteria are based on the international standards of the International Standardisation Organisation (ISO) set out in the ISO 27000 family standards.

As a consequence of this policy, the Company has defined a Code for the use of technological means and different protocols for managing incidents in relation thereto. Controls have been implemented to guarantee user access to the resources for which they are authorised based on their need to know and their assigned roles.

FCC Group has a monitoring system known as 'Data Leak Prevention' to detect and prevent the risk of classified data leaks through information systems.

FCC Group has a Security Operation Centre (SOC) that operates 24/7 to address the growing threat of attacks from the internet and possible information leaks.

As mentioned above, FCC Group has outsourced the rendering of information infrastructure management services. Furthermore, investments are being made to standardise the architecture of FCC's systems and to remove any differences between the environments managed by Group companies in terms of availability and integrity.

FCC has thus guaranteed the efficient use of its information systems while ensuring the most effective operation and management of such systems based on best practices model for information technology service management (ITSM).

#### Occupational risks

One of FCC Group's priorities is to guarantee top level health and safety of its personnel and to strictly comply with all labour legislation, as evidenced by the Occupational Risk Prevention Policy approved by the Board of Directors. To achieve this, occupational risk prevention systems have been implemented in all business areas and the Group companies received OHSAS 18001 certification, successfully passing the periodic audits conducted by external professionals.

For standardisation purposes and as a global management instrument to ensure that the organisation's standards are met, FCC Group has a Corporate Occupational Health and Safety Manual that entered into force in 2012, the guidelines of which are being incorporated into existing management systems. This is aimed at permanently reducing occupational accidents with a horizon of 'Zero Accidents'.

The certification of the occupational risk prevention management systems has been incorporated as a global strategic objective in Human Resources.

#### 4. Financial risks

Financial risk refers to changes in the value of financial instruments contracted by FCC Group due to political, market and other factors, and the effect of such changes on the financial statements. FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in FCC Groups operations, and the risk policy is appropriately integrated within the Groups organisation.

Given the Group's activities and the operations through which it executes these activities, it is currently exposed to the following financial risks:

##### Capital risk

FCC Group manages its capital to ensure in a reasonable manner that FCC Group companies are able to continue as profitable businesses, while maximising shareholder returns.

FCC Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in OECD countries and selectively in emerging economies.

The Finance Department, which is responsible for the management of financial risks, periodically reviews the capital structure of subsidiaries as well as the debt-equity ratio and compliance with the financing covenants.

##### Interest rate risk

With the purpose of being in the most adequate position for the interests of FCC Group, an active interest rate risk management policy is followed, continuously monitoring the market and taking different positions mainly according to the assets that are financed.

##### Exchange rate risk

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign

currency against another when the investment and financing of an activity cannot be made in the same currency. FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

### Solvency risk

The most relevant ratio for measuring solvency and repayment capacity is: the Net Debt/EBITDA ratio.

### Liquidity risk

This risk exists due to timing differences between the resources generated by the activity and required funding needs.

To properly manage this risk, FCC monitors the maturity dates on the policies and financing agreements of all Group companies very closely in order to negotiate the renewals in a timely manner under the best conditions the market has to offer. The conditions of the financing are analysed on a case-by-case basis and if they are found not to be advantageous to the Group alternatives are considered.

FCC Group is present in various markets in order to facilitate obtaining financing and to mitigate liquidity risk.

### Concentration risk

This risk arises from the concentration of financing transactions with common characteristics and is broken down as follows:

- Sources of financing: In order to diversify this risk, FCC Group works with a great number of domestic and international financial institutions to obtain financing.
- Markets/geographical area (Spain, abroad): FCC Group operates in a wide variety of markets in Spain and other countries; the Group's debt is denominated primarily in euros and the remainder in different international markets with other currencies.
- Products: FCC Group uses diverse financial products: loans, credit facilities, obligations, syndicated operations, assignments, discounts, etc.
- Currency: FCC Group finances its operations using a number of different currencies depending on the country where the investment is being made.

### Credit risk

Rendering services to or accepting orders from clients whose financial soundness is not guaranteed at the time of acceptance or which cannot be evaluated by FCC Group, as well as situations that may occur during the rendering of the service or fulfilment of the order that can affect a client's financial situation, can give rise to the risk of outstanding balances not being paid.

FCC Group obtains commercial reports and evaluates the financial solvency of clients before entering into agreements with them and then monitors their solvency on a regular basis. There is a procedure in place for dealing with cases of insolvency. For public sector clients, FCC Group has a policy of not accepting work that does not have an assigned budget and prior economic approval. Proposals for work that exceed a particular payment deadline must be authorised by the Director of Finance. Defaults are also monitored continuously with specific bodies such as risk committees.

### Risk-hedging financial derivatives

Generally speaking, the financial derivatives contracted by FCC Group are treated, from an accounting perspective, as provided for in the rules governing accounting hedges, as explained in the Notes to the Consolidated Financial Statements. The main financial risk hedged by the FCC Group using derivatives is the variability of the floating interest rates to which the various Group companies' borrowings are indexed. The valuation of the financial derivatives was carried out using generally accepted methods and techniques by experts in the field that are independent from the Group and from its financing entities.

### E.4. State whether the company has a risk tolerance level.

FCC Group has incorporated the establishment of Accepted Risk levels for each Business Unit within its Risk Management System.

For risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical levels within the Accepted Risk area. These action plans include the actions needed to reinforce existing controls and they even incorporate new controls thereto.

## E.5. State what risks materialised during the year:

- Risks that materialised in the year:** Limitations on access and refinancing in financial markets.

### Underlying circumstances:

The current financial and economic crisis has caused difficulties in terms of access of financing sources for the Group, as well as for refinancing existing loans in the best possible conditions, with the subsequent negative effect on the Group's financial statements.

### How the control systems operated and response plans:

After presenting the new Strategic Plan on 20 March 2013, the company embarked on a global refinancing process involving all of the parent company's syndicated loans and a significant part of the bilateral financing, which contemplates obtaining liquidity lines and extending the current maturities.

Accordingly, there has been an intensive negotiation process throughout 2013 with the major financial suppliers; it ended successfully, reaching an agreement aligned with the fulfilment of the goals contemplated in FCC Group's Strategic Plan, which will start to have an important positive effect on the Group's accounts as from 2014.

- Risks that materialised in the year:** Adaptation of FCC Group's personnel to planned operations/flexibility of personnel costs.

### Underlying circumstances:

The current financial and economic crisis has caused a decline in the Group's turnover, equally affecting the rest of the market operators. This circumstance has led to a loss of efficiency per production unit, which has been seen on the Group's financial statements over the last few years.

### How the control systems operated and response plans:

During the year 2013, FCC Group adjusted the Group's structure to the current market demand conditions, by way of various personnel restructuring measures. The Group managed to effectively adjust the headcount to the expected production requirements, which will entail production efficiency improvements that will be noticeable on the Group's financial statements as from 2014.

- Risks that materialised in the year:** Insecurity in terms of legislation on the Energy Sector.

### Underlying circumstances:

Recent legislative changes in the field of Energy, such as the reduction of subsidies for premiums in wind power and the elimination of photovoltaic power rates, have caused the reduction of future revenues from the production of renewable energies, with the subsequent negative impact on the business models.

### How the control systems operated and response plans:

After performing a thorough analysis of the returns to be had from the energy projects in the new legislative scenarios, FCC Group made the corporate decision to divest from this activity during 2013.

- Risks that materialised in the year:** Reprogramming of construction works.

### Underlying circumstances:

The current financial and economic crisis has caused a delay in public-sector investment, leading to reprogramming of several construction works in Spain and abroad, with substantial effects on the outcome thereof due to clients' non-fulfilment of their commitments and FCC Group's continuous efforts to meet those commitments.

### How the control systems operated and response plans:

In this situation, FCC Group carried out several actions to optimise the costs at each of the facilities, in an effort to adapt to the new deadline commitments, claiming whatever was required from each client in each case. On the other hand, the trade relationship with our clients made it possible to reach an understanding.

- Risks that materialised in the year:** Delayed payments by certain public-sector clients for the provision of urban environmental services and for construction works executed in Spain.

### Underlying circumstances:

Both the entry into force of the Organic Act on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan approved in 2013, allowing to pay suppliers and cancel due liabilities yet to be paid made it possible to bring down the effects of this risk.

### How the control systems operated and response plans:

The permanent monitoring and control committees remain in place in order to minimise the volume of generated assets, thereby reducing the associated financial cost and consolidating the gradual reduction in the future. All this has allowed a substantial additional reduction of the average payment period by those clients in Spain throughout 2013 that will continue in 2014.

- ☉ **Risks that materialised in the year:** Cut-backs in investments forecast by Public Administration bodies.

### Underlying circumstances:

As a consequence of the current economic and financial crisis, there have been cuts and investment restrictions for the construction of infrastructures in Spain.

Budget adjustments required due to the implementation of the Budget Stability Act have led to reviews of services rendered to levels sustainable according to clients' budget availability.

This has led to a lower demand for cement, with a significant decline of sales and EBITDA.

### How the control systems operated and response plans:

This situation has been mitigated by selective increased presence abroad and by incorporating new contracts, focusing on a few select territories and complex civil works with high added value, with a growth of the portfolio of works abroad.

The continuing sales relationship with clients involved has allowed for the modulation of the services rendered without losing orders and market share in Spain has been maintained.

Also, a restructuring plan has been implemented in 2013 in the cement area that is achieving an adjustment of the operating and production capacity.

- ☉ **Risks that materialised in the year:** Country risk. Existence of certain unstable geographic markets.

### Underlying circumstances:

The existence of certain unstable geographic markets in which FCC Group operated led to an ongoing re-planning of works abroad, with a negative impact on the Group's financial statements.

### How the control systems operated and response plans:

During 2013 FCC Group carried out a thorough strategic, operational and financial reorganisation in the markets where these risks materialised, aimed at mitigating those risks.

In this way and as part of the Group's strategy starting in 2013, a selective increase of the Group's presence abroad is being carried out, incorporating new contracts and focusing on a few select territories and in complex civil works with high added value.

- ☉ **Risks that materialised in the year:** General decline of activity.

### Underlying circumstances:

The current financial and economic crisis has caused a widespread decline of economic activity, which has reduced the turnover but has not affected the market share in the sectors where the Group operates.

### How the control systems operated and response plans:

In the light of this situation, FCC Group took several measures to adapt its production capacity to the market situation, foreseeing possible greater adverse effects on its financial statements. These measures were related to personnel and the restructuring of assets and divestments.

- ☉ **Risks that materialised in the year:** Impairment of intangible assets.

### Underlying circumstances:

The current financial and economic crisis has caused a loss of value of some of FCC Group's investments.

### How the control systems operated and response plans:

FCC Group recognised, in 2012 and 2013, significant impairments of certain goodwill, adapting the Group's assets to its true recovery capacity.

- ☉ **Risks that materialised in the year:** Loss of value of investments.

### Underlying circumstances:

In June 2013, Alpine, the construction subsidiary operating in central and Eastern Europa filed for bankruptcy and was then liquidated. This occurred after the impairment of its

activity was clear, especially starting in the second quarter of the year, with the subsequent incapacity to meet the obligations stemming from its refinancing agreements signed on 30 March 2013.

#### How the control systems operated and response plans:

FCC Group full reflected the impact of this situation on its financial statements, by valuing all Alpine's assets at zero in the first quarter of 2013, without estimating any additional effects.

### E.6. Explain the response and monitoring plans for the Company's main risks.

As established in the eighth recommendation of the Unified Code of Good Governance for Listed Companies published by the CNMV, and as described in the eighth article of the Rules of the Board of Directors of the Company approved in December 2013, among the Group's general policies and strategies that are reserved for the approval of the Board of Directors due to their impact on the Group's business, are the risk control and management policies and the regular monitoring of internal reporting and control systems.

In order to develop its responsibilities in this field, the Company's Board of Directors essentially relies on the various Committees and Bodies described in section E.2. In this respect, the Audit Committee, as stated also in the Rules of the Board of Directors approved in December 2013, has among its functions the monitoring and analysis of the risk management and control policy. This policy must identify the different types of risks to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; the determination of the risk level the Company sees as acceptable; the measures in place to mitigate the impact of risks identified, should they occur; and the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks, and submission to the Board for approval.

One of the major risks for FCC Group in 2013 was the inherent risk related to the construction business both in Spain and abroad. In this respect the response plans established by the Group are part of a global restructuring process for the construction business, and were as follows:

- Construction in Spain: Adjustments of the production means to the actual needs of the market, preventing the impairment of returns:

- Adaptation of headcount to the current market situation.
- Reduction of the sales structure, adapting it to the current market situation.

- Construction abroad: Returns are boosted by focusing on specific territories, selecting the most profitable works and markets, as well as on the growth of the industrial business in select territories. In addition to this, just like in Spain the sales structure is being reduced, adapting it to the current market situation.

The rest of the response plans carried out by FCC Group for each of the risks materialised in 2013 are set out in the preceding heading E 5.

## F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (ICFR) at your company.

### F.1. The Company's control environment

Indicate, at least the following, specifying the main characteristics thereof:

#### F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) the implementation thereof; and (iii) supervision thereof.

The bodies and functions that are responsible within FCC Group for the existence, maintenance, implementation and supervision of an adequate and effective ICFR, and the responsibilities attributed to these bodies, are the following:

#### Board of Directors

As set out in article 8 of the Regulations of the Board of Directors of FCC, S.A., the Board is ultimately responsible for the approval of the Company's general policies and strategies



and, in particular, for the risk management and control policy, identifying the main risks of the Company and implementing and monitoring the adequate internal control and reporting systems, with the purpose of ensuring its future feasibility and competitiveness by adopting the most relevant decisions for the better development thereof.

### Executive Commission

As set out in article 40 of the Regulations of the Board of Directors of FCC, S.A, the Board may permanently delegate to the Executive Commission all of the powers pertaining to the former, except those which are reserved to the Board by the Law, the Articles of Association or the Regulations of the Board of Directors.

In addition, just like the Board, the Commission ensures that the organisational structure of FCC Group, the planning systems and the management processes of the operations are designed to face the various risks to which it is exposed in the course of business.

The Board of Directors shall designate the Directors who are to make up the Executive Commission, ensuring that the share structure of the different director categories is similar to that of the Board itself.

The functioning of the Executive Commission is determined in article 36 of the Articles of Association of FCC.

### Audit and Control Committee

The Regulations of the Board of Directors of FCC establish, in article 41, the incorporation of a permanent Audit and Control Committee, made up by a minimum of three Directors, designated by the Board of Directors taking into account their knowledge and experience in the field of accounting, auditing or risk management. All members will be external Directors and the committee will name a Chairman among them who will hold the position for a maximum period of four years, and they may also choose a Vice-Chairman. The fundamental function of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing, from time to time, the process of preparing economic and financial reports, the internal controls and the independence of the external auditor. In particular, by way of illustration only, and notwithstanding any other tasks with which it may be entrusted by the Board of Directors, the Audit and Control Committee will be responsible for:

- Supervising the Company's internal auditing services, which see to the proper functioning of the reporting and internal control systems, and the head of the internal auditing function is under the obligation to submit the annual work plan to the Committee and to directly report any incidents arising in the development thereof, as well as submitting a report on its activities at the end of each year.
- Analysing and submitting the risk management and control policy to the Board for approval, identifying at least:
  - (i) The different types of risks that the Group faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks;
  - (ii) Establishing the risk level that the Company deems acceptable;
  - (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise;
  - (iv) And the reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks.
- Supervising the process of preparing the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, informing the Board of Directors prior to its adoption of the following decisions:
  - (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate;
  - (ii) And the incorporation of or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.
- In relation to the reporting and internal control systems:
  - (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;

- (ii) Reviewing from time to time the internal control and risk management systems, so that the main risks are identified, managed and adequately disclosed, following up on the Risk Maps and the action plans that are necessary to mitigate the most relevant risks that are identified, among which are those arising from the Internal Control over Financial Reporting.

### Steering Committee

The Steering Committee is presided over by the Chairman and CEO of FCC Group and it is made up by all of the members designated by the Board of Directors in full session. Its functions related to the Internal Control over Financial Reporting include the monthly review of the financial reports of the consolidated FCC Group, most importantly in periods when said reports are to be filed with the Spanish Securities Exchange Commission (CNMV).

### General Administration Management

The General Administration Management performs the following functions related to the Internal Control over Financial Reporting:

- Coordinating the Administration of the different areas, establishing the administrative processes and procedures generally applied in the Group and promoting the uniform application of the accounting and tax policies.
- Defining and issuing the accounting standards applied in the Group.
- Drawing up and supervising the consolidated accounting and management reporting.
- Developing the accounting and tax management of FCC, S.A. and its subsidiaries not allocated to the operating areas.
- Drawing up the Group's consolidated financial statements.
- Defining and publishing the tax criteria that are generally applied to the FCC Group, both individually and at the consolidated group level.
- Advising the different areas in tax matters and taking part in solving any matters brought up by them.
- Preparing the Tax Group's consolidated corporate income tax statement.
- Designing and publishing the procedures, documents and software applications generally used in FCC Group, for accounting and tax purposes.
- Advising the different areas in terms of procedures and taking part in solving any matters brought up by them.

### General Finance Management

The General Finance Management is entrusted with the centralised management of the finances of FCC Group. This entails the centralised financial management of the following aspects: financing the Group's activities, managing the Group's debt and financial risks, optimising the cash and financial asset management, the financial control and management of the Group, investor relations, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of bonds, guarantees and insurance.

In June 2013, the General Finance Management incorporated the function of Management, Budget and Financial Planning Control, which is in charge of the following functions: (i) coordination and preparation of the Annual Budget; (ii) definition and implementation of various scorecards and key indicators to support the Group Management in its decision making; and (iii) review and validation from time to time of the contract portfolio and the current offers to ensure that, in both cases, the criteria established by the Steering Committee in terms of margin, cash generation, return on investment and risks are fulfilled.

### General Internal Auditing Management

The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks attached to achieving FCC Group's objectives. *(Additional information included in section F.5.1).*

In June 2013, the General Internal Auditing Management incorporated Risk Management, which until then was part of the General Administration and Information Technology Management, to its Functions, with the following responsibilities and functions in the field of corporate risk management:

- a. Identifying the risks that the Company faces, according to their status as potential threats to achieve the organisation's goals.
- b. Proposing the procedure that is considered adequate for monitoring and controlling those risks and especially, those with preferential monitoring.

- c. Establishing the mechanisms for communicating from time to time the evolution and monitoring of the identified risks.

### General Organisation Management

The General Organisation Management, established in June 2013, takes on the remit of the Human Resources (hereinafter HR), Information Systems and Technology, and Aggregate Purchases Areas.

HR seeks to favour and boost the development of individuals, communication and a good working environment climate, in line with the Company's strategic goals and policies, via the efficient management of HR specialised services, in a context of diversity and internationalisation.

Information Systems and Technology has the following goals:

- Efficiently managing the Group's Information Technology (hereinafter IT) and Telecommunication Infrastructures, investing in the transformation, standardisation and improvement of service levels.
- Collaborating with businesses to achieve their strategic and operating goals, by re-engineering business processes and developing and implementing management applications.
- Providing sufficient, efficient and quality information to make it easier for management teams to make decisions.

Additionally, the Information Security Management has been integrated in the IS&T organisation chart with the following functions:

- Preparing on a triennial basis FCC Group's Information Security Strategy Plan and follow up on compliance thereof from time to time.
- Coordinating with the FCC Information Security Committee and support it in the performance of its functions, as well as setting the common strategy on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and check from time to time that it is being met.
- Establishing the Risk Analysis and Management guidelines and defining the method to be applied.

- Coordinating with the different Business Areas to ensure Regulatory Compliance in the field of Personal Data Protection.
- Preparing the strategy for the development and gradual start-up of FCC Group's Business Continuity Plan according to ISO 25888 international standard and the guidelines of the *Business Continuity Institute*.
- Defining and implementing Internal Controls to verify the proper compliance with the corporate information security policies.
- Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the Internal Controls that are implemented.
- Performing internal audits of the Information Security Management System according to planned intervals.

The goal of the Purchase Department is to provide a purchase service satisfying internal customers and contributing to increase FCC's negotiating capacity, in keeping with principles of the Strategic Plan and the Group's general policies.

### F.1.2. Whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- Departments and/or mechanisms entrusted with: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.

As defined in the Regulations of the Board of Directors of FCC, the design and review of the organisational structure and the definition of the lines of authority and responsibility is done by the CEO supported by the Steering Committee, and it is ratified by the Board of Directors.

The Regulations of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each of the commissions.

The CEO and the Steering Committee determine the distribution of tasks and functions, ensuring that everyone's powers are adequately known, in order to ensure that there is a proper separation of functions and efficient communication between them, including those related to personnel involved in the drawing up of the Group's financial reports.

The Appointment and Remuneration Commission proposes the appointment of senior executives with the profile best suited to their tasks and functions. Additionally, it is in charge of overseeing the observance of the remuneration policy established by the Company and, in particular, it proposes the remuneration policy for Directors and senior executives to the Board of Directors.

The process to determine the organisational structure is regulated by the Group's General Standards Manual in section 10 "Organisational Structure," which regulates the Bodies directly reporting to the Board of Directors, the distribution of the Group's management functions and the Appointment of Senior Executives.

The Chairman/CEO is entrusted with defining the lines of responsibility and authority and each Corporate Department must define its organisational structure and its lines of responsibility.

On the other hand, the Human Resources area is in charge of updating and reviewing, with the support of the relevant Departments, both the Group's organisational structure and its organisation chart. The detailed organisation chart of all the Group functions is published on the Company Intranet and is reviewed on a yearly basis.

In this respect, the General Human Resources Management is developing a project to modernise the reporting and human resources management system. Among other goals, this project is meant to clearly define the organisational structure and the lines of responsibility in order to optimise the distribution of tasks and functions.

In addition, the General Corporate Communication and Responsibility Management is responsible for establishing the procedures for the proper dissemination of the organisational structure and the lines of responsibility.

- ◉ Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the recording of operations and the preparation of financial reports), body in charge of analysing breaches and proposing corrective actions and penalties.

FCC Group has a Code of Ethics, the latest version was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct

and the relations between Group employees and the relations between employees and the rest of their stakeholders groups. It is compulsory for all individuals in the Group and for third parties voluntarily accepting its application.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental or ethical issues of particular importance. The guidelines for conduct set down in the Code of Ethics refer to basic behaviour principles, relations with and between employees, internal control and the prevention of fraud, commitment with the market, the company and the community.

The FCC Group Code of Ethics includes a chapter that is closely related to control over the preparation of financial reports called "Internal control and fraud prevention," which deals with the following topics: "Manipulating information", "Use and protection of assets", "Intellectual Property protection", "Corruption and bribery" and "Money laundering and irregular payments".

FCC group communicates and disseminates the Code within the Company, so that it is known by all the employees, who formally accept the commitment of compliance, as well as by third parties voluntarily accepting its application. The Code of Ethics is also published on the Group's corporate website so that anybody may access it.

The Group's training plan for 2013, prepared by the Group's General HR Management, includes specific training on the code of ethics in its induction course for new employees.

The Audit and Control Committee, pursuant to article 41 of the Regulations of the Board of Directors, has the following remits, among others:

- ◉ Receiving information from time to time from the Response Committee and from the General Internal Auditing Management (Risk Management), respectively, on the development of their activities and the functioning of the internal controls.
- ◉ Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are adequate for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has

established a general reporting procedure for matters related to the Code of Ethics, which is described in the “Whistleblowing Channel” section. The body in charge of analysing possible breaches is the Response Committee, which also establishes the system to propose corrective actions and, if it considers it necessary, penalties. This Committee reports to the Audit and Control Committee. Regarding the functioning of the Response Committee, it met five times in total in the year 2013.

Also, in relation to the recent reform of the Spanish Criminal Code in terms of the criminal responsibility of legal persons, FCC Group has prepared a Manual for preventing and responding to criminal offences. This Manual is being updated, the implications of the regulatory changes are being assessed.

- Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as any possible breaches of the code of conduct and irregular activities within the organisation, stating, if appropriate, the confidential nature thereof.

FCC Group has a procedure in place which allows individuals to report, in a confidential manner, any actions which represent inappropriate behaviours or actions in the light of the Code of Ethics.

A specific Response Committee has been set up whose functions are to ensure the proper functioning of the communication channel that has been established, valuing possible improvements of the controls and systems established by the Company, processing communications so that they can be solved, promoting the awareness of the Code of Ethics, and regularly preparing reports on the level of compliance thereof.

The Code of Ethics allows individuals to communicate, confidentially and in good faith, and preferably in their name, any observed actions that are contrary to the Code of Ethics. The communication paths forming the basis of the Whistleblowing Channel are:

- An html page in the Group’s Intranet: internal communication channel.
- By letter sent to: Apdo. correos 19312, 28080-Madrid, managed by the Chair of the Response Committee.
- Email addressed to [comitederespuesta@fcc.es](mailto:comitederespuesta@fcc.es), managed by the Response Committee.

In order to guarantee confidentiality in the Whistleblowing Channel, communications are centrally received by the General Manager of Internal Auditing who chairs the Response Committee, which is the body responsible for this procedure.

The Response Committee values the admissibility of the communication that is received, according to a preliminary review of its contents, placing on record the reasoned decision it makes. In any case the documentation that is generated is filed and the acceptance thereof entails the opening of proceedings, with the related information being incorporated to the Whistleblowing Management System.

- Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training at FCC is not a corporate benefit but rather it is a tool to help the Company grow, and enables employees to grow with it. The main goals of training at FCC are:

- To obtain better performance and efficiency from personnel in the performance of their functions and the functioning of the Company.
- To achieve the personnel’s career development goals (improving their employability).

The General Administration Management and the General Human Resources Management of FCC jointly develop training plans for all the personnel involved in the preparation of the Group’s Financial Statements. This Plan includes the permanent updating of the regulations affecting financial reporting and internal control in order to guarantee the reliability of the financial reporting, providing professionals at FCC with the necessary know-how and tools to optimise financial decision-making at all levels and in all the departments, developing their analytic capacity and their understanding of the impact of business decisions on the Company’s financial statements.

In the year 2013, within the Corporate Training Plan, the Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Financial Administration, Analytical Accounting, Management Control and Planning, Taxation, and Mergers & Acquisitions. The Process School includes training in Finance for Non-financial Personnel, Advanced Finances for Non-financial Personnel, Project Finance, Business Valuation, Analysis and Valuation of Investment Projects, Valuation, Monitoring and Financial Control of Investment Projects, Payment Means for International Trade and the Accounting thereof,

Financing Foreign Trade, Corporate Income Tax, Value Added Tax (VAT), International Taxation, Derivative Financial Products, Accounting, Advanced Accounting, Consolidation of Financial Statements, the New International Financial reporting Standards (IFRS), Advanced Financial Excel, Management Control, FCC Group Risk Management, The Scorecard as a Management Tool, and Risk Management in International Engineering and Construction Projects.

Also in 2013 an information sheet was edited and disseminated titled “FINANCIAL TRAINING: The true common language in the company”, which publicises the financial training offer at the Process School. FCC relies on first-rate suppliers in the fields which are not its core business.

During the year 2013, 833,356 training hours were provided, of which 40,076 hours (4.8%) were for acquiring, updating and recycling economic and financial knowledge including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business aspects that must be known for the adequate preparation of the Group’s financial reports, benefiting approximately 2,539 people.

The Corporate Training Plan prepared for the year 2014 completes the financial training offer with the inclusion, within the Management School, of the Scorecard for Management course: an approach based on business diagnosis. Also, the FCC Process School includes e-learning for the courses on Project Finance, Payment Means for International Trade and the Accounting thereof, International Taxation, and International Financial Reporting Standards (IFRS). Finally, three self-training courses have been published with open access on the intranet: Finances for Non-financial Personnel, Accounting, and Financial Excel.

## F.2. Evaluation of financial information risks

Indicate at least the following:

### F.2.1. What are the main characteristics of the risk identification process, including error or fraud, in respect of:

- Whether the process exists and is documented.

The Group has implemented an integrated risk management model, which allows it to face the financial reporting risks as well as other risks to which its activities are subject. The adopted model allows it to develop a high level risk map, using the Enterprise Risk

Management (Coso II) method, enabling reporting to Management and contributing to the definition of the Group’s strategy.

For this purpose the risk maps of each of the Business Areas have been prepared. Given the uniqueness of the different business areas, each one is responsible for its risk management, and then the Group’s corporate risk map is drawn up using the information that is reported.

FCC Group’s risk model is described in the Risk Management procedure, as part of the Management Systems of the various Business Areas in the Group.

These Risk Maps take stock of the identification of the main risks of the Business Areas, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. Therefore, with support from the risk managers in the different Business Areas, acting as ‘risk management coordinators’, the Group’s Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

- Identifying the key risks for FCC Group according to the potential threat they represent for achieving the objectives of the organisation.
- Evaluating risks. The risk assessment scales are defined according to their potential impact in the event they are materialised and their probability of occurrence.
- Additionally, for risks exceeding the Accepted Risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to make their critical level fall within the Accepted Risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.
- From time to time, the Management of each Business Area analyses, together with the General Internal Auditing Management (Risk Management), what risks have materialised in each of the Group Areas, reporting it to the Audit and Control Committee.
- From time to time Risk Committees are held in the different Business Areas, to analyse the risks that were identified and then monitoring those risks.
- The mechanisms for reporting from time to time the results of the risk evaluation and the monitoring thereof.
- Implementation of specific procedures to document risk management when making business decisions.



From time to time Risk Committees are held in the different Business Areas, to analyse the risks that were identified and then monitoring those risks, the results are reported subsequently to the Audit and Control Committee. The implementation model is described in a risk management procedure as part of the management systems of the Group's Business Areas.

This process of identifying and monitoring risks is carried out for all the Group's risks, particularly including the risks arising from the reliability of high-level economic and financial reporting.

Regarding the risks arising from the Group's criminal responsibility, in particular the risks of error or fraud that are considered in the Criminal Code, a preventive identification of risks has been carried out with controls to mitigate them, as well as how to respond to those risks.

In summary, the main characteristics of the Integrated Risk Management Model at FCC Group consist of:

- Preventing and controlling the risks that may affect achieving the goals set by the Group;
- Ensuring compliance with the legal regulations in force and with the Group's standards and internal procedures;
- Guaranteeing the reliability and integrity of the accounting and financial reports.
- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

The Operational Risks identified in the Risk map include the risk of reliability of the economic and financial reports affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business Areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered. The risk maps described herein are updated at least annually.

- The existence of a process to identify the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, shell companies or special purpose companies.

The Group has a register of companies that is permanently updated, which includes all of the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any companies that the Group is able to control regardless of the legal form of said control, therefore including both shell companies and special purpose companies. This companies' register is managed and updated according to the procedures regulated by the Group's Economic and Financial Manual.

The Corporate Intranet includes an individual file for each company with all the relevant information on each of the companies: shareholders, company purpose, governing body, etc.

Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Financial Manual on the list of the Group companies within the scope of consolidation, based on the data provided by the Business Areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

The risks associated to achieving the financial reporting objectives are an integral part of FCC Group's risk map, and therefore they take into account the effects of other types of risks.

In this respect, FCC Group's global risk management system, following the best business practices in this field and applying the Coso II method, has categorised risks as follows:

- Strategic risks. These are key risks for the Group and managing them is a priority. They include the risks related to the markets/countries/sectors in which FCC Group operates. They also include risks related to reputation, innovation, economic planning, definition of the structure and the objectives and the effectiveness of communication and the information flow.
- Operational risks. These are risks related to the operational management and the value chain of each of the businesses in which FCC Group operates. They include the risks related to bidding and contracting processes, the selection of partners,

subcontracting and suppliers, labour risks, collection processes and customer satisfaction, as well as the risks that have an impact on the reliability of the financial reporting.

- ⊙ Compliance risks. These are risks affecting internal or external regulatory compliance. They include risks related to compliance with the applicable laws (in the field of quality, the environment, information security, occupational risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.
- ⊙ Financial risks. These are risks associated to financial markets and to generating and managing cash flows. They include risks related to liquidity, managing working capital, access to financial markets, exchange rates and interest rates.

These risks are aligned with the FCC Group global risk policy.

- ⊙ What company governance body supervises the process.

The financial reporting risk identification process is supervised by the Audit and Control Committee via the General Internal Auditing Management that includes Risk Management, as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 41 of the Regulations of the Board of Directors.

In the year 2013 the Audit and Control Committee has regularly been informed of the results of the risk map updating over the year.

### F.3. Control activities

Disclose, identifying the main characteristics, whether you have at least:

**F.3.1. Procedures for reviewing and authorising the financial reports and the description of the ICFR system, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all of the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.**

As stated in the preceding section of this document, the Group has implemented an integrated risk management model, which allows it to appropriately face the financial reporting risks as well as other risks to which its activities are subject.

This integrated risk management model is geared to the fulfilment of the four major objective categories established by said model:

- ⊙ Effectiveness and efficiency of operations.
- ⊙ Safeguarding of assets.
- ⊙ Reliability of the financial reporting.
- ⊙ Compliance with applicable laws and regulations.

This is how the objectives are related to the risks that could prevent the execution thereof and to the control activities necessary to ensure that the response to these risks is adequate and that the proposed objectives are reached:

### OBJECTIVES => RISKS => CONTROL ACTIVITIES

The control activities are documented in the policies and procedures that are meant to ensure that the guidelines set by the FCC Group management are complied with, and that the necessary steps are taken to face any risks jeopardising the achievement of the Group's objectives. The control activities are carried out in any part of the organisation, at all levels, in all of the functions, and they comprise a number of very different activities. The Company personnel use the application systems and other resources established to ensure that the control objectives are achieved and that the risk mitigation strategies are executed.

FCC Group has control activities implemented both centrally and in each of the Business Areas, such as to mitigate the risks included in the risk maps indicated under 2 above. These control activities can be grouped as follows:

- ⊙ **High level reviews:** Reviews related to approvals, authorisations, checking and reconciliation. Senior executive reviews the evolution of actual data compared to the forecasts included in the Strategic Plans and the data from prior periods.
- ⊙ **Direct management of specific functions or operating activities:** Reviews of the operating functions carried out in relation to the goals to be reached and the risks jeopardising them.
- ⊙ **Information processing and security:** Controls related to checking the exactness, integrity and authorisation of the transactions.

- ⊙ **Physical controls:** Reconcilements done from time to time of the inventory and security of assets.
- ⊙ **Performance indicators:** These are applied when comparing operational and financial data.
- ⊙ **Separation of functions:** Functions are divided between different people to reduce the risk of error or fraud.

In order to cover all the above activities, the various Business Areas have defined, within their procedures, the controls they consider necessary to cover the risks existing in each of the Areas. With regard to reporting system controls, a distinction can be made between general controls such as IT management, IT infrastructures, security management, and software acquisition, maintenance and development, among others, and application controls such as control digits, reasonability tests, logical tests, and predefined data lists, among others.

The control weaknesses detected by the General Internal Auditing Management in the Internal Control System are notified to the Audit and Control Committee by means of a report listing the recommendations that are considered necessary for the weaknesses that were identified.

On the other hand, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements is carried out by the General Administration Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding Business Departments.

Additionally, a review is carried out by an external auditor, supervised by the Audit and Control Committee.

The main procedures are included in the General Standards Manual and in the Group's Economic and Financial Manual. These procedures include the closing of accounts and the maintenance of the Accounting Plan. Also, the Group's accounting managers are given instructions on how to record operations that have not taken place previously in the Group, and these criteria are included in the next update of the Manual.

FCC Group furnishes financial reports to the securities market on a quarterly basis and from time to time whenever relevant facts that must be reported occur, in accordance with the law in force.

Financial reports are prepared by the Group's General Administration Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information. Once a financial report is consolidated in a software application running in SAP environment, it is reviewed by the General Administration Management, the Steering Committee, the General Internal Auditing Management and the external auditor.

Last of all, the Audit and Control Committee informs the Board of Directors of its conclusions on the financial reports that are presented so that, once they are approved by the Board of Directors, they may be disclosed to the securities markets.

Article 10 of the Regulations of the Board of Directors states the following with regard to the specific functions in relation to the Financial Statements and the Management Report:

- ⊙ The Board of Directors shall draw up the individual and consolidated financial statements and the management report, so that they give a true and fair view of the net worth, the financial position and the results of FCC's operations, as provided by Law, following the favourable report of the Audit and Control Committee. The integrity and exactness of said accounts will be certified beforehand by the General Administration Management and the General Finance Management, with the Approval of the Chairman, if he has executive powers, and otherwise of the CEO.
- ⊙ The Board of Directors, after studying the reviews mentioned in the item above, may request any relevant clarifications from those who drafted them.
- ⊙ The Board of Directors will particularly ensure that the above accounting documents are drafted in clear and precise terms enabling an adequate understanding of their contents. In particular, they shall include any remarks that are useful for said purpose.
- ⊙ A member of the Board of Directors shall place on record that, prior to undersigning the preparation of the financial statements required by Law, he/she has reviewed the report on same that must be drawn up by the Audit and Control Committee and, in general, the necessary information for this purpose, and such member may place on record any remarks that are considered relevant.
- ⊙ On a quarterly basis, the Board will review FCC Group's accounts, following a report from the Audit and Control Committee.

- ⊙ Likewise, article 11 of those same Regulations establishes the following with regard to the specific functions in relation to the Securities Market:
- ⊙ In particular, the Board will perform the following specific functions in relation to the Securities Market, in the manner provided in these Regulations:
  - ⊙ The performance of any actions and the adoption of any measures required to ensure the transparency of FCC for the financial markets.
  - ⊙ The performance of any actions and the adoption of any measures required to foster the proper price formation of FCC shares, particularly avoiding manipulations and the abuse of insider information.
  - ⊙ The approval and updating of the Internal Conduct Regulations in matters related to Securities Markets.
  - ⊙ The approval of the Annual Report on Corporate Governance stated in section 116 of the Spanish Securities Exchange Act.

Last of all, article 14, “Market relations” states the following:

- ⊙ The Board of Directors will adopt the necessary measures to ensure that the financial reports it discloses from time to time and any other information made available to markets is prepared according to the same principles, criteria and professional practices as the financial statements and is just as reliable as the latter.

On the other hand, the Group’s Basic Standard for Internal Auditing establishes, among the functions and attributions of the General Internal Auditing Management, the “review of the (individual and consolidated) accounting information, the management reports, and the financial reports disclosed from time to time to the markets, evaluating that they are correct and reliable, their compliance with the law in force and the proper application of the generally accepted accounting principles” and “suggesting internal control measures enabling the compliance with the regulations in preparing and disclosing financial reports”.

**F.3.2. Internal control policies and procedures for IT systems (including among others, security of access, control of changes, operation thereof, continuing operations, separation of functions) supporting the company’s relevant processes in relation to the preparation and disclosure of financial reports.**

The General Organisation Management is responsible for FCC Group’s Information Systems and Technologies Department. This department has the following functions:

- ⊙ Managing the Group’s technology resources and keeping them updated.
- ⊙ Defining the business process reporting needs and setting priorities with users.
- ⊙ Guaranteeing that the systems are suited to the management reporting needs.
- ⊙ Supporting processes to improve the business processes for which the division is responsible.
- ⊙ Guaranteeing that users have adequate technology support.
- ⊙ Implementing the security measures proposed to guarantee the confidentiality, integrity and availability of information systems.
- ⊙ Managing the Area suppliers.

FCC Group’s internal control model considers computer processes, which comprise the IT environment, architecture and infrastructures and the applications supporting Business operations and the related financial accounting. The Business processes are supported by automatic controls implemented in the applications and manuals.

FCC Group applies an internal control model to the Reporting Systems and in particular to the control of the systems supporting the Group’s financial statements, focusing on guaranteeing the integrity, confidentiality, availability and reliability of the financial reporting in the closing of accounts process and therefore of the information disclosed to the markets.

With reference to these indicators, priority is given to the following areas:

- ⊙ Access to programs and data.
- ⊙ Change management.
- ⊙ Managing developments.
- ⊙ Operations management.
- ⊙ Documentation management.

Within these five areas, the following controls of the applications supporting the financial environment are considered particularly relevant:

- ⊙ User management in the applications (registration-removal and modification).
- ⊙ Information management policy.
- ⊙ Information security policy.
- ⊙ User role matrixes in the applications.
- ⊙ Managing the demand for developments and functional changes.
- ⊙ Managing the demand for infrastructure changes.

- Specification and approval of tests and acceptance by users.
- Specification of technical and functional requirements
- Managing jobs
- Operations contingency plan.
- Infrastructure backup policies.

#### Agreements

- Service level agreements and management thereof with third parties.
- Physical security of the Data Processing Centres (DPC).

It should be noted that the Company has a certified information security management system, based on the ISO/IEC 27001 international standard, for the Construction and Water business areas. This standard defines and establishes the principles of functionality, security and responsibility, and it may be extrapolated to different areas within the organisation.

FCC Group, fully aware of the importance of the security of the information it processes, has developed a set of policies and standards allowing it to ensure the confidentiality, integrity and availability of its IT systems. The aspects related to the Internal Control over Financial Reporting are regulated in the Corporate Standard called "Information Security."

This document defines the functional principles and who is responsible in terms of Information Security and it directly involves the business, evidencing the support in the first paragraph of the Policy itself:

The CEO and the Steering Committee will be responsible for:

- Establishing the general criteria for classifying and managing information assets.
- Approving:
  - The Organisation and Security Management Model.
  - The Classification and Information Assets Management Model.

One of the fundamental principles governing the application of said standard is the Principle of Information Integrity. Information management will be governed by policies, standards, procedures and guides ensuring the confidentiality, integrity and availability thereof.

FCC Group has a security model that requires an organisational structure and the allocation of roles and responsibilities in the field of security in order to function:

- The Information Technology Committee is the highest body coordinating the information security in the Group.
- Information Security defines the security requirements of the projects developing new applications and it successively validates the functionality of the mechanisms and controls implemented in the applications before they go on to the production stage.
- Information Security is integrated within the Change Management Committee with the purpose of checking that the changes proposed for the IT infrastructure are compatible with the security requirements established in FCC Group's Information Security Policy.
- Information Security uses a number of monitoring tools that analyse the operation of FCC Group's information systems, which are able to generate alerts in real time whenever they detect possible security incidents.

Information security is evaluated from time to time. In this respect, Information Security carries out the following audits:

- Regulatory compliance in the field of the Personal Data Protection, every two years.
- Analysis of IT system vulnerability.
- IT systems intrusion tests.

Since 2011, FCC Group outsources the management of the technology infrastructures of its information systems. The contract with the external firm incorporates a clause ensuring the performance of services according to best market practice regarding IT.

#### F.3.3. Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, together with evaluations, calculations or assessments entrusted to independent experts, which may materially affect the financial statements.

FCC Group has not outsourced any relevant activities destined to execute or process transactions that are recorded in the Group's financial statements, with the exception of the assessment of financial derivatives, the performance of actuarial calculations, and the performance of certain property appraisals from time to time.

There is an internal procedure for the hiring of external advisors which require certain levels of approval according to the sum involved, including, as the case may be, approval

by the Company's CEO. The results or reports commissioned in the accounting, tax or legal areas are supervised by the heads of the General Administration Management, the General Legal Counsel Management and the General Internal Auditing Management, or of other Departments if it is considered necessary.

As indicated under the preceding item, FCC Group has outsourced the management services for its IT and telecommunication infrastructures. As part of the contract, investments will be made with a view to standardising the architecture of FCC systems, so that there are not any differences in terms of availability and integrity in the environments managed by the companies making up the Group.

FCC Group has two Data Processing Centres in Madrid configured with high availability. It also has implemented a Service Desk through which any incidents involving the Information Systems are channelled.

The following stand out among the projects carried out:

- ⊙ Full renewal of workstations where key personnel will have an automatic backup to guarantee the availability of the information.
- ⊙ Consolidation of global centres for operation services with standard tools.
- ⊙ Implementation of a single telecommunications network (WAN) allowing the homogenisation of user access capacity to the Group's IT systems.

As an internal control procedure to supervise the management of these outsourced activities, a catalogue of services has been launched managed with unified service quality and measures according to pre-arranged Service Level Agreements (SLAs).

Last of all, it should be noted that FCC Group has procedures in place for the supervision of businesses in which it operated via corporate structures in which either it does not have a controlling interest or they are not directly administrated by the Group, for instance Joint Ventures (UTES).

## F.4. Reporting and communication

Indicate whether at least the following exist and describe their main characteristics:

**F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation, together with an updated accounting policy manual that is communicated to all the units through which the Company operates.**

The responsibility to apply the Accounting Policies of FCC Group is centralised in the General Administration Management, to which the Group's Consolidation and Accounting Standards Department belongs, and its functions, among others, are the following:

- ⊙ Defining the Group's accounting policies.
- ⊙ Issuing the accounting standards applied in the Group.
- ⊙ Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- ⊙ Analysing the individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- ⊙ Monitoring the new draft regulations being considered by the IASB, and the new standards approved by said body, as well as the process of validation thereof by the European Union, determining the impact they will have on the Group's Consolidated Financial Statements.

The Group's Consolidation and Accounting Standards Department regularly informs all those in charge of preparing the financial statements at the various levels in the Group of the amendments in the regulations, clarifying any doubts that may arise, and it in turn gathers the information required from the Group companies to ensure the consistent application of the Group's Accounting Policies and to determine the impact of the application of new accounting regulations.

FCC Group's General Internal Auditing Management details in its Internal Auditing Plan, among the various functions included within its responsibilities that of providing from an accounting regulation perspective, solutions to the technical enquiries received from any of the business areas in which the Group operates.



In cases where the application of accounting regulations is subject to different interpretations, the General Internal Auditing Management and/or the General Administration Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

FCC Group is made up of a large number of companies operating in different countries and it is obliged to prepare its consolidated financial statements according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union, as detailed in the Group's Economic and Financial Manual.

The Group's Economic and Financial Manual establishes, in its first chapter, the accounting basis that should apply for FCC Group, enabling the preparation of the Group's annual consolidated financial statements, together with any other financial statements and reports that are to be disclosed from time to time.

In FCC Group's subsidiaries, joint ventures and associated companies, where what has been established cannot be applied, the necessary information must be available in order to homogenise the reporting by introducing the relevant adjustments, so that the resulting information complies with the established criteria.

In order to homogenise FCC Group's economic and financial reporting according to international standards, financial statement models and a corporate accounting table have been developed, and these are also included in the Economic and Financial Manual.

This Manual is updated by the Administrative Coordination Division, according to the evolution of accounting standards, and it is available on the Group Intranet (FCCnet) in the chapter called "Regulations" and may be consulted by Group employees. Also, there is the possibility for users to create alerts that inform them of any updates of the manual.

The regulations are updated in a unified manner by the departments that are aware of, experienced and involved in the matter, and they are ultimately approved by the General Administration Manager. Throughout 2013 several updates have been performed according to the needs identified by the Group.

**F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all of the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on ICFR.**

FCC Group has implemented a shared reporting system based on the application in a SAP environment, which is meant, on the one hand, to meet the reporting needs for the individual financial statements and, on the other hand, to standardise and systematise the consolidation process of economic and financial reporting in the Group. This application gathers, by reporting units, at a 'company-sector' level or as legal persons, according to what is required, the information needed to put together economic and financial reports, whatever their nature, whether internal or external, the latter involving disclosures to public bodies and institutions.

This tool manages to centralise in a single system all the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and it uses a single accounting plan, and the information is automatically loaded into this consolidation system from SAP.

The procedures for gathering and preparing financial reports are documented in the Economic and Financial Manual, which establishes the dates when the following will be available from the Administration Area: the economic and financial information to be furnished by the Administration and Finance Departments of the Business Areas (standard 8.01.01); the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A. (Profit Centres and Joint Ventures), on the other hand, which is to be furnished to the Administration Area by the Administration and Finance Departments of the Business Areas (standards 8.01.02 and 8.01.03 respectively). Said procedures do not specifically consider information on the Internal Control over Financial Reporting System, said information having been obtained via specific requests to the areas involved.

Additionally, for the annual closing of accounts and with the objective of disclosing the annual financial report within the two months following the end of the financial year, pursuant to Royal Decree 1362/2007, of 19 October, in relation to the transparency requirements related to the information on issuers whose securities are listed on an official secondary market or on any other regulated market in the European Union, the General

Manager of Administration sends out the financial year closing plan by e-mail, which includes a number of instructions for those in charge of providing the relevant financial reports. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Financial Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents / forms to be used for that purpose.

Another procedure for gathering the financial reports is the implementation of a tool in a SAP environment which allows the Corporate Finance Division of FCC Group to obtain all the banking information for each of the companies and with all the financial institutions with which they operate.

Regarding the description of the Internal Control over Financial Reporting Systems (ICFRS), FCC Group has identified the controls it has available to respond to the indicators proposed in CNMV circular 5/013 of 12 June 2013.

## F.5. Supervision of the operation of the system

Indicate and describe the main characteristics of at least the following:

**F.5.1. Whether the ICFR system supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including ICFR. Information will also be given on the scope of the ICFR system evaluation carried out during the year and on the procedure whereby the person in charge of performing the evaluation communicates the results, whether the company has an action plan detailing any corrective measures, and whether the impact on the financial reporting has been considered.**

The FCC Group's Internal Auditing Basic Standards, in their third heading, state that "The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System,

by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks in achieving the objectives of FCC Group."

The General Internal Auditing Management, by delegation of the Audit and Control Committee, has as its objective, as stated in the Group's Internal Auditing Basic Standards, under headings 4 and 5, that of evaluating the adequacy and effectiveness of the Internal Control Systems. To this end, the Internal Auditing function applies to the entire FCC Group everything referring to:

- The reliability and integrity of the economic and financial reports, both internal (management information) and for external disclosure.
- Review of the systems and operations to check the compliance with the policies, procedures and regulations approved by Senior Executives, and with the laws in force.

Also, heading 9 of these standards establishes the functions and powers of the General Internal Auditing Management:

- "The General Internal Auditing Management has the fundamental mission of assisting the Audit and Control Committee in the compliance with the powers and responsibilities conferred to said Committee by article 41 of the Regulations of the Board of Directors in force."
- "The functions of the General Internal Auditing Management are to supervise the efficiency of the internal controls, ensuring the compliance with legal requirements, the evaluation and enhancement of the risk management processes, and also to ensure that the financial reports that are prepared are correct and suitable for FCC Group. These functions are specifically the following:
  - Analysing and evaluating the systems, ensuring the compliance with the policies, procedures, standards, regulations and plans. The sufficiency and effectiveness of the internal control systems, making suggestions for the enhancement thereof.
  - Reviewing the application and effectiveness of the risk management procedures and of the systems for assessing them.
  - Watching over compliance with the standards and guidelines established by Management, especially the Code of Conduct and the General Standards Manual.

- ⊙ Reviewing the (individual and consolidated) accounting information, the management reports and the financial information disseminated to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied. Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.
- ⊙ Checking that assets really exist and the systems guaranteeing the integrity and safeguarding thereof.
- ⊙ Supporting the different areas in their technical relations, control and monitoring with external auditors.
- ⊙ Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective actions.
- ⊙ Complying with the Annual Auditing Plan, reporting from time to time on the evolution thereof.
- ⊙ Supervising the work of the external auditors, asking for and receiving information on any aspects related to the progress of the audits, acting as a communication channel between the external auditors and the Audit and Control Committee, submitting the conclusions of the review by the external auditors and, especially, any circumstances that might jeopardise their independence. They shall also make proposals on the appointment of the external auditors to enable the Audit and Control Committee to meet its obligations with the Board of Directors.
- ⊙ Any other functions entrusted by the Audit and Control Committee.

The General Internal Auditing Management will act independently of the management areas. A resolution of the Board of Directors, passed on 26 October 2004, establishes that the General Internal Auditing Management is functionally dependent upon the Audit and Control Committee and organically dependent upon the Chairman of FCC Group. The members of the General Internal Auditing Management perform their functions independently, without sharing their responsibilities with other management areas.

As commented in section 2.1 above, the Group has implemented an integrated risk management model, which is to allow it to appropriately face the financial reporting risks as well as other risks to which its activities are subject. To this end, in June 2013 the General Internal Auditing Management incorporated Risk Management among its

functions; until then it was part of the General Administration and Information Technology Management.

The worsening of the economic environment over recent years has increased the exposure of companies to a number of different risks. In this respect, the Group's General Internal Auditing Management, according to the provisions in the Auditing Plan prepared in compliance with the Basic Auditing Standards, considers that it is necessary to analyse and evaluate, via a number of different indicators, the impact on the business areas, with the purpose of advising the Audit and Control Committee and preparing the relevant recommendations to allow it to minimise the impact of risks related to the financial reporting that may affect the Group.

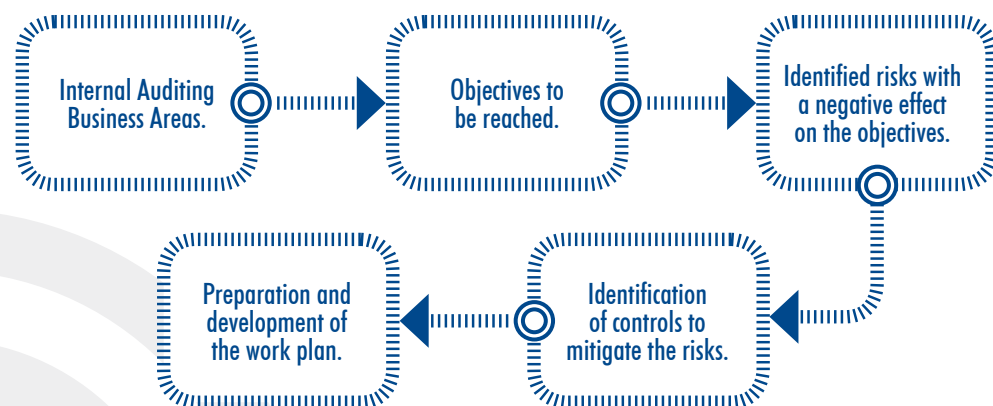
The scope of the auditing tasks is defined according to these variables, in order to provide the Audit and Control Committee and Management in general with reasonable security on the proper functioning of the internal control systems, on the compliance with the policies for managing the main risks of the Group and on the reliability of the economic and financial reports prepared by Management and submitted to the Board of Directors for approval.

The fundamental role of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time the process of preparing the economic and financial reports, its internal controls and the independence of the external Auditor.

The Audit and Control Committee holds meetings with the external auditor and listens to the explanations given by the General Manager of Finance and the General Manager of Administration.

The auditing plan does not include the tasks that may be carried out by the Internal Auditing Departments of the FCC Group listed companies Cementos Portland Valderrivas and Realia, notwithstanding the coordination tasks performed by the different Internal Auditing Departments, with the purpose of reporting to the FCC Group Audit and Control Committee the effect that the risks of said Groups may have on the consolidated financial statements of FCC Group.

The Auditing Plan (prepared pursuant to the Basic Auditing Standards) follows the plan given below:



According to the 2013 Auditing Plan, communicated to the Auditing Committee for the year 2013, the General Internal Auditing Management has carried out the following tasks in relation to the review of the Group's Internal Control over Financial Reporting system in a number of different areas:

- **IT auditing:** There have been reviews of the security model defined in SAP/Integra (the Group's financial application) and Incorpora (the Payroll application), reviews of the General IT Controls in the Construction areas, work to validate the effectiveness of automatic controls in the FCC Construcción Machinery SAP, Auditoría 27001 in the FCC CO and Aqualia areas, half-yearly reviews of SAP Integra (the FCC Group financial system) and reviews of the removal process implemented in the Employee and Identity Management Master Program.
- **Environmental auditing:** Review of the FCC Environment models for estimating environmental provisions.
- **Work to review the financial reporting in the different business areas:** Construction, Environment, Water, Energy, Waste, and Versia, mainly the reporting that refers to provisions, judgments and estimates.
- **Analysis of the audit opinions on the companies audited:** Systematic analysis of the audit opinions on companies in FCC Group, with the objective of monitoring any companies that are not given a favourable report from the auditor.
- **Monitoring of the reporting obligations in respect of financial entities (covenants):**

Coordination of the work between the external auditors and the business areas, analysing and reviewing the information prepared by said areas, which must be certified by the auditor. Involvement in the process of certifying financial ratios determined regarding statutory financial statements that were already audited.

- **Criminal liability of the Legal Entity:** Evaluation of the design of the controls implemented in FCC in relation to the modification of the Spanish Criminal Code, verification of the measures and controls established in the Group in order to prevent and detect any such offences (currently undergoing modification, assessing the implications of the regulatory changes).
- **Internal communication channel:** Review of the compliance with the communication obligations established in the FCC Group Internal Conduct Regulations and the Code of Ethics.
- **Monitoring of the internal control recommendations issued in prior years.**
- **Other functions of the review of financial reports:** Supervision of the quarterly, half-yearly and annual financial statements and notes to the financial statements. Internal Auditing reviews the consolidated and individual financial statements, in order to identify whether the sums and the information broken down in these statements are in compliance with the IFRS or PGC (Spanish General Chart of Accounts) standards. In addition, the reports sent from time to time to the CNMV are reviewed.
- **Technical queries:** Internal Auditing collaborates in responding to queries related to the accounting treatment of certain transactions owing to their complexity.

The results of the reviews carried out by the General Internal Auditing Management, together with any incidents that were detected, have been communicated to the Audit and Control Committee during the year.

**F.5.2. Whether there is a discussion procedure whereby the account auditor (in accordance with what is provided in the Technical Auditing Standards (NTA)), the Internal Auditing function and other experts may communicate to senior executives and to the Auditing Committee or directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them. In addition whether there is an action plan to correct or mitigate the observed weaknesses.**

The FCC Group Internal Auditing Basic Standards, in heading seven, section i), states that "The Audit and Control Committee will be informed, via the General Internal Auditing

Management and its relations with the external auditors, of the preparation process of the financial reports, of the proper application of generally accepted accounting principles, and of compliance with legal requirements and on the functioning of the Internal Control Systems.”

As stated in the preceding paragraph, the purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with the effective supervision of the Internal Control Systems.

This objective consists of furnishing the Management of FCC Group with an independent opinion on the Organisation’s ability to achieve its objectives, by means of a systematic and methodological approach towards the evaluation, management and enhancement of the effectiveness of these processes:

- **Risk Management:** Processes used by Management to identify, evaluate and respond to the potential risks that may affect whether the organisation achieves its business plans set out in the Strategic Plan.
- **Internal Control:** The policies, standards, procedures and activities making up the control system established by FCC Group to ensure the proper management and risk reductions.

As stated under the preceding item, heading 9 of the Group’s Internal Auditing Basic Standards establishes, among the functions and remits of the General Internal Auditing Management, that of: “Assisting the members of the Group’s Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective actions.”

FCC Group’s General Internal Auditing Management reports to the Audit and Control Committee from time to time any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to adequately correct them. In 2013, it attended all the meetings of the Audit and Control Committee.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles

and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing Management performs a number of processes for the review of the accounting information (both individual and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

Additionally, the Group’s auditor has direct access to the Group’s Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee at least three times a year, detailing the internal control weaknesses that have come up while reviewing the Group’s financial statements, including any aspects they consider relevant. In 2013, the external auditor attended 5 meetings of the Audit and Control Committee.

## F.6. Other relevant information

N/A

## F.7. External auditors report

Report on:

**F.7.1. Whether the ICFR system information disclosed to the markets has been reviewed by the external auditor, in which case the Company must include the relevant report as an Appendix. Otherwise, the reason why said report is not available must be explained.**

The information included here on the Internal Control over Financial Reporting System was reviewed by the External Auditor, and the report thereof is attached as an Appendix to this document.



## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the Company's degree of compliance with the recommendations of the Unified Code of Good Governance.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company's procedures. General explanations will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

See headings A.10, B.1, B.2, C.1.23 and C.1.24.

COMPLIANT ☒ EXPLAIN

2. When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See headings D.4 and D.7.

COMPLIANT COMPLIES PARTIALLY EXPLAIN ☒ NOT APPLICABLE

Although article 7.2.i of the Rules of the Board of Directors entrusts the Board with "defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategic Committee and the CEO, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise," the Company has not yet publicly defined these two points.

3. Even when not expressly required under company Laws, any decisions involving a structural corporate change should be submitted to the General Meeting of Shareholders for approval or ratification, especially the following:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the original company, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that are equivalent to winding-up the Company.

See heading B.6.

COMPLIANT COMPLIES PARTIALLY ☒ EXPLAIN

Article 8.6 of the Rules of the Board of Directors establishes that the Board must seek the authorisation of the shareholders at the General Meeting prior to an acquisition or disposal of key operating assets that would effectively alter the corporate purpose of the Company or prior to any operations that are tantamount to winding-up the Company.

To avoid impairing the Board of Directors' ability to operate, this does not include subsidiarisation operations, since these operations often require quick decisions for opportunity reasons and are governed by ample legal mechanisms to protect the interests of the shareholders and the Company. Nevertheless, the Board duly reports such operations at the General Meeting.

4. Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in Recommendation 27 should be made available at the same time as the publication of the Meeting notice.

COMPLIANT ☒ EXPLAIN



5. Separate votes should be taken at the General Meeting of Shareholders on materially separate items, so shareholders can express their voting preferences separately. This rule shall apply in particular to:
- The appointment or ratification of Directors, with separate voting on each candidate;
  - Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.

COMPLIANT ☒

EXPLAIN

6. Companies should allow split votes, so that financial intermediaries representing different clients may issue their votes according to instructions.

COMPLIANT ☒

EXPLAIN

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time in a sustained manner. It should likewise ensure that the Company abides by the laws and rules in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

COMPLIANT ☒

EXPLAIN

8. The Board should seek, as core components of its mission, to approve the Company's strategy and the organisation required to carry it forward, and supervise and control that the management meets the objectives set while pursuing the Company's interests and corporate purpose. For such purpose, the Board in full should reserve the right to approve:
- The Company's general policies and strategies, and, in particular:
    - The strategic or business plan, management targets and annual budgets;
    - The investment and financing policy;

- The design of the corporate group structure;
- The corporate governance policy;
- The corporate social responsibility policy;
- The remuneration and evaluation of senior officers policy;
- Risk control and management, and the regular monitoring of internal information and control systems policy;
- The dividend policy, as well as the policies and limits applying to treasury stock.

See sections: C.1.14, C.1.16 and E.2.

- The following decisions:
  - On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their severance clauses;
  - Directors' remuneration and, in the case of executive Directors, the additional remuneration for their management duties and other contract conditions;
  - The financial information that all listed companies must disclose periodically;
  - All types of investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting of Shareholders;
  - The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.
- Transactions which the Company performs with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions"). However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:
  - They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
  - They are arranged at market rates, generally set by the person supplying the goods or services;
  - The amount is not more than 1% of the Company's annual revenues.
 It is advisable that related-party transactions should only be approved on

the basis of a favourable report from the Audit Committee or some other Committee entrusted with the function in question; and that the Directors involved should neither exercise nor delegate their votes, and should leave the meeting room while the Board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See headings: D.1 and D.6.

COMPLIANT ☒ EXPLAIN

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and not more than fifteen members.

See heading: C.1.2.

COMPLIANT EXPLAIN ☒ NOT APPLICABLE

Article 27 of the Articles of Association states that the Board of Directors shall comprise a minimum of five and a maximum of 22 members; as of 31 December 2013 there were 18 Directors.

Given the characteristics of the Company, the size of the Board is considered to be appropriate for proper management, running and administration of the Company's businesses. This easily allows different types of Directors on the Board without jeopardising its operativity.

10. External Directors, both nominee and independent, should occupy an ample majority of Board places, while the number of executive Directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.3 and C.1.3.

COMPLIANT ☒ EXPLAIN

11. Among external Directors, the relation between nominee members and independents should match the proportion between the capital represented on the Board by nominee Directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of nominee Directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings, but where there are shareholders with blocks of shares with high absolute value.
2. In companies with a plurality of shareholders represented on the Board that are not otherwise related.

See sections: A.2, A.3 and C.1.3.

COMPLIANT ☒ EXPLAIN

12. The number of independent Directors should represent at least one third of all Board members.

See section: C.1.3.

COMPLIANT ☒ EXPLAIN

13. The nature of each Director should be explained to the General Meeting of Shareholders by the Board, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. This Report should also disclose the reasons for the appointment of nominee Directors at the request of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a nominee Directorship.

See sections: C.1.3 and C.1.8.

COMPLIANT ☒ EXPLAIN

## CORPORATE GOVERNANCE

14. When there are few or no women directors the Appointments Committee should take steps to ensure that:
- a) The process of filling Board vacancies has no implicit bias against women candidates;
  - b) The Company makes a conscious effort to include women with the professional profile among the candidates for Board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

|                                               |                    |         |                |
|-----------------------------------------------|--------------------|---------|----------------|
| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN | NOT APPLICABLE |
|-----------------------------------------------|--------------------|---------|----------------|

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members during board meetings, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board Committees.

See sections: C.1.19 and C.1.41.

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| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN |
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16. When the Chairman of the Board is also the Company's chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: C.1.22.

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| COMPLIANT | COMPLIES PARTIALLY | EXPLAIN | NOT APPLICABLE <input checked="" type="checkbox"/> |
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17. The Secretary of the Board should take care to ensure that the Board's actions:
- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
  - b) Comply with the Company Bylaws and the Rules of the General Meeting of Shareholders, the Board of Directors and others;

- c) Are informed by the governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full Board meeting; the relevant appointment and removal procedures being those determined in the Rules of the Board of Directors.

See section: C.1.34.

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| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN |
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18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, each Director may propose the addition of other items to the agendas.

See section: C.1.29.

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| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN |
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19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30.

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| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN |
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20. When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, the person expressing them can request that they be recorded in the minute book.

|                                               |                    |         |                |
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| COMPLIANT <input checked="" type="checkbox"/> | COMPLIES PARTIALLY | EXPLAIN | NOT APPLICABLE |
|-----------------------------------------------|--------------------|---------|----------------|

21. The Board in full should evaluate the following points on a yearly basis:
- a) The quality and efficiency of the Board's operation;
  - b) Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;

- c) The performance of its Committees on the basis of the reports furnished by them.

See sections: C.1.19 and C.1.20.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41.

COMPLIANT ☒ EXPLAIN

23. All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the Company's expense.

See section: C.1.40.

COMPLIANT ☒ EXPLAIN

24. Companies should organise induction programmes for new directors to acquaint them rapidly with knowledge about the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

25. Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- Directors should inform the Appointments Committee of any other professional obligations, in case they might interfere with the necessary dedication;
- Indicate whether the Company has established rules about the number of Directorships its Board members can hold.

See sections: C.1.12, C.1.13 and C.1.17.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

26. The proposal for the appointment or re-appointment of Directors which the Board submits to the General Meeting of Shareholders, as well as provisional appointments by the method of co-optation, should be approved by the Board:

- When proposed by the Appointments Committee, in the case of independent Directors.
- Subject to a report from the Appointments Committee in the case of all other Directors.

See section: C.1.3.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

27. Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:

- Professional experience and background;
- Directorships held in other companies, listed or otherwise;
- An indication of the Director's classification as executive, nominee or independent; in the case of nominee Directors, stating the shareholder they represent or have links with;
- The date of their first and subsequent appointments as a Company Director, and;
- Shares held in the Company and any options thereon.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

28. Nominee Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to appoint nominee Directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and C.1.2.

COMPLIANT ☒ EXPLAIN

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a Director is in breach of his or her duties or comes under circumstances leading to the loss of independent status, according to the provisions in Order ECC/461/2013. The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

COMPLIANT ☒ EXPLAIN

30. Companies should establish rules obliging Directors to inform the Board of any circumstance that might harm the company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.

The moment a director is indicted or tried for any of the crimes stated in Article 213 of the Capital Companies Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42, C.1.43.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent

conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board, regardless of whether he or she has director status.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN NOT APPLICABLE

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a relevant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: C.19.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN NOT APPLICABLE

33. Remuneration comprising the granting of shares in the Company or other companies in the group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to executive Directors.

The granting of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN NOT APPLICABLE

34. External Directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

35. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce said earnings should be considered.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

36. In the case of variable remuneration, the remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or other circumstances of this kind.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

37. When there is a Delegated or Executive Committee (hereinafter, "Delegated Committee"), the representation structure of the different director categories should be similar to that of the Board and the Secretary of the Board should be the Secretary of that Committee.

See sections: C.2.1 and C.26.

COMPLIANT COMPLIES PARTIALLY ☒ EXPLAIN

The Executive Committee is made up by External Directors (80%) and Executive Directors, whereas 88.9% of the members of the Board of Directors are External Directors and 11.1 % are Executive Directors.

The Secretary of the Board is the secretary of the Executive Committee.

38. The Board must always be informed of the matters discussed and the decisions adopted by the Delegated Committee, and all the Board members must receive a Copy of the minutes of Delegated Committee meetings.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

39. In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be set forth in the Rules of the Board, and include the following:

- a) The Board of Directors will designate the members of the Committees, taking into account the directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports;

and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond to the work carried out.

- b) These Committees should be formed exclusively by external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committee Chairmen must be independent directors.
- d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.
- e) Committee meetings should draw up minutes and a copy must be sent to all Board members.

See sections: C.2.1 and C.2.4.

COMPLIANT COMPLIES PARTIALLY ☒ EXPLAIN

The Board of Directors has taken into account the knowledge, skills and experience of the directors and the mission of each Committee when appointing Committee members. Committees are also expressly given the power to obtain external advice and the Board has debated the proposals and reports presented by the Committees, which reported on their activities and performance at the first full Board meeting after each of their meetings.

When appointing the Committee members and chairs, the Board has given priority to the skills, experience and qualifications that will enable directors to contribute to better performance by the Committees of the duties entrusted to them (rather than to the directors' categories).

The Audit and Control Committee is chaired by Mr Gustavo Villapalos Salas, an independent director of FCC.

40. The task of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

See sections: C.2.3 and C.2.4.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN



41. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See section: C.2.3.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

43. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

44. The Control and risk management policy should specify at least:

- The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;
- The determination of the risk level the Company considers as acceptable;
- Measures in place to mitigate the impact of identified risks should they occur;
- The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: E.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- The major risks identified as a consequence of the monitoring of the efficacy of the Company's internal control and its internal auditing, as the case may be, must be adequately managed and disclosed;
- Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports;
- Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2. With respect to the external auditor:

- Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior executives act on the recommendations of the external auditor;
- Ensure the independence of the external auditor, to which end:
  - The Company should notify any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same;
  - Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

46. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT ☒ COMPLIES PARTIALLY EXPLAIN

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

- The financial information that all listed companies must disclose periodically. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review;
- The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group;
- Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control Committee.

See sections: C.2.3 and C.2.4.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

48. The Board of Directors should seek to present the annual accounts to the General Meeting of Shareholders without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: C.1.38.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

49. The majority of Appointments Committee members, or Appointments and Remuneration Committee members, as the case may be, should be independent directors.

See section: C.2.1.

COMPLIANT

EXPLAIN ☒

NOT APPLICABLE

As mentioned under recommendation 44, when appointing the Appointments and Remuneration Committee members, the Board has given priority to the skills, experience and qualifications that will enable Directors to contribute to better performance by the Committees of the duties entrusted to them.

All members of the Appointments and Remuneration Committee are external Directors and 40% of the members are independent Directors.

50. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

- Evaluate the balance of skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties;
- Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner;
- Report on the senior officer appointments and removals which the chief executive proposes to the Board;
- Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

51. The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to executive Directors. Any Board member may suggest Directorship candidates to the Appointments Committee for its consideration to fill vacancies.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

52. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
  - i) The remuneration policy for Directors and senior officers;
  - ii) The individual remuneration and other contractual conditions of executive Directors;
  - iii) The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the Company.

See sections: C.2.4.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive Directors and senior officers.

COMPLIANT ☒

COMPLIES PARTIALLY

EXPLAIN

## H. OTHER INFORMATION OF INTEREST

1. If you consider that there are any relevant principles or aspects of corporate governance applied by your Company which has not been assessed in this report but which is necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.
2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive. Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it is obliged to furnish other than that required in the report herein.
3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practices, or international, industry or other codes. If applicable, identify the relevant code and the date of adherence.

FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012.

FCC adhered to the United Nations Global Compact on 7 May 2007.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 31st March 2014.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

YES

NO ☒

Name or company name of any directors not approving this report with their vote

Reasons (against, abstained from voting, did not attend meeting)

Explain the reasons

-

-

-



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**AUDITORS' REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2013**

To the Directors of  
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

As requested by the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ("the Entity") and in accordance with our proposal-letter of 27 January 2014, we have applied certain procedures to the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. for 2013, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2013 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those performed, or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the system of ICFR. In this respect, the aforementioned documentation includes reports prepared by the senior executives and other internal or external experts providing support functions to the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors and of other committees of the Entity in order to assess the consistency between the ICFR system issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by CNMV Circular no. 5/2013, of 12 June 2013, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Javier Parada Pardo  
 31 March 2014



## CORPORATE SOCIAL RESPONSIBILITY REPORT



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FCC Group is one of the leading European citizen service companies; it is present in the areas of environmental services, water and infrastructure. FCC focuses its activity on the design and delivery of smart services to citizens. To this end, it has developed an extensive range of services whose common denominator is the pursuit of eco-efficiency.

Every day, over 63,000 employees world-wide interact with citizens in search of increased day-to-day sustainability.

## COMPANY PROFILE

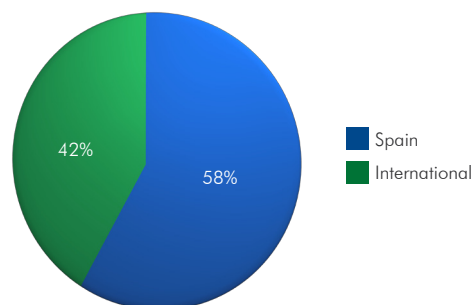
### MAIN FINANCIAL INDICATORS

|            | 2011    | 2012*    | 2013*    |
|------------|---------|----------|----------|
| Turnover   | 11,897  | 7,429.3  | 6,726.5  |
| EBITDA     | 1,256   | 820.3    | 719.9    |
| Margin (%) | 10.6    | 11.0     | 10.7     |
| EBIT       | 393     | -303.1   | 147.4    |
| Margin (%) | 6.5     | -2.0     | -4.5     |
| Backlog    | 35,309  | 30,896.4 | 32,865.1 |
| Net debt   | 6,593.3 | 7,087.7  | 5,975.5  |

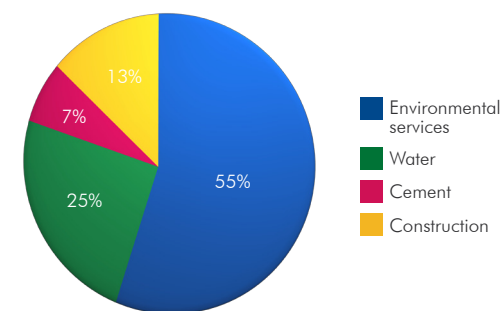
\*Alpine deconsolidation

|                             | Revenue in 2013<br>(M€) | Var./2012<br>(%) | EBITDA 2013<br>(M€) | Var./2012<br>(%) |
|-----------------------------|-------------------------|------------------|---------------------|------------------|
| Environmental services      | 2,770.4                 | -2.0%            | 425.4               | -14.5%           |
| Water                       | 930.0                   | +3.2%            | 191.7               | +1.5             |
| Construction                | 2,589.2                 | -11.8%           | 98.8                | +10.5%           |
| Cement                      | 540.9                   | -17.3%           | 50.4                | -27.9%           |
| Corporation and adjustments | (104.0)                 | -193.7%          | (46.4)              | +84.9%           |
| Total                       | 6,726.5                 | -95%             | 719.9               | -12.2%           |

Income by geographical area

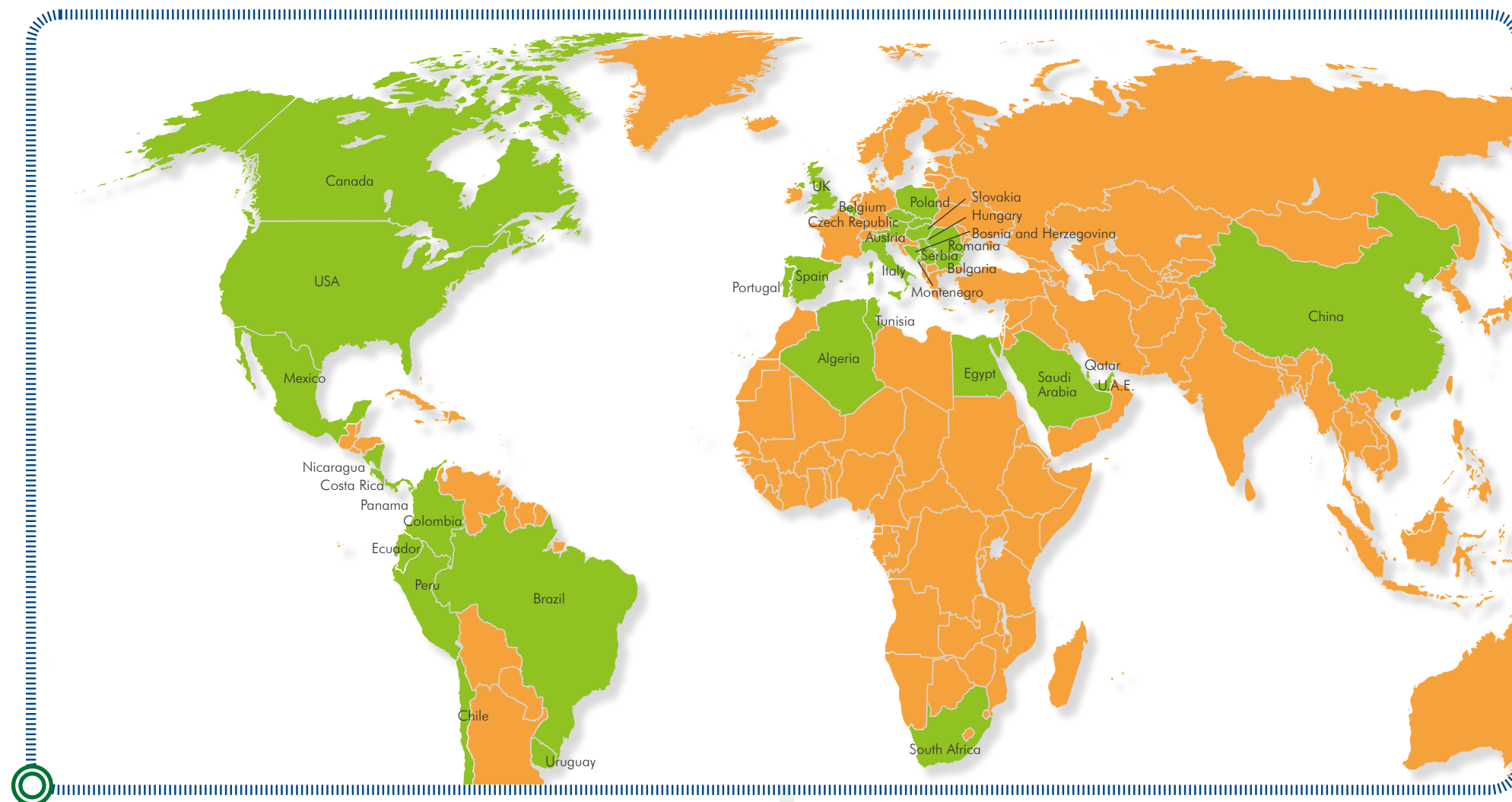


EBITDA by business area





## PRESENCE OF FCC GROUP



## THE WAY FORWARD

### 2013-2015 Strategic Plan

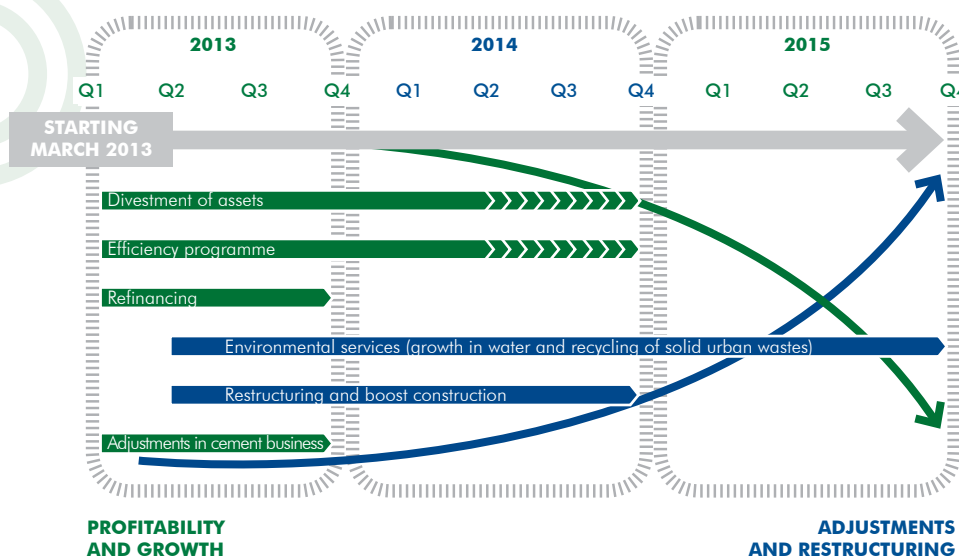
In an adverse economic environment, and given the current downturn in the financial market, FCC Group has designed a strategy that will focus on its core businesses to increase cash flow and reduce debt levels to those appropriate for the cash flow generated.

Concentrating on strategic businesses enables the company to make the most of the activities where there is a strong track record and to restore investor and market confidence. In the construction business, where FCC Group has more than a hundred years' experience, the company is promoting strategic projects in countries with large growth opportunities and infrastructure needs. In the integrated water cycle management business, customer management is what sets apart FCC Aqualia, the third largest company in the world in its sector, apart. The environmental services business has close ties to the cities it serves, and is seeking to improve its service offerings.

At economic and financial level, FCC Group's goal is to reduce debt by 1.9 billion euros, return to an EBITDA of 1.2 billion euros and generate an annual cash flow from the activities of 850 million euros. Following the implementation of the Strategic Plan, FCC Group will be in the position to address the recovery of some of the markets in which it operates, continue to work in a leading position in markets with more favourable economic conditions and capitalise on new opportunities for profitable growth.

### Lines of action

- **Divestment of non-core assets** worth 2.2 billion euros.
- **Implementation of the efficiency programme** through structural cost reduction in all areas, both in central services and business units.
- **Long-term refinancing plan** in line with the strategic objectives.
- **Strengthening the leadership in Environmental Services in Spain** and in waste management in Central Europe through ASA. Repositioning in UK towards waste-management-related activities. Strengthening the leadership international expansion in Water.
- **Restructuring of Infrastructure** by adjusting production resources in FCC Construcción and Cementos Portland Valderrivas. Promoting International Construction profitability towards more profitable geographies. Optimisation of Cementos Portland Valderrivas operations in the United States.



## A FORWARD-LOOKING COMPANY

### An attractive business project for investors...

Meetings and presentations to institutional investors and analysts carried out by FCC Group in 2013 in cities such as London, Paris, Geneva and New York have resulted in obtaining capital for the company. The Group carried out a first round of road shows after the March 2013 presentation of the new Strategic Plan. Its objectives focused on reducing debt and returning to profit have successfully captured the interest of new funds to invest in the company, attracted by projects in the backlog, divestments and planned refinancing.

During the second half of the year, several FCC Group treasury stock placement processes amounting to over 9% of the share capital took place. These placements include the October purchase of 5.7% of FCC's treasury stock by entities related to Microsoft cofounder Bill Gates, who thus becomes the second largest shareholder in the company, behind Esther Koplowitz, who controls 50.1% through B-1998.

The transaction was carried out at a share price of €14.865, resulting in a gross amount of 113.5 million euros which increases FCC Group's capital and reserves with no effect on the income statement for the year.

After this transaction, the U.S. investor George Soros bought 3% of FCC Group in a transaction valued at around 60 million euros, thus becoming the third largest individual shareholder in FCC Group.

The appearance of these two entrepreneurs has been interpreted by the markets as a sign of confidence in FCC Group's project and highlights the company's attractiveness to the international investment community due to its growth potential, solvency and attractive prices.

### ENTRY OF A THIRD INTERNATIONAL FUND INTO GLOBALVIA

Globalvia has successfully completed the fund-raising process to facilitate the development of its existing concession portfolio as well as to undertake future investments with a commitment by the Universities Superannuation Scheme (USS) to provide 150 million euros, continuing with the agreement signed two years ago with the PGGM (Netherlands) and OPTrust (Canada) pension funds, and as a result Globalvia achieves its goal of obtaining the 750 million euros envisaged.

These new financial resources allow Globalvia to continue to strengthen its role as a major player in the infrastructure sector by taking a qualitative and strategic leap forward in its management policy and its commitment to a sector with great opportunities.

USS, PGGM and OPTrust are three pension funds of internationally recognised standing, leaders in their sector and committed to a long-term presence.

### ...supported by financial markets...

On the 31 March, FCC signed the Group's largest and most important credit facility, a syndicated loan totalling 4,512 million euros, which was accepted by 99.98% of the credit institutions involved, with a 4 year maturity. Several agreements were added to the facility to significantly prolong the maturity of the Group's debt and to strengthen the capital structure.

The fact that almost all the credit institutions signed the refinancing agreement represents a vote of confidence from the financial markets in favour of the management principles that the Company has been applying. The reduction of the Group's debt and the increase of profitability and the generation of cash flow in all the business activities, as a result of this refinancing process, has cleared the financial horizon and put FCC Group back on the growth path.

This refinancing was one of the key pillars for the consolidation necessary to implement and achieve the objectives established in the Strategic Plan, however its coming into effect is subject to the fulfilment of certain conditions precedent.

## ...that generates confidence for the implementation of key projects worldwide.

### Riyadh metro construction project in Saudi Arabia

In July 2013, FCC Group achieved a milestone in the history of international construction. The Authority for the Development of Riyadh (ADA) awarded the consortium led by the company, a package for the construction of the Saudi capital's underground train system.

FCC Group leads the consortium, which also includes Samsung, Alstom, Strukton, Freyssinet Saudi Arabia, Tyspa and Setec, to build Lines 4, 5 and 6 of the city's underground train system worth 6,070 million euros. The completion period for the works will be five years and more than 15,000 people will be employed in its construction.

With these figures, this contract also became the second largest for the Spanish sector operating abroad. It also demonstrates the potential of Spanish engineering and the confidence that FCC Group generates in the international public infrastructure market.

The project includes tunnelling, building and equipping three lines of the infrastructure, one of which connects the city centre to the airport, totalling 72.5 kilometres in length. Twenty-five stations, some of which are elevated, will also be built.

The association between FCC Group and Alstom had recently already won another large infrastructure contract, this time for Line 1 of the Panama Metro, valued at 1.1 billion euros, and which is now operational.

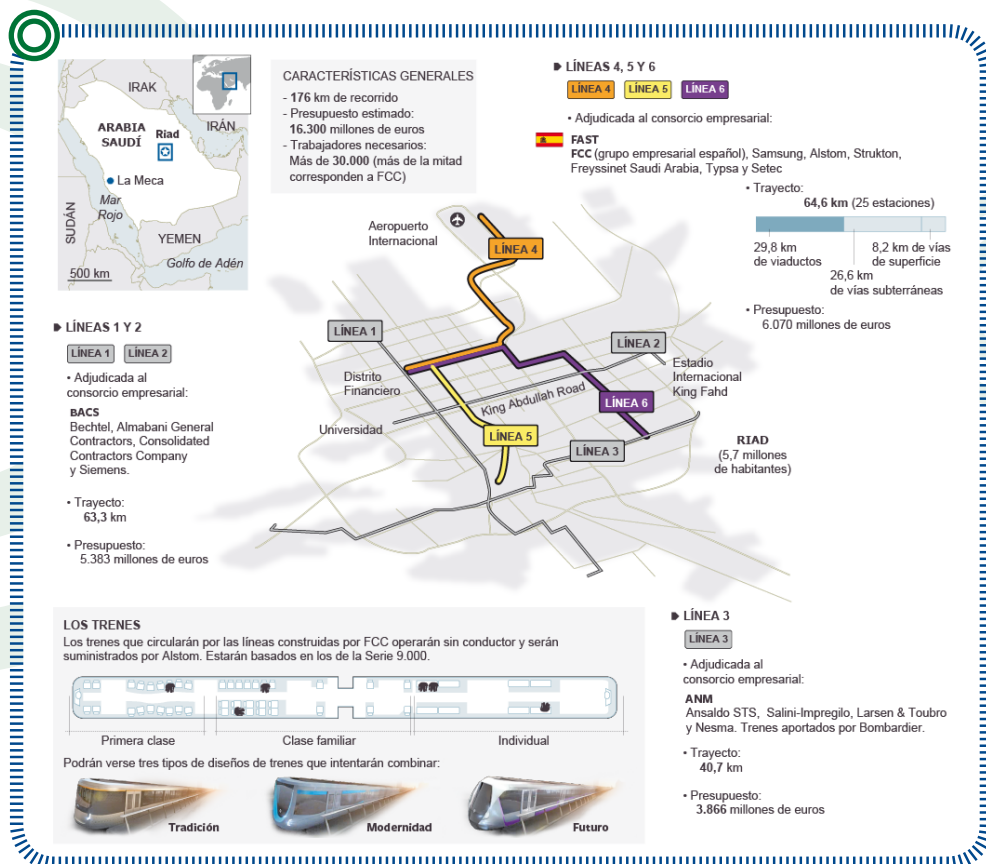
### Construction project for the bridge over the River Mersey in the United Kingdom

FCC Group was awarded the contract for the design, construction, financing, maintenance and operation of the bridge over the River Mersey in Liverpool (UK), worth around 700 million euros. This is the largest contract won to date by the company in the British Isles.

The project involves the construction of a six-lane cable-stayed bridge of up to 125 metres high and 2.23 kilometres long which will serve about 80,000 vehicles per day. It is expected to open to traffic towards the end of the first half of 2017.

The contract also includes the remodelling of seven kilometres of access roads, 2.5 miles of new motorway and the renovation of another 4.5 kilometres of motorway as well as various link roads.

The Group anticipates that 4,600 jobs, both direct and indirect, will be generated throughout the construction, operation and maintenance processes. This project strengthens FCC's internationalisation and experience with bridges, following the recent opening of the bridge it built over the River Danube between Bulgaria and Romania.



By winning this project, FCC takes a step forward in the UK market, where it has a presence in the construction and services businesses (through FCC Environment (UK) and, through Globalvia, in the concessions business. It also strengthens its internationalisation, one of the pillars of the company's strategic plan, especially for the construction business.

#### Public-private, multi-country collaboration for the New Cairo wastewater treatment plant

The New Cairo (Egypt) wastewater treatment plant funded, designed, built and operated by FCC Aqualia has been selected by the International Finance Corporation (IFC) (part of the World Bank), and the Infrastructure Journal publication, as the third best public-private participation project in the region encompassing Europe, Central Asia, the Middle East and North Africa.

### THE CEAL AWARD FOR THE EXPANSION OF FCC GROUP IN LATIN AMERICA

In Panama, FCC Group's Chairwoman Esther Alcocer Koplowitz, received the Grand Award for Business Expansion from the Business Council of Latin America (CEAL).

The Business Council appreciated the expansion carried out by the company in major Latin American countries, where it has been operating for fifteen years through companies of local origin and resources, such as the subsidiaries in Panama and Costa Rica. This region accounts for 11.5% of the Group's turnover according to figures from the first half of 2013, most of which comes from infrastructure development.

The ceremony was attended by HRH the Prince of Asturias, Felipe de Borbón, the Panamanian Minister for Canal Affairs, Roberto Roy, and the Spanish Minister of Foreign Affairs and Cooperation, José Manuel García Margallo, who described FCC Group as "an example of doing things well".



Features such as the design of innovative financing structures, technological innovation, the impact on regional development, or the real possibility to replicate each model in other projects, have been key to the selection of the New Cairo treatment plant. This recognition is in addition to the prizes awarded by Global Water Intelligence and Project Finance by Euromoney.

#### The ten largest FCC Group contracts in progress

| Project                                     | Country        | Project value       |
|---------------------------------------------|----------------|---------------------|
| Riyadh Metro                                | Saudi Arabia   | 6,070 million euros |
| Line 1 of the Panama Metro                  | Panama         | 1,112 million euros |
| Relizane-Tissemsilt railway line            | Algeria        | 934 million euros   |
| Three railway line projects in Transylvania | Romania        | 830 million euros   |
| Mersey Bridge                               | United Kingdom | 700 million euros   |
| Gerald Desmond Bridge                       | USA            | 540 million euros   |
| Hospital Complex in Panama                  | Panama         | 440 million euros   |
| Port of Açú                                 | Brazil         | 402 million euros   |
| Tizi-Ouzou Stadium                          | Algeria        | 359 million euros   |
| Toronto Metro                               | Canada         | 304 million euros   |

## TRANSPARENCY IN FINANCIAL MANAGEMENT

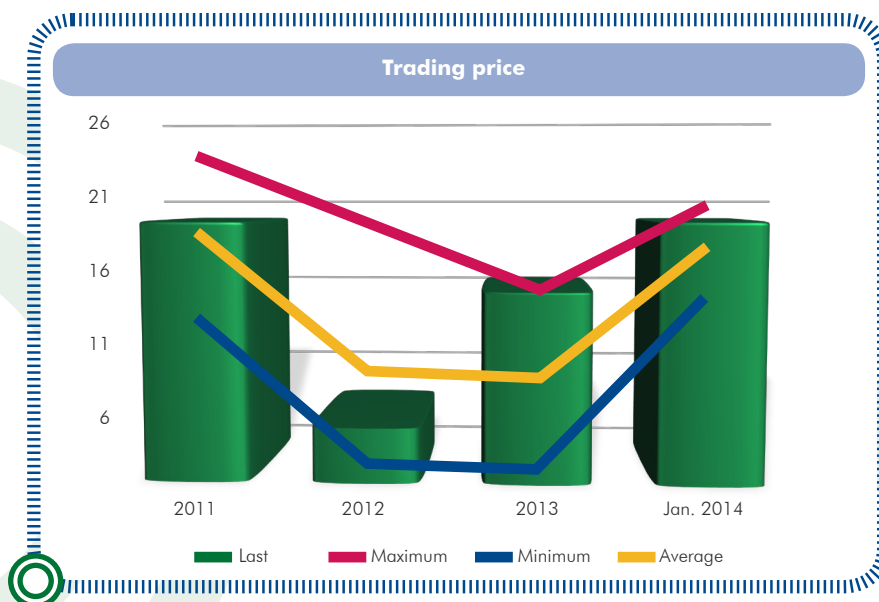
### Share price performance

FCC Group's share capital consists of 127,303,296 ordinary shares with a nominal value of one euro each. All FCC shares have full voting and dividend rights. They belong to the same class and series without any preference shares and are free of liens and encumbrances.

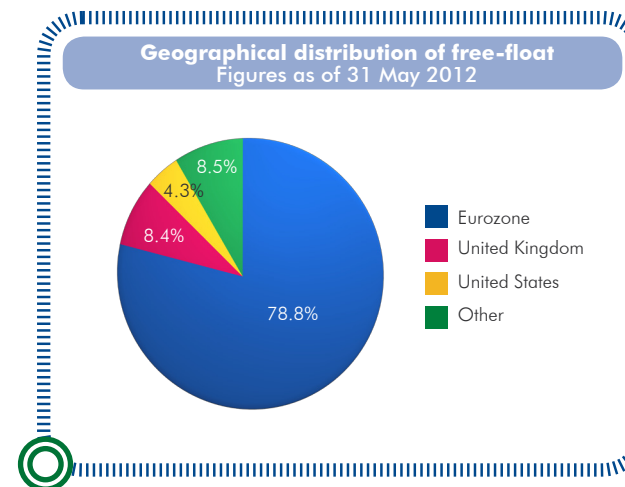
The company's shares are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao).

| Main shareholders    | Shares     | % Share capital |
|----------------------|------------|-----------------|
| B-1998, S.L.         | 55,334,260 | 43.46%          |
| Azate, S.L.          | 8,353,815  | 6.56%           |
| William H. Gates III | 7,301,838  | 5.73%           |

Historical information on FCC Group share prices shows a rise in the price towards the end of 2013.



The FCC Group's floating capital is 44%. Its estimated distribution is 16.7% Spanish minority shareholders, 5.8% Spanish institutional investors and the remaining 21.5% foreign institutional investors.



|                                    | 2010   | 2011   | 2012   | 2013   |
|------------------------------------|--------|--------|--------|--------|
| Total volume (millions of shares)  | 158.23 | 150.88 | 113.90 | 203.56 |
| Total Cash (M€)                    | 3,464  | 2,997  | 1,395  | 2,378  |
| Capital turnover (%)               | 124    | 119    | 89     | 160    |
| Capitalisation (M€)                | 2,503  | 2,551  | 1,193  | 2,059  |
| Share capital (millions of shares) | 127.30 | 127.30 | 127.30 | 127.30 |

### Distribution of dividends

In 2013, several factors have caused a contraction of the resources generated by FCC Group and the need to assume losses in the year as the result of the write-down of certain company assets. The two exceptional circumstances that took place in the first half of the year are the Alpine liquidation process, an FCC Construcción subsidiary for Central and Eastern Europe, and the value adjustment made at FCC Energía as a result of regulatory changes made by the Spanish government.



To prevent the deconsolidation of the Austrian subsidiary affecting the Strategic Plan and the objectives to 2015, the Group launched a plan for additional cost savings.

In this sense, in December 2012 the FCC Board of Directors, in accordance with a principle of prudent management and in the best interest of all company shareholders, decided not to distribute an interim dividend in 2013, as was customary in previous years.

This decision, which aims to strengthen the Group's balance sheet by retaining the resources generated, in order to support the future creation of shareholder value, and to sustain the profitable growth of operations, will have to be ratified by the General Meeting of Shareholders to be held in June 2014.

## Managing social and environmental risks for finance providers: FCC complies with the Equator Principles

For FCC Group, managing social and environmental risks begins simultaneously with the planning, design and search for financing. Entities that are signatories to the Equator Principles take part in financing the company's major projects.

The Equator Principles are a voluntary framework adopted by financial institutions to identify, assess and manage the social and environmental risks of projects. Launched in 2003 by ten financial institutions, today the initiative has 79 institutions in 35 countries worldwide which apply a framework with the following features:

- It provides a standard for due diligence in decision-making on social and environmental risk management.
- Based on the IFC's Performance Standards on Environmental and Social Sustainability, and on the Environmental, Health and Safety Guidelines of the World Bank.
- The Principles apply to all new project financing at a global level, with a total capital cost for the project of at least 10 million dollars, and in all industrial sectors.

### The application of the Equator Principles at FCC Construcción

For technical advice from the social and environmental perspectives of the large Riyadh Metro project, FCC Construcción has hired the services of an expert company that has

supported FCC in the four different phases that can be derived from the analysis of a project's conformity with the framework of the Equator Principles:

- PHASE I: review and classification of the project
- PHASE I: socio-environmental assessment and Action Plan
- PHASE III: enquiries and complaints
- PHASE IV: independent monitoring and periodic reporting

In 2013, the Riyadh Metro project was subject, firstly, to PHASE I, consisting of a classification according to the social and environmental assessment criteria of the International Financial Corporation (IFC), an entity attached to the World Bank, responsible for promoting the economic development of countries through the private sector.

As a result of this classification, the project was classified Category B, which corresponds to projects with limited possible adverse social or environmental impacts, which are few in number, and in general, located in specific sites, mainly reversible and easy to tackle using mitigation measures.

Then the project was subjected to PHASE II, and its Socio-Environmental Management Plan (Principle 4) was assessed, and at the same time phases 3 and 4 were started and will be subject to a planned follow-up while the project is being executed.

## THE APPLICATION OF THE EQUATOR PRINCIPLES AT FCC CONSTRUCCIÓN

### PHASE I REVIEW AND CLASSIFICATION OF PROJECT

The EPFI (Equator Principles Financial Institutions) must classify the project based on the magnitude of its impacts and potential risks in accordance with the IFC's environmental and social assessment principles. The following three categories are established:

- ⊙ A. Projects with possible significant adverse social or environmental impacts that are diverse, irreversible or without precedent.
- ⊙ B. Projects with possible limited adverse social or environmental impacts that are few in number and, in general, located at specific sites, mostly reversible and easily addressed through mitigation measures.
- ⊙ C. Projects with minimum or non-existent social or environmental impacts.

Based on the **AECOM** review, a **report shall be prepared** that will establish the classification of the project (A, B or C) and a justification for the category chosen will be given.

### PHASE II SOCIO-ENVIRONMENTAL ASSESSMENT AND ACTION PLAN

Based on Principle 2, for projects classified as A or B, the borrower will carry out an assessment process to address the relevant social and environmental risks and impacts. This assessment must provide mitigation and management measures that are pertinent and appropriate for the nature and scale of the project.

In addition, for non-OCDE countries, the assessment to be performed must take into account the Environmental, Health and Safety (EHS) Guidelines established by the IFC.

In any event, whatever assessment is conducted, it must check that the project complies with the laws, rules and authorisations relative to social and environmental matters in Saudi Arabia.

In line with what is set out in Principle 4, in the event that the project is classified as A or B, an **Action Plan** that varies depending on the measures and actions identified in the Assessment.

### PHASE III CONSULTATIONS AND COMPLAINTS

In accordance with Principle 5, in the event the project is classified as A or B, a consultation period must be provided for the communities involved without exclusions and in a culturally appropriate manner. In projects with adverse impacts that are significant for the communities, the consultation process will ensure a free, early and informed consultation and facilitate their participation as a means for establishing whether the project has appropriately included their concerns.

The documentation for the Assessment and the Action Plan will be made available to the public by the borrower for a reasonable period of time in the languages of the communities and in a culturally appropriate manner. The borrower must document the process and the outcome, including the actions agreed. For projects with adverse impacts, disclosure should take place early in the assessment process and before the beginning of the construction of the project. A mechanism for resolving complaints must be established.

### PHASE IV INDEPENDENT MONITORING AND PRESENTATION OF REGULAR REPORTS

Lastly, Principles 9 and 10 establish that, in the event the project is classified as Category A or Category B, the appointment of an independent environmental and/or social expert is required in order to verify the monitoring information, which may be shared with the EPFIs.

Every EPFI that adopts the Equator Principles undertakes to provide public notification at least yearly of its processes and experience in applying the Equator Principles, taking into account the appropriate confidentiality issues.

## FCC Construcción's compliance with the International Finance Corporation's Performance Standards on Social and Environmental Sustainability

From the risk management, auditing and internal control functions carried out by central services, to the activities taking place in the different countries, FCC Group has a compliance system that enables the Company to state to interested third parties (providers of capital, customers, etc.) that they comply with legislation and with international rules and standards.

## FCC Construcción's due diligence in financing processes

The evaluation process of the social and environmental risks related to the Riyadh Metro project, according to IFC's criteria, has been performed by the finance entity, based on the main elements of the due diligence to ensure the Company's compliance.



Elements of the due diligence in the evaluation process of the social and environmental risks

## 1. Policies and procedures / management systems

### Policies

Quality, environment, occupational health and safety, customers, employees, suppliers, R+D+I, information security.

### Management and sustainability system

Best Practices® system: this adds actions to the legislative and contractual requirements, or those of any other origin that ensure truly better environmental results.

### Certifications

- Quality: UNE-EN ISO 9001
- Environment: UNE-EN ISO 14001
- Energy efficiency: UNE-EN ISO 50001
- EMAS (EU Eco-Management Regulation and Audit Scheme) Registries: Regulation 121/2009
- Occupational health and safety: OSHAS 18001
- Healthy Company: AENOR FREMAP model
- GHG emissions: ISO 14064
- Information security: ISO 27001
- R+D Management: UNE 166002

## 2. Risk management

### Pre-bidding process

Quantitative assessment of a project's risks prior to presenting the tender. The decision to tender is assessed by rating a number of issues divided into six sections: Customers, Partners and Third Parties, Tender Documents, Location, Contract and Strategy. Risk of the tender.

### Tender process

Risk management tool for identifying and assessing the risks in the tender phase. A Risk Register allowing the execution to be monitored from the perspective of risks. A Final Report on Risks with the main data from the analysis performed. The decision of whether to submit the tender is based on this.

### Execution process

- Final Reports on Risks and on the Dynamic Risk Matrix; a comprehensive approach of the construction work in terms of anticipated problems and basic methodologies,

economic objectives and technical planning. In addition, the identification of risks for each activity associated with the construction work and for possible developments.

- ◉ The Quality and Environmental Auditing Department plans the construction work audits based on the level of risk.
- ◉ **Special Accident Risk Treatment Programme “PETRA”**  
A set of measures that are applied to certain construction works that may cause serious accidents with great social impact, as well as those which may cause high financial losses to the company.
- ◉ **Other actions related to FCC’s risk management**
  - ◉ Strategic Risks Monitoring Committee
  - ◉ Dynamic Risk Map: A tool used to identify, assess and prioritise risk treatment. Relationships among risks can be seen, their scope measured and plans to be made when monitoring is needed to mitigate them.
  - ◉ Action and Risk Mitigation Plans: For risks resulting in a high rating when the product of Impact\*Probability is obtained. Procedures in the Management and Sustainability System to mitigate social, environmental and health and safety risks.

### 3. Organisation and definition of responsibilities

#### Organisational charts

Organisational charts showing the allocation of responsibilities at different levels of the company. Included in a general organisation chart with senior management and the CEO.

#### Procedure No. 120

Definition of hierarchical and functional relationships. It determines: the updating of organisational charts, the division of FCC Construcción into Central Services and Production Areas, and the responsibilities for legal and technical consultants, area managers, administrators, construction managers, quality and environment technicians, training technicians, CSR technicians and health and safety technicians.

#### Skills development

FCC Construcción’s Training Plan includes courses designed to increase knowledge and skills in the areas most relevant to each employee’s job. There are courses on the following topics, among others: sustainability, quality, labour relations, environmental management, general environmental concepts, environmental assessment schemes for buildings, bioclimatic architecture, energy-efficient and renewable energy systems for



buildings, sustainable building refurbishment, waste management, occupational health and safety, safety on scaffolding and metal structures, safety in high-rise work and first aid.

### 4. Supplier management

#### Procedure No. 310

This ensures that the materials, equipment and services purchased meet the compulsory requirements. The company has a software application that includes historical information on ratings of different suppliers and subcontractors. These are classified into: suitable providers, problematic suppliers, restricted suppliers and suppliers with financial anomalies.

Once potential licensees have been selected, they are included in a catalogue and rated in the relevant sectors for the drafting of contracts with the preparation of the Report on the Preliminary Assessment of the Supplier based on criteria of quality, health and safety, environment and financial capacity. Once they have been assessed, a Report on the Final Assessment of the Supplier is prepared.



## 5. Monitoring and reporting

### Procedure No. 315

This provides guidelines for verifying compliance with the established legal and contractual requirements imposed on the project units under construction.

### System Support Visits (SSVs)

Visits conducted by quality and environment technicians for the purpose of providing the training needed for the construction works to correctly implement the Management and Sustainability System.

### Internal System audits

Conducted by the Quality and Environmental Auditing Department and the Occupational Health and Safety Department, it ensures compliance with the requirements outlined in ISO 9001, ISO 14001, ISO 27001, ISO 14064, OSHAS 18001 and UNE 166002.



### Procedure No. 306

A planning review will be carried out every four months to update the relevant sections of the various documents and, in addition, when a major change occurs with respect to the current planning approaches. FCC Construcción's central services integrate the information and prepare the System Status Report published in June and October and with the information from job sites active in the first four to eight months of the year, respectively. At year end, the System Review Report is prepared.

### Procedure No. 720

As a result of the internal audits, the auditor prepares a draft audit report that includes any relevant aspects detected and sends it to the person responsible for the audited organisation to make any necessary comments.

### Procedure No. 130 and the Sustainability and Environmental Management Report

The Sustainability Management System defines the list of indicators to follow-up all construction areas and their integration into central services. In addition, these indicators are also defined and published in the Sustainability and Environmental Management Report.

### Procedure No. 317

The Management and Sustainability System defines how incidents related to social and environmental matters are detected, stored, assessed and managed.

## 6. Commitment to stakeholders

### Notification of environment-related matters

Notifications to stakeholders regarding environment-related matters takes places as follows:

- The Group's Environmental Policy is provided
- The Environment Department will answer written requests for other information required.
- The project management will resolve potential impacts and environmental changes by communicating with the relevant environmental institutions and local authorities.

- A record is made of the different institutional relations that have taken place and the reports on the environmental measures implemented.
- Any suggestions, complaints and penalties received are recorded.

#### FCC volunteers

This programme was launched to address specific social needs.

#### Procedure No. 400

This lays out the guidelines to follow with customers regarding information, notification, verification and resolution of complaints and claims and the degree of satisfaction after the projects are completed.

The system for managing relationships with customers after project completion is based on: assessments of customer satisfaction through end-of-project surveys, the processing of complaints and claims and the appointment of interlocutors.

#### 7. Violations, notifications and disputes

There is currently no information about this stage of the process.





## FCC GROUP'S CORE BUSINESSES

### ENVIRONMENTAL SERVICES

#### Focused on citizen satisfaction

#### A wide range of citizen services aimed at well-being

With over 100 years' experience, FCC Group's Environmental Services Area provides urban sanitation services across Spain and in other countries in Europe, Africa and America. Applying the latest collection and treatment technologies, the company has a strong commitment to the environment and to the society it serves.

#### GLOBAL TRENDS

- The environmental services market is significant and growing, driven in part by increased environmental regulations and the change in consumer preferences. Source: Trade and Environment Briefings: Environmental Services: UNEP
- Today, the market for environmental services is a major market and demand is expected to increase considerably over the coming years. In 2006, the market was estimated at 690 billion dollars and is expected to increase to 1,900 billion by 2020. Source: Trade and Environment Briefings: Environmental Services: UNEP

### Business strategy

FCC's Environmental Services division is one of the largest businesses in the world in its industry and it renders its services through subsidiaries: FCC Medio Ambiente, FCC Environment (UK), .A.S.A. and FCC Ámbito. The FCC Group is a leader in urban waste management in Spain and is one of the largest operators in the United Kingdom, Austria, Portugal, Egypt and the following eastern European countries: the Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia. It provides services to more than 72 million citizens. In addition, as part of the environmental services offered by the Group, FCC Ámbito provides services in the field of integrated management of industrial waste, industrial cleaning, decontamination of soil and external intervention in case of accidents, spillages, discharges, etc.

As part of its strategy, the company is seeking to strengthen its leadership in the domestic market for environmental services, enhance its waste management and treatment business in the UK, reduce structural costs (eliminating duplication and improving efficiency) and divest non-core assets.

**FCC** MEDIO AMBIENTE, S.A.

**FCC**  
Environment

**·A·S·A·**

**FCC** ambito

## The Environmental Services Division has the following certifications

| Company              | Management area | Certification            | Scope*   |
|----------------------|-----------------|--------------------------|----------|
| FCC Medio Ambiente   | Quality         | ISO 9001                 | 87.2%    |
|                      | Environment     | ISO 14001                | 87%      |
|                      | ORP             | OHSAS 18001              | 100 %    |
| FCC Ámbito           | Quality         | ISO 9001                 | 61.4%    |
|                      | Environment     | ISO 14001                | 61.4%    |
|                      | ORP             | OHSAS 18001              | 55%      |
| ASA                  | Quality         | ISO 9001                 | 99%      |
|                      | Environment     | ISO 14001                | 91%      |
|                      | ORP             | OHSAS 18001              | —        |
| FCC Environment (UK) | Quality         | ISO 9001                 | 13%      |
|                      | Environment     | Carbon Trust Standard    | 100%     |
|                      | ORP             | ISO 14001<br>OHSAS 18001 | 84%<br>— |

\* Scope: % turnover, except ORP, where the scope of coverage is the percentage of workers covered

### 2013 milestones

- The first company in the environmental services sector to receive the AENOR Healthy Workplace certification for contracts managed by the Catalonia II office of FCC's Medio Ambiente division.
- Design of the methodology and of the calculation model for intensity indicators that will enable the expression of efficient management in the use of resources, both energy and water, and in the reduction of GHG in the services provided by the Medio Ambiente division in urban services activities<sup>1</sup>.
- Adjustment of the workforce to the environmental services business's turnover in Spain.

### 2014 Challenges

- To obtain the second certification of the carbon footprint of FCC's Medio Ambiente division and verify the methodology to calculate the intensity indicators for urban services.

### Awards and recognitions in 2013

- Finalists in the third edition of the international awards for eco-efficiency for the initiative consisting of the production of steel aggregates from the recycling and recovery of steel slag. This project has been awarded by KPMG and the influential El Confidencial digital daily in 2014, the prize for best business practices.
- The SEDRUS® (Sharing Data to Reflect Urban Environmental Sustainability) platform was a finalist in the third edition of the FCC International Eco-Efficiency Awards and received a diploma of merit.
- FCC received a prize at the Innovation + Sustainability + Network Awards held by the EXPANSION business daily newspaper in the category of Large Sustainable Business for its electric refuse collection lorry.
- FCC Ámbito is the first Spanish company to be audited in compliance with Regulation 1179/2012 which sets out the criteria to determine when recovered glass ceases to be waste under Directive 2008/98/EC of the European Parliament and Council.

<sup>1</sup> Waste collection, street cleaning and parks and gardens maintenance activities.

## WATER MANAGEMENT

### Transparency, quality of service and proximity Solutions for all phases of the integrated water cycle

FCC Aqualia is the main FCC company and one of the largest European public services groups that provides integrated water management. Aqualia offers solutions to the market to cover all the needs of public and private institutions and organisations for all stages of the integrated water cycle and for all uses, including human as well as agricultural and industrial uses. Its main business activity is the management of municipal water services. The company has quickly become a benchmark in the industry.

#### GLOBAL TRENDS

- Achieving the Millennium Development Goals for the water sector in developing countries (to reduce by half the proportion of people lacking access to drinking water and sanitation by 2015) will involve investments of \$72 billion per year. Source: OECD
- Water stress is one of the major problems for the sector. It is predicted that there will be an increase of up to twice the number of people living in water-stressed river basins between 2000 and 2050, reaching 3.9 billion people (about half of the world population). Source: OECD, Water: The Environmental Outlook to 2050.
- According to the United Nations in 2011, 768 million people still lacked access to an improved drinking water source. Source: United Nations

## Business strategy

Aqualia FCC's commitment to social responsibility and excellence has enabled it to consolidate a leading position in the domestic market. This commitment is also materialised in foreign markets with a defined strategy to consolidate an ambitious but prudent internationalisation. FCC Aqualia has a stable presence in various countries around the world, where it acts directly or through its local companies, subsidiaries and holdings.

The company is committed to diversification and is able to offer every possible solution to manage the integrated water cycle, whatever its use: domestic, agricultural and industrial, serving a population of over 28 million people. FCC Aqualia has become a cutting-edge, benchmark brand in the industry, thanks to a highly specialised and committed team whose ongoing goal is to improve efficiency in the production process and to optimise resources.

FCC Aqualia's corporate purpose is to obtain water, adapt it for human consumption in accordance with strict quality control measures, distribute and subsequently treat it, with the aim of returning it back to nature in the right quantity and quality, using the resources and materials employed in the process in an efficient and sustainable manner.



### The Water Management Division has the following certifications

| Management area                    | Certification | Scope* |
|------------------------------------|---------------|--------|
| Quality                            | ISO 9001      | 96.8%  |
| Environment                        | ISO 14001     | 96.8%  |
| ORP                                | OSHAS 18001   | 71%    |
| R+D+i management                   | UNE 166002    | —      |
| Information security               | ISO 27001     | —      |
| Energy management                  | ISO 50001     | 2.8%   |
| Management of testing laboratories | ISO 17025     | —      |

\* Scope: % turnover, except ORP, where the scope of coverage is the percentage of workers covered



### 2013 milestones

- AENOR verified the carbon footprint for the integrated cycle in Lerida.

### 2014 Challenges

- Measuring the water footprint of the integrated water cycle as one of the top priorities for the sector, in collaboration with the Complutense University and the Botín Foundation.
- To consolidate initiatives to improve service provider companies services, strengthening FCC's collaboration on projects such as AquaRating and Benchmarking.

### Awards and recognitions in 2013

- Awarded the third "Aragon, Committed to Prevention" Award for its exemplary record of five occupational accident-free years in Depurteruel. In addition, FCC Aqualia received other recognitions for preventive management in the services it manages in the Valencian Community and the Region of Murcia.
- The 'Territorio y Marketing' Channel granted an award as finalist of the 'Territorio y Marketing' Awards to the educational activities that FCC Aqualia is carrying out in Oviedo. The activities organised were aimed at making a contribution to water management education in order to showcase this activity and help the sustainable development of water resources.
- The Global Water Intelligence (GWI) magazine awarded the financial closure of the New Cairo Waste Water Treatment Plant the prize for the Water Deal of the Year, which recognises the greatest contribution to the development of public-private partnership projects in the industry worldwide.
- The Department of Education, Training and Employment of Murcia has publicly acknowledged FCC Aqualia's concern and good management with regard to health and the prevention of occupational risks at work, granting it the 'Safe Company' distinctive mark of the Region of Murcia, the purpose of which is to recognise the merit of the industries that show a greater concern for safety at work.



## INFRASTRUCTURE

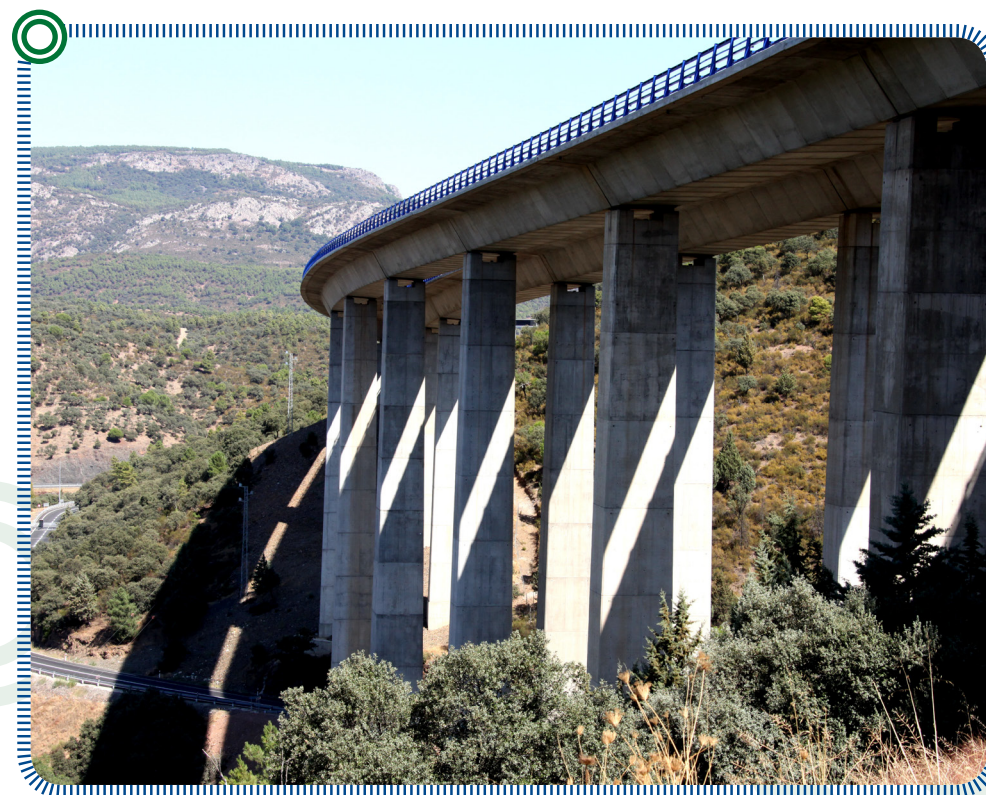
### Building bridges to improve the lives of citizens

### A benchmark company in infrastructure construction and cement production

FCC Construcción engages in the development of infrastructure, both in Spain and in the global market. Its activities cover all areas of the construction industry, and FCC Construcción is a world reference in the execution of civil engineering works (roads, railways, airports, hydraulic and maritime works) and building projects (both residential and non-residential). It also has a proven track record in developing projects under concession regimes. In addition, it has a number of subsidiaries that are engaged in the construction industry. Cementos Portland Valderrivas is also a multinational company and is present in Spain, the U.S. and Tunisia. The company works to use the most advanced technologies in all its production processes with the objective of achieving economic optimisation and being environmentally-friendly

#### GLOBAL TRENDS

- It is expected that 4,900 billion people will be living in cities in 2030, along with a growth of 44% in urban markets in cities by 2035. Source: "Expect the unexpected: Building business value in a changing world". KPMG
- Worldwide, over one billion people lack access to roads, and over four million are lacking modern communication services. Population growth remains the main driver of demand for infrastructure. It is estimated that the global population will reach 8.4 billion by 2030. Source: OECD, World Bank
- According to OECD recommendations, in 2020 infrastructure projects will have to be carried out taking into account the scarcity of natural resources and the design life of the project (the use of recyclable materials and recycled materials, the measurement of the impact over the expected useful life and the recovery of ecosystems). Source: OECD



## Business strategy

With over 100 years' experience, FCC Construcción is a national and international leader in the civil infrastructure market.

The return to **profitability**, the **generation of cash flow** in its domestic markets and the concentration of international business on more **profitable geographies** will enable FCC Construcción to regain its leadership in the sector.

The company will rely on the following five strategic initiatives to improve profitability and to generate cash flow:

1. Restructuring of domestic construction
2. Drive towards profitability in international construction
3. Reduction of overheads
4. Divestment of concessions and real estate assets

Meanwhile, Cementos Portland Valderrivas will adjust its capacity and production resources, along with developing levers to increase efficiency in both Spain and the United States.



## The Infrastructure Division has the following certifications

| Company                       | Management area      | Certification | Scope*                 |
|-------------------------------|----------------------|---------------|------------------------|
| FCC Construcción              | Quality              | ISO 9001      | 97.2%                  |
|                               | Environment          | ISO 14001     | 66.2%                  |
|                               | R+D+i management     | UNE 166002    | 42.4% (75.1% in Spain) |
|                               | Information security | ISO 27001     | 42.4% (75.1% in Spain) |
|                               | Greenhouse gases     | ISO 14064     | 42.4% (75.1% in Spain) |
| Cementos Portland Valderrivas | ORP                  | OHSAS 18001   | 65%                    |
|                               | Quality              | ISO 9001      | 72.7%                  |
|                               | Environment          | ISO 14001     | 64%                    |
|                               | ORP                  | OHSAS 18001   | 61%                    |

\* Scope: % turnover, except ORP, where the scope of coverage is the percentage of workers covered

### 2013 milestones

- Major projects awarded, such as the Riyadh Metro and Mersey Bridge in the UK
- The workforce has been adapted to the company's turnover in Spain.

### 2014 Challenges

- Consolidation of international mobility policies in order to adapt them to the international nature of the company's business activities. Hiring local staff in each country for a long-term stay as a general challenge for the company.

### Awards and recognitions in 2013

- FCC Industrial, the subsidiary that builds FCC Infraestructuras' industrial constructions, was awarded CLH Group's "Zero Occupational Accidents" prize.
- FCC Construcción was named Global Environmental Ambassador for 2014. The company received this title in a ceremony held in the House of Commons in London in recognition of the environmental project carried out by FCC at Enniskillen Hospital (Northern Ireland).



# FOCUSING ON THE PRIORITIES OF THE DIFFERENT BUSINESSES

Based on the requirements of the new G4 Global Reporting Initiative guidelines, it should be mentioned that the information collected for the preparation of this report meets the criterion of materiality, focusing therefore on the aspects identified by the different business as the most relevant in 2013. The milestones and challenges mentioned in the document are divided according to each company business and according to each strategic line in the company’s 2012-2014 Corporate Responsibility Master Plan: Exemplary behaviour, smart services and connecting citizens.

This new approach to materiality means that the 2013 Corporate Social Responsibility Report focuses on certain issues. It is important to point out that FCC manages a wide range of additional sustainability-related aspects which are key to the operational management of its activities and which are collected by the Company’s scorecards using the Horizonte tool.

|                      | Environmental services                                                                                                                               | Water                                                                                                                                                                                   | Infrastructure                                                                                                                                         |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exemplary behaviour  | 1. Training and education<br>2. Diversity and equality of opportunities<br>3. Occupational Health and safety<br>4. Employment<br>5. Fight corruption | 1. Training and education<br>2. Health and safety of customers<br>3. Fight against corruption<br>4. Diversity and equal opportunities<br>5. Relationship between employees and managers | 1. Fight against corruption<br>2. Training and education<br>3. Occupational Health and safety<br>4. Employment<br>5. Diversity and equal opportunities |
| Intelligent services | 1. Emissions<br>2. Wastes<br>3. Energy<br>4. Compliance<br>5. Water                                                                                  | 1. Water<br>2. Wastes<br>3. Emissions<br>4. Energy<br>5. Biodiversity                                                                                                                   | 1. Emissions<br>2. Biodiversity<br>3. Wastes<br>4. Energy<br>5. Water                                                                                  |
| Connecting citizens  | 1. Local communities<br>2. Mechanisms to make claims related to social impacts                                                                       | 1. Local communities<br>2. Marketing communication                                                                                                                                      | 1. Local communities<br>2. Indirect economic consequences                                                                                              |

Figure: FCC’s material issues by business area



## EXEMPLARY BEHAVIOUR

### FCC's framework for action in integrity and business ethics.

FCC Group's integrity framework is supported by benchmark ethical principles (the Global Compact, FTSE4Good ethical criteria, Dow Jones Sustainability Index, Federal Sentencing Guidelines (USA) and the Equator Principles) and is the basis for the Company's exemplary behaviour. It is also committed to the development and health and safety of the people that make up FCC. Lastly, the principles of responsible procurement are a reflection of the company's sustainable approach to the value chain.

### Contents

- 1. Commitment to good governance
- 2. FCC's framework of integrity, a guarantor of compliance
- 3. FCC's team of professionals
- 4. Extending FCC's principles along the supply chain

## 1. Commitment to Good Governance

FCC Group's governance team bases its work on the highest international corporate governance standards and complies with the recommendations of the Unified Good Governance Code, with the exception of three which are partially fulfilled and three others, for which an explanation is given. The professionalism, the focus on efficiency and the commitment of FCC's Board of Directors to shareholders is reflected by the following characteristics: a coherent size and composition, sound principles of diversity and clearly defined responsibilities.

| FCC Group's commitment to good governance                               |                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Quality and complementarity of FCC's managers                        | <ul style="list-style-type: none"> <li>● Separation of the figures of Chairman and CEO.</li> <li>● Six independent directors (33% of the Board)</li> <li>● Five women on the Board of Directors (28% of the Board).</li> <li>● The Audit and Control Committee presided by an independent director.</li> </ul> |
| 2. Monitoring risks and the Group's strategies as main responsibilities | <ul style="list-style-type: none"> <li>● Integrated risks model.</li> <li>● Crime Prevention and Response Manual.</li> <li>● Code of Ethics</li> </ul>                                                                                                                                                         |

### Good Governance. 2013 milestones

- Increase in the number of independent directors on the Board of Directors. From five directors to six.
- Approval of the Board's self-evaluation process.
- Chair of the Sustainability Excellence Club's Corporate Governance Committee.
- Management of the study of the social, environmental and ethical requirements requested by institutional investors through Sustainability Excellence Club and Georgeson.
- Presence in various working groups of the Emisores Españoles association: collaboration on the publication of the Study of the Committee of Experts' work on Improving Corporate Governance in Spain and on the Criminal Liability of Legal Persons.

### Good Governance. 2014 challenges

- Adapting to the new environment of good governance planned by the Spanish government before the end of 2014.

#### 1.1 Quality and complementarity of FCC managers

##### 1.1.1. Complementarity and balance of the governance team

FCC Group has a Board of Directors capable of working as a team making use of the complementarity of their skills, experience and personal characteristics.

To this end, FCC Group's Board of Directors currently has what it considers the best structure and composition to carry out its strategic mission effectively. Currently comprising 18 directors, the company's Board offers the talents of a highly qualified team to its shareholders.

Reflecting the company's commitment to the interests of its shareholders, this includes the separation of the figure of the President and that of the CEO. FCC Group is thus able to ensure both the proper functioning of the Board and the attention to the interests and expectations of Group shareholders.

Moreover, the Board also includes six independent directors, one third of all Board members, who work to ensure that the interests of the free float capital are appropriately protected.



In addition, it should be noted that FCC Group is one of the IBEX 35 companies with the greatest number of women on its Board. Article 42.3.h of the Board Regulations includes within the functions of the Appointments and Remuneration Committee that of: "Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors".

### 1.1.2. Ensuring the proper functioning of the Board

The Regulations of the Board of Directors ensures minimum attendance levels and states that Board members may participate via telephone or video conference.

In order to comply with the obligation imposed by Article 38.6 of the Regulations of the Board of Directors, on 31 January 2013 FCC Group's Board of Directors issued the report assessing the quality and efficiency of its operation and that of its committees for 2012.

All Board members are involved and participate actively in preparing the report, taking into account the comments, assessments, opinions and suggestions that they all contribute to the process.

In 2013, the evaluation process was conducted by assessing the various aspects that affect the performance, efficiency and quality of the Board's actions and decision-making, and the contribution of its members to exercising the functions and achievement of the goals that the Board has assigned to it.

FCC's Board of Directors spends the first plenary session of the year assessing the quality and efficiency of its own performance during the previous year.

## 1.2 Monitoring the Group's risks and strategy as its main responsibilities

### 1.2.1. Integrated risk model

To appropriately address the risks to which the company's activities are subject, FCC Group has an integrated risk model that is extended progressively. The model enables a high-level risk map to be developed using the Enterprise Risk Management (Coso II) method which provides Management with information and contributes to the definition of the Group's strategy.

Supported by the people responsible for risk management in the different business areas, the General Internal Auditing Management coordinates their activities. The model is currently in the process of updating and improving both the definition and assignment of risk management responsibilities at operational level and the following risk management procedures and methodologies, including:

- The identification of the key risks for FCC Group.
- Risk evaluation. Risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- Risk categorising.



- Optimising risks and control by establishing and implementing action plans for the most relevant risks.
- Mechanisms for periodically reporting the results of the risk evaluation and monitoring and the materialisation of risks.
- Implementation of specific procedures to document risk management in the decision-making process.
- Periodically and systematically updating the risk evaluation process and the controls described above.

As a consequence of the economic and financial crisis, one of the main risks materialised in 2013, has been the decrease in the activities and profitability of the construction business, both in Spain and abroad. The response plans established by the Group have been part

of an overall restructuring process of the construction business and were as follows:

- Domestic construction: Adjustments of the production resources to the reality of the market, avoiding a reduction in profitability:
- Adaptations of the workforce to the current market situation.
- Reduction of the commercial structure, adapting it to the current market situation.
- International construction: drive towards profitability focused on specific geographies by selecting the most profitable construction works and markets, along with growth in industrial business in selected geographies. In addition, a reduction in the commercial structure is being carried out in the same manner as in domestic construction, adapting it to the current market situation.

### 1.2.2. Oversight of the strategy as the main responsibility

Furthermore, with a view to the proper management of its shareholders' interests over the long term, the main function of FCC Group's governance team is to oversee and strategically guide corporate decisions.

In order to conduct the comprehensive monitoring and control of the most relevant issues for the good functioning of the company, and to achieve greater efficiency and transparency in the exercise of its powers and in the performance of its duties, the Board of Directors has four committees: the Strategy Committee, Appointments and Retributions Committee, Executive Committee and Audit and Control Committee.





## 2. FCC's integrity framework, a guarantor of compliance

### A culture based on integrity

In line with the Federal Sentencing Guidelines, (the US rules establishing a uniform policy for the conviction of companies and individuals in federal courts) FCC Group reinforces its commitment to ethics and due diligence in preventing, detecting and eradicating irregularities. In accordance with the requirements of these guidelines, FCC has developed a series of elements that ensure the proper implementation of its compliance system and, specifically, to ensure its Code of Ethics is known, understood and complied with by all the organisation's employees.

#### THE SEVEN ELEMENTS OF DUE DILIGENCE RELATED TO FCC'S ETHICS AND INTEGRITY

##### Rules and standards

- FCC has a defined Code of Ethics with a global geographic scope and for all operating environments. The Code includes guidance on all relevant or risk-related elements with regard to ethics and compliance, including matters which are relevant from the standpoint of criminal acts.

##### Responsibilities and integrity

- FCC has assigned the responsibilities of managing the impetus of the ethics and compliance programme. The Response Committee fulfils the pertinent related functions at FCC Group. In accordance with the principle of integrity, the company has made a commitment to not assign responsibilities related to ethics and compliance to people with a history of non-compliance in this area.

##### Communication

- FCC communicates the existence of the Code on a regular basis in order to ensure that both employees and third parties know and understand what is expected of them.

##### Monitoring, assessment and resolution

- FCC has made a commitment to periodically review the elements implemented regarding ethics and compliance, and to assess the effectiveness of the overall programme for the prevention, detection and eradication of irregularities. An ethics channel has also been set up to report ethical malpractice. The company adopts disciplinary measures in the event of non-compliance; it assesses risks and aligns the ethics and compliance programme with the risks identified. FCC has a procedure implemented to resolve reported or detected irregularities.

#### Integrity framework. 2013 milestones

- There were 22 complaints received via the Ethics Channel regarding: respect among people, corruption and bribery, professional development, equal opportunities and non-discrimination and the principle of integrity.
- The Response Committee met five times.

#### Integrity framework. 2014 Challenges

- The launch of the plan for dissemination and training on FCC's compliance management system:
  - Communications from the CEO.
  - Training on the Code of Ethics and on the Crime Prevention and Response Manual.
  - Communication campaign on the web, intranet and physical mediums.



## 2.1 FCC Group strives to be a leader in ethical behaviour

### 2.1.1. FCC's Code of Ethics

The **Code of Ethics** is the tool that sets out the principles that guide behaviour at FCC Group. It consolidates a culture of ethics and integrity among all employees and in the company's business relationships with third parties.

Moreover, FCC Group has complementary mechanisms, such as the Internal Code of Conduct in the Stock Market and the communications channel for incidents related to ethical matters, financial irregularities or workplace or sexual harassment.

With this **Crime Prevention and Response Manual**, FCC Group is establishing a system to prevent crime through actions and controls implemented in FCC Group in order to mitigate

the risk of the crime being committed. The preparation of this manual is in response to the 2010 reform of the Spanish Criminal Code that includes the criminal responsibility of the legal persons in relation to crimes committed by employees.

The manual includes two sections that are differentiated based on logic and experience in the Company's management of risks:

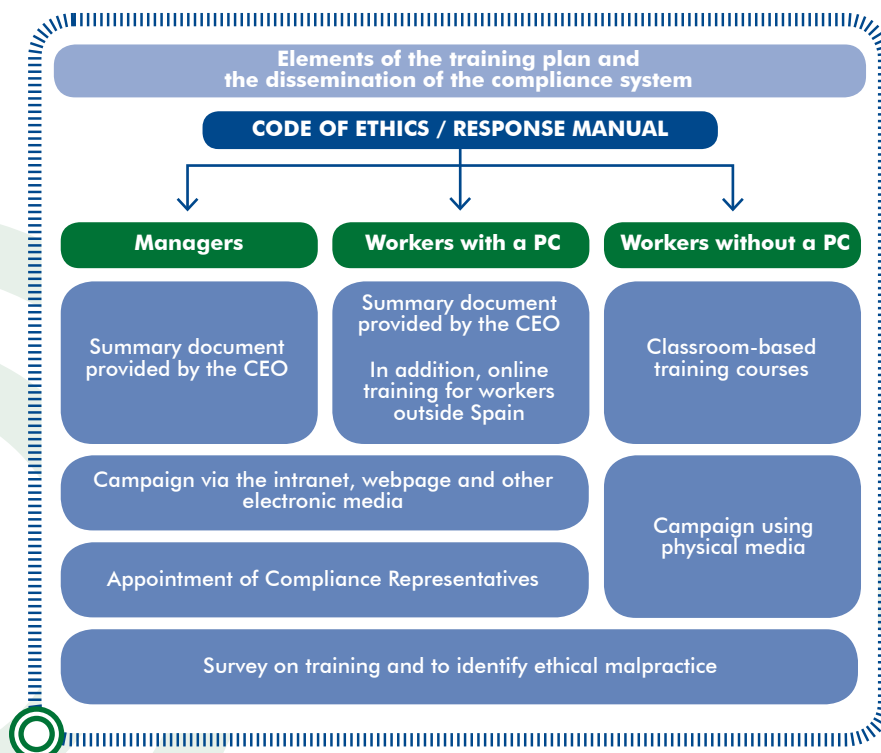
- The first part deals with prevention and consists of identifying and updating any conduct within the Group that may involve the risk of committing a crime as well as the planning and implementation of monitoring mechanisms to mitigate these risks.
- The second part corresponds to the bodies and procedures that provide a response to any indications that might lead to irregularities taking place within FCC Group.

It is also important to point out that the procedures established in this manual are binding and are ranked the highest priority within FCC Group's regulations.

### 2.1.2. Responsibility for the Code of Ethics

Through its **Audit and Control Committee**, FCC Group ensures the adoption of disciplinary measures should the Code of Ethics be breached and assesses risks in relation to issues related to ethics, integrity and compliance with the risk management and control systems.

Approved by the FCC Group's Board of Directors, the **Response Committee** is the body whose general role is to promote the dissemination, awareness of, and compliance with the Code of Ethics in the Company. It consists of the General Manager of Internal Auditing, who chairs the Committee, the General Manager of Legal Counsel, the General Manager of Human Resources and the Manager of Corporate Responsibility, who serves as Committee Secretary and Coordinator. Monitoring the communication procedure in matters relating to criminal offences and in general with FCC Group's Code of Ethics, rests with the Response Committee.



### 2.1.3. Communication of the Code

FCC Group designed a new training course to be launched in 2014. It includes the latest features and changes made to the Code of Ethics.

This purpose of this course is for all Group employees to know, understand and identify with the benchmark principles and conduct laid out in the process that defines FCC's Code of Ethics. The ultimate goal of the course is to support the company's strategic objective to develop a global company culture at FCC based on corporate principles and desired attitudes.

The online training modules are structured around the importance of compliance with the legal, regulatory and professional requirements assumed by FCC Group and the obligation to report any breaches, as well as around understanding the conduct commitments included in the Code of Ethics and the procedures and protocols associated thereto.

The main channels identified for the dissemination and training on FCC's compliance system, will therefore be the following:

- Web page: specific module on the Code of Ethics, the Crime Prevention and Response Manual and the Response Channel.
- Intranet: Welcome Manual; CEO's blog; informative tips; specific module on the Code of Ethics, the Manual and the Response Channel
- Physical materials: Informative tips by topic at workplaces.

### 2.1.4. Monitoring irregularities and disciplinary measures

To report irregularities in a confidential manner, or for enquiries or suggestions to improve the company's existing systems in relation to the matters covered by the Code, FCC provides its employees with an **Ethics Channel**. All FCC Group personnel are required to report any breaches they discover related to the Code of Ethics.

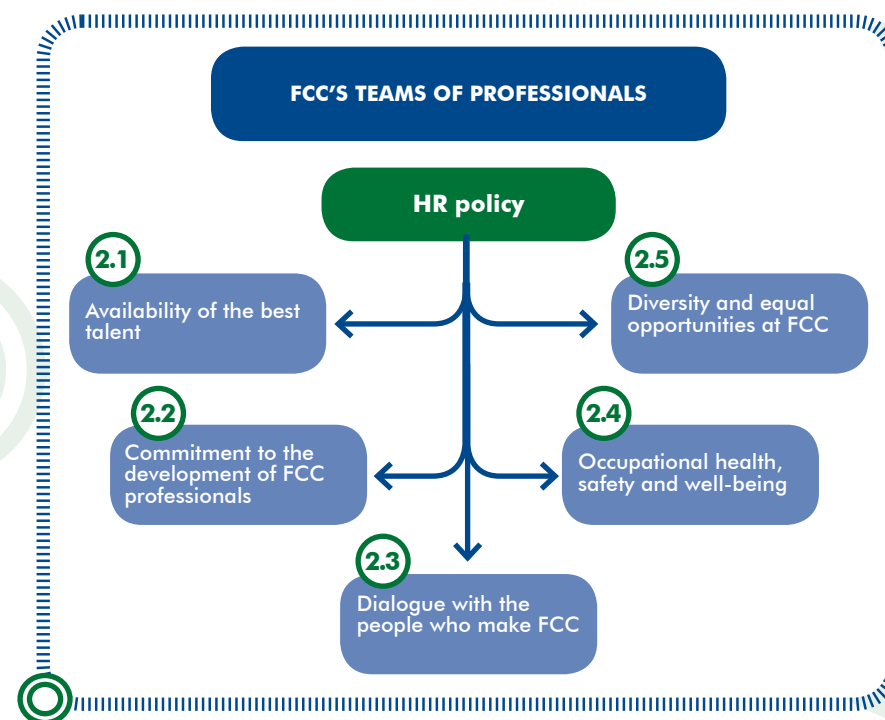
### 3. FCC's team of professionals

#### A working environment based on communication and “doing things well”

Each of the Group's businesses has a team of professionals with the best training to perform the specific activities of each area. Infrastructure activities are increasingly requiring the integration of complex equipment for large projects; equipment that can provide solutions to challenges such as the Riyadh Metro or the Vidin Bridge. These are professionals with specific technical skills that are highly valued in the market. The people at FCC Medio Ambiente have significant local roots wherever they operate, a real necessity when building good neighbourly relations and taking care of the cities. In diversifying its services, FCC Aqualia's activities require multidisciplinary teams that are specialists in customer management. Based on the characteristics of the teams that each business requires, FCC Group strives to identify needs related to training, talent management and career development plans for groups, job categories and, where appropriate, personalised plans.

FCC Group's Human Resources Policy aims to promote and encourage the development of people, communication and a good working environment in line with the Group's strategic objectives and policies through the efficient management of specialised human resources services in the context of diversity and internationalisation. This policy aims to promote an internal environment of productivity, safety, training, personal satisfaction and integration within the company. The Human Resources objectives that are directly linked to the satisfaction of the people in FCC are:

1. Reinforce the motivation of key people within the Group
2. Strengthen the sense of belonging to the Group on an international level
3. Make the corporate values and culture part of life
4. Promote employee participation in projects at Group level
5. Support the integration of new employees
6. Improve the managers' skills
7. Develop a broad, comprehensive perspective with healthy workers who are dedicated and prepared as group and individual investments in the future



## FCC's professional team. 2013 milestones

- Motivation of the Riyadh team: the relocation of large numbers of people that took place, enabled the measurement of the team's ability to integrate and the definition of new policies for FCC Construcción staff.
- Panama and Mexico established as major centres for human resources activity, which ensures safety and security for FCC Construction employees.
- The Equality Seal was obtained by FCC Aqualia and FCC and FCC Construcción's Equality Plan was renewed, with new proposals on equality, diversity and combatting gender-based violence.
- The signing of the agreement on "Companies supporting a violence-free society" and FCC's accession to the "Principles for the empowerment of women" of the United Nations Global Compact.
- Enhancement of training that supports FCC's internationalisation process.
- Creation of a new management development environment with the participation of over 400 executives and managers.
- Preparation of the catalogue of experiences within the capabilities model.
- Within the new intranet, publication on how to manage knowledge communities and the launch of the first two communities.
- Joint project with the Red Cross to carry out job internships for women who are victims of gender violence at FCC Aqualia's call centre.
- Launch of management skills development programmes at FCC Aqualia with the School for Industrial Organisation (EOI).
- FCC, an official partner of the 2012-2013 European Healthy Workplaces Campaign "Working Together for Risk Prevention"
- Second edition of FCC's Health and Safety s with an international scope.
- Implementation of FCC's Healthy Community with activities promoting health, nutrition and physical activity.
- The first Healthy Workplace certification was obtained from AENOR by FCC Medio Ambiente's Catalonia II office (Tarragona) (OHSAS 18001 and applicable audits).
- The signing of the cooperation agreement on road safety with the Alcobendas (Madrid) City Council and the First Children's Road Safety Day for the children of FCC workers at the Road Education Park in Alcobendas.

## FCC's professional team. 2014 Challenges

- Finish reviewing the requirements (skills, knowledge and languages, and experience) for the different jobs, ensuring that these meet needs in accordance with the business strategy.
- Define career paths for technical and management careers, i.e., the criteria for mobility and career progression, inside and outside the job type and/or functional family.
- Launch the new performance management process which concludes with the development of individual development plans.
- Prepare a new welcome manual
- Give new impetus to the policy on language training, to make it even more streamlined and flexible.
- Launch new human resources training programmes for managers.
- Launch an executive development program for 25 high-potential individuals.
- Extend the use of webinar technology so that part or all of the expat or employees at off-site locations can follow the face-to-face training sessions in real time.
- Increase resources to support the professional development of women in the Development Programme for Pre-Management Women at the School for Industrial Organisation (EOI).
- Renewal of agreements for the employment of socially excluded groups.
- Obtain certification in health and safety in the South American countries where FCC Construcción works.
- Consolidate FCC Construcción's international mobility policies. Training teams with local staff in each country where FCC has long-term plans.
- Develop and update the internal tools for managing on-line knowledge, loading information and feedback for FCC Construcción's sustainability system.
- Extend the Training and Development Plan for managers, developed by the Group to FCC Aqualia's middle management.
- Internationalise FCC Aqualia's training to Italy and Portugal.
- Launch a mentoring plan for women and ex-pats at FCC Aqualia.
- Implementation of FCC's healthy company model and the launch of the Sport Social Network and the Healthy Portal. Celebrate Occupational Health and Safety Week.
- Renew the 2014 European Road Safety Charter
- Participate in the 2014-2015 European Campaign on Occupational Health and Safety dedicated to stress management



## OUR MANAGEMENT IN A RATHER DIFFICULT YEAR FOR EMPLOYMENT

2013 has been a difficult year for FCC Group and its employees. The difficult economic situation in which the company found itself in a year of losses and divestments has led to significant restructuring of the Group's workforce. However, it is important to note that the situation was preceded by a strict employment protection policy. In fact, in the early years of the recession, it was one of the most important that the company has ever worked with.

FCC Group has gone through a restructuring process this year in order to adapt the company to the context of each business. The restructuring of the workforce thus falls within a general process of adaptation to different geographies and clients, together with a new growth model based on the consolidation of businesses in economies that will be profitable in the long term. Worthy of mention is the effort made to try to reach agreements and ensure that the restructuring processes were as least traumatic as possible. Thus, the total number of redundancies has been lower than initially proposed and an attempt has been made to favour measures other than redundancies. In addition, fewer workers have been terminated in collective redundancies than were initially agreed at the end of the consultation period. The criterion of responsibility applied by FCC Group during all the phases of consultation and negotiation with unions, employees and their legal representatives, that fully respecting the workers' rights, is worthy of mention.

The willingness and ability to reach agreements has been fully accredited. Of the workers affected by the collective redundancy procedures, 98.39% have been within the framework of procedures that ended in an agreement with the representative committee. The restructuring processes were carried out in a transparent fashion, Monitoring Committees were set up, and employees were provided with the information available, which was accessible to the workers' representatives, trade unions and employees via the Intranet. In addition, this capacity for dialogue has also been reflected a reduction in the number of strikes over the previous year. Thus, in 2012 the total number of days lost to strikes was 29,317 while in 2013 the number of total days lost to strikes was 11,125.

### Concurrent measures

All the restructuring processes were carried out by company personnel, experts in Human Resources and Labour Relations, who were provided with continual support and backing by external consultancy firms.

In addition, the company included a number of improvements or concurrent measures in the negotiations, including:

- ⊙ Considering cases in which workers have special circumstances (people with disabilities, only income-earner in the household, etc.).
- ⊙ Alternative arrangements, less traumatic than dismissals:
  - ⊙ Contract suspensions
  - ⊙ Facilitate access to partial retirement
  - ⊙ Modifications intended to make hours, shifts or wages more flexible
  - ⊙ Internal mobility programmes and the possibility of working abroad
- ⊙ A job bank with two different levels:
  - ⊙ 1. Linked to the company making the collective dismissal. People who have left the company and can return.
  - ⊙ 2. The possibility of some preferences for job offers from other companies
- ⊙ Wage adjustment measures
- ⊙ Worthy of note is how the Company was ahead of other companies in signing partial retirement agreements. This meant that some collective dismissal processes could be carried out with an accompanying measure that suspended contracts of people aged 59-60, enabling them access to partial retirement when they were 61. Apart from this, the partial retirement plans agreed enable them to be legally entitled to accept partial retirement until 31 December 2018, with the same legal conditions and requirements at the time the aforementioned agreements were signed. This results in rejuvenation, as well as the gradual access to retirement without drastic cuts (phasing out).

### 3.1. Allocation of the best talent

While it is true that the company is undergoing a process of staff restructuring, FCC Group believes that a priority, as part of its responsibilities as an employer, is to continue programmes to develop the talent of employees at FCC group. In 2013, the policies for attracting and retaining talent were decentralised as a reflection of the Group's commitment to this staff management aspect.

FCC carried on with the internal mobility programme, both nationally and internationally, in 2013 and this led to more than 40 transfers made through this procedure. The company has improved its recruitment sources, as the usual channels (receipt of CV on the web page, searches in databases, job portals, etc.) have been added to searches for candidates through social networks.

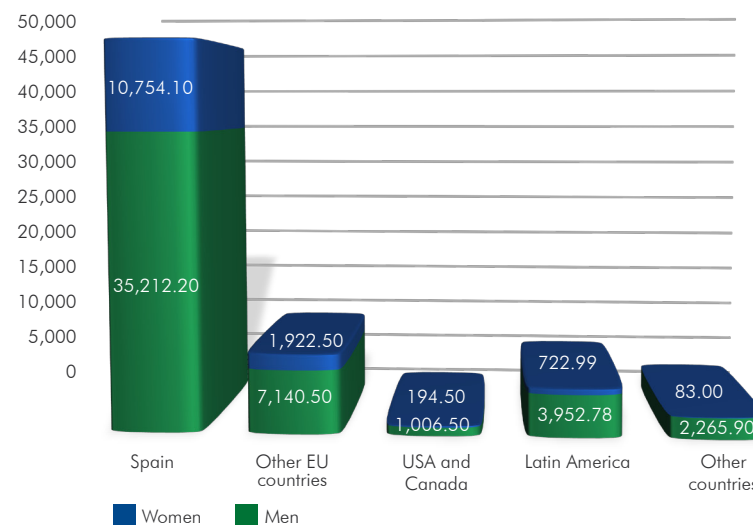
Through FCC's Recruitment and Employment Department, efforts are made to create an environment that successfully attracts, manages, motivates, develops and retains the best professionals. FCC has launched several projects to attract new talented professionals as part of its framework for the company's internationalising policy and the plan to internationalise its talent.

With regard to employer branding, special interest was given to company presentations and to participating in employment forums throughout the year.

The interest in improving FCC's brand image as an employer was rewarded when it received the 2013 Randstad Award.

In terms of professional practices, FCC has made an effort to recruit students from different universities and academic institutions, so that they could do their internships in the company through agreements with their educational centres.

Distribution of employees by gender and location



\*Data at 31 December 2013

To this end, the company has signed educational cooperation agreements with the best universities and business schools in Spain and in other countries where it is present.

#### 3.1.1. Talent retention policies

Different human resources policies have favoured retaining talent within the organisation. Thanks to these policies, FCC continues to operate with the best professionals year after year and promotes the mobility of people within the Group. The internationalisation policy also allows the company to offer opportunities for development with very competitive conditions.

FCC develops tools that facilitate global internal mobility, to consolidate a results-orientated culture and implement compensation and benefits policies. In addition, the company is improving an organisational structure model based on responsibilities and

competencies. It is working on re-defining career paths for technical and management careers, promoting training processes in different areas of management, adding impetus

to unemployment management systems and implementing the analyses of potential and executive succession plans.

## PROGRAMME CONTINUITY FOR FCC EMPLOYEES

### Master's degree in Construction Sciences

In 2013, FCC developed a Master's degree in Construction Sciences. This programme is a course aimed at completing and updating the training for FCC Construcción's civil engineers and construction site managers by increasing and upgrading their technical and managerial knowledge. This training initiative is the outcome of the cooperation between the University of Cantabria and FCC Construcción, who deem it appropriate to work together on the development of this programme, by combining the University of Cantabria's teaching capacity in this field with FCC Construcción's broad experience in the sector.

The programme is for university graduates with degrees in Civil Engineering and, provisionally, those with degrees specialising in Roads, Canals and Ports, Technical Engineering for Public Works, Architecture or Construction Engineering. All students enrolled can do the first part of the program (specialisation courses and the "Expert" qualification). In order to study for the Master's degree, students must be selected by FCC Construcción to be able to join the course. Those selected will be able to do a four-month internship with the company. The start of the remunerated internship can be done simultaneously with the teaching plan.



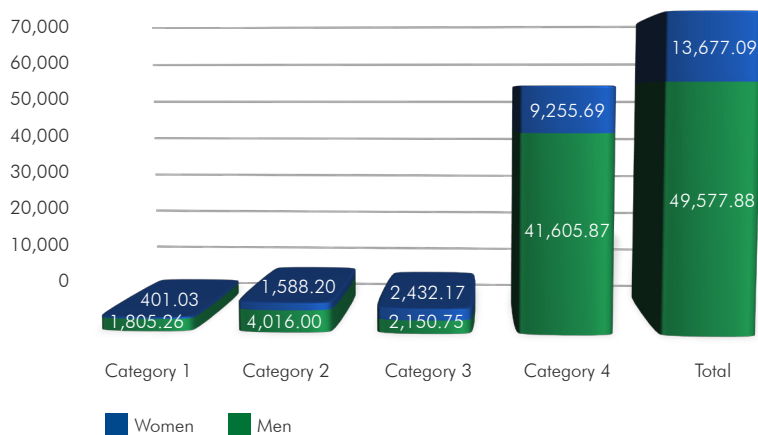
## REPUTATIONAL ASSESSMENT. MERCO MONITOR

### Merco

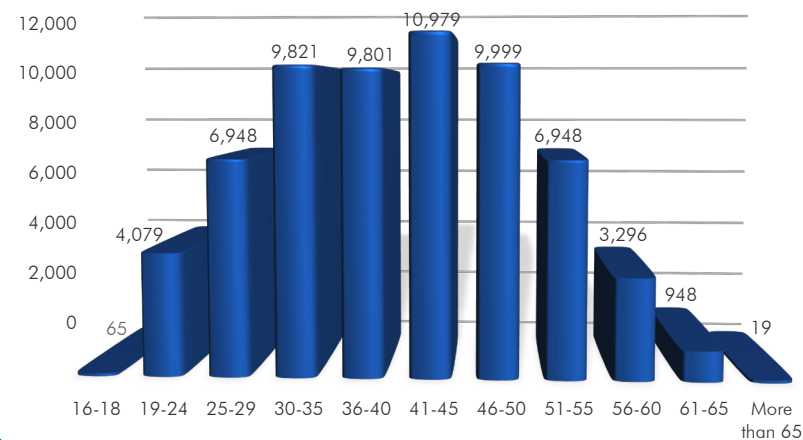
In 2013, the company obtained a score of 50 on the Merco Personas Index (Spanish Corporate Reputation Monitor). This ranking aims to identify the 100 best companies to work for and uses an analytical methodology that integrates information from different sources. The ranking also produces partial indices to assess the quality of the work, the employer brand and internal reputation in order to reflect different aspects of the organisation's work-related reputation. FCC was ranked 42nd in the Merco Responsables Ranking in Spain in 2013.

In addition, the FCC Group occupies 63rd position in the Merco Empresas Ranking prepared by the Corporate Reputation Institute. This ranking provides an external measurement regarding the perception of companies as an employer of choice.

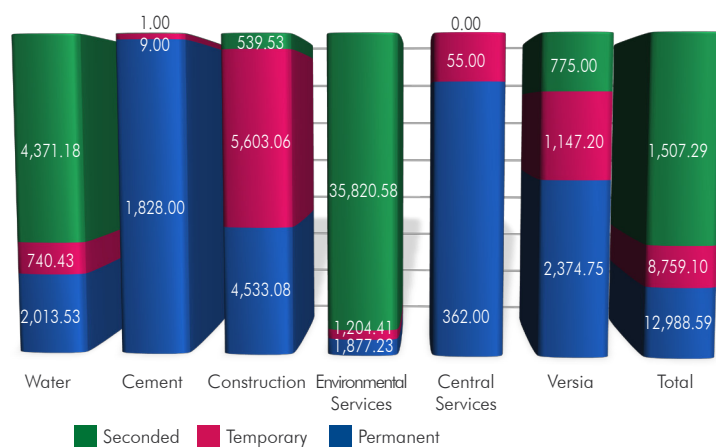
### Workforce by gender and professional category



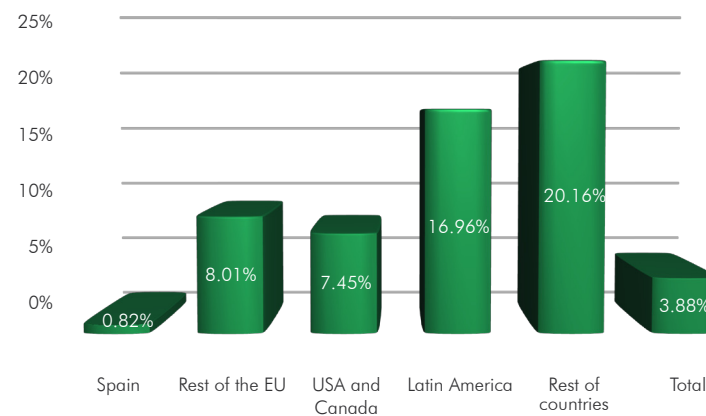
### Workforce by age range



### Workforce by contract type and business area



### Average rotation by geographical area (%)



### 3.2. Commitment to the development of FCC professionals

People are the main protagonists of their own development within a regulated framework of opportunities. Each professional, along with their superiors and the management team, must create the ideal conditions for development and provide resources that will allow the appropriate professional progress.

FCC wants to be the best company to work for. This is why it offers a professional environment full of challenges every day, one in which they will have access to different career opportunities based on their abilities, performance and the needs of the business.

- As a company, FCC wants to have the best resources available in the market, attracting, motivating, developing, and retaining/engaging the best talent.
- Employees want to work for a company that offers opportunities for professional and personal progress and that recognises their contribution in a climate of trust and transparency.

It is widely accepted that improving people's abilities follows the 70/20/10 model: 70% is acquired through experience (learning by doing), 20% is through others (learning from others) and only 10% comes from structured training programmes (formal learning). This is what is known as the "70-20-10 Model". Below are the tools used for developing capabilities:

| Development through experiences - 70%                                                                                                                                                                             | Development through others - 20%                                                                                          | Development through training - 10%                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Job rotation<br>Functional/geographic mobility<br>Substitutions<br>Branch offices<br>Broadening of duties<br>Problem solving<br>Starting new businesses<br>Participation in projects with multidisciplinary teams | Feedback<br>Mentoring<br>Coaching<br>Networking<br>Professional associations<br>Social networks and groups<br>Communities | Classroom-based courses, e-learning, etc.<br>Self-education courses<br>Lectures<br>Conferences |

#### 3.2.1. Training at FCC

At FCC, training is not a social benefit; rather it is a tool to help the company grow, along with its employees. Training at FCC has the following main objectives:

- To obtain increased employee performance and efficiency in the performance of duties and in Company operations
- To fulfil the goals of employee development (improve their employability)

FCC Group organises training in the style of a Corporate University based on the businesses and our strategic plan, with different schools.

- Technical Schools for infrastructure, environmental services, and water are focused on all the technical knowledge that is specific to our business activities.



"FCC is committed to in-house training in the areas in which we specialise and in which we work professionally with a high level of quality and efficiency"



- At the Schools of Values, Skills, Languages and Administrative process, FCC provides uniform management of the knowledge of everything it shares.



### School of Values



### School of Skills

## SCHOOL OF ADMINISTRATIVE PROCESSES



Administration  
 Finances  
 Legal  
 Project Management  
 Concessions  
 Information security  
 Innovation in Human Resources  
 Secretariat  
 Etc.

## LANGUAGE SCHOOL



## OFFICE COMPUTER PROGRAMME SCHOOL



"FCC relies on top-level providers for those areas that are not their core business"

- Lastly, through its Schools of Management, the Company develops the knowledge and competences of the people in managerial positions and those who will hold these positions in the future.

### 3.2.2. Knowledge management communities

FCC believes in knowledge as the only unlimited resource, the only asset which increases with use. FCC's competitiveness is based on the specialised knowledge it has of the activities it carries out, its know-how. At FCC, sharing knowledge and experiences is part of each employee's job.

FCC defines knowledge as "the capacity to solve a certain set of problems with a certain effectiveness". Knowledge is not only found in experts, but in all those who work with it every day.

On its new intranet, the Company is promoting the creation of knowledge-management communities with the following objectives:

- To help resolve questions and/or problems
- To share experiences and good practices
- To provide access to experts in the area of knowledge and to those who work in this area
- To provide diverse material about the area of knowledge

### 3.2.3. Professional development

The professional development of people working at FCC is one of the keys to the smooth functioning of the Company. This development depends on the performance of employees in their jobs, their capabilities and the profiles required.

To achieve this, FCC tries to ensure:

- That the requirements of the jobs are those needed, in accordance with the business strategy, and that there are defined career paths for technical and management careers.
- That the performance management process allows for the development of employees' aligned with the company's needs, optimising their contribution to the Company's results and evolution.
- That there are people who have been identified and prepared to occupy key positions in the company (executive succession plans).



The company defines the capabilities required for the optimum performance of each position as a set of knowledge, skills, languages and professional experiences.

FCC sees the performance management process as a three-step process: Understand where we are → Decide where we want to go → Identify how we can get there and decide the best way to do so.

- Employees' capabilities (skills, knowledge and languages, and experiences) are assessed as a starting point to initiate employees' development processes and in order to be able to assess how they perform in their current position, what strengths they have developed over their career, what areas should be improved or developed and what motivates them professionally.
- The second step is to define in what direction employees' professional progress should be directed, according to their preferences, career paths defined, their merits and possibilities, and to the needs of the company; i.e., where the employee could be in the coming years, and their willingness to move within the company geographically or functionally.
- Lastly, FCC tries to define how to reach employees career goals. To do this, it is important to identify the capabilities that need to be improved that represent a development opportunity, either to improve the performance in their current position, or to gradually prepare them for a new position, and the specific action steps that they should carry out in the following year as an individual development plan.

Performance evaluation processes allow for the identification of high-potential individuals from among those with high level performance in their current position and an abilities profile suited for what is required in top positions. This allows FCC to ensure that there are people who have been identified and are prepared to occupy key positions in the company and prepare executive succession plans.

## CROSS-DISCIPLINARY TRAINING PLAN

In 2013 FCC continued its commitment to the training and development of its employees, providing a total of 592,790 hours to 57,055 participants, with a total investment of €9,973,128. The main novelties in the 2013 Cross-Disciplinary Training Plan were as follows:

- An increase in the finance and legal training on offer with the addition of new courses.
- Reinforcing training aimed at supporting FCC's internationalisation process, including new courses on "Preparing for International Certification in Project Management (PMP Project Management Professional) and "Valuation, monitoring and control of finances for investment projects" for those lacking training in finances who are executing investment projects (especially expats or those who will be posted abroad).
- Development of employees based on the defined-ability model.
- Support for FCC's Strategic Road Safety Plan and for the Policy on Equality and Diversity, with the inclusion of training activities.

- Implementation of a new management development environment, participated by 400 executives and managers. This is a website with videos on business management, leadership and personal development that brings together the advice, key messages and experience of more than 200 world experts from the best business schools, and more than 150 CEOs.

In addition, fact sheets have been developed to better publicise training at FCC and these have been widely disseminated.

Within the skills model, in 2013 the company developed the catalogue of experiences, and began the process of reviewing job requirements so they can be used in the upcoming campaign to assess employees' skills.

### Knowledge management communities

In 2013, FCC group launched its new intranet, it defined the governance model for communities, published how to administer knowledge management communities and launched the first two communities.

### TRAINING HOURS BY BUSINESS ACTIVITY (CATEGORY AND GENDER)

| Organisation               | MEN        |             |              |             |         | WOMEN      |             |              |             |         | TOTAL   |
|----------------------------|------------|-------------|--------------|-------------|---------|------------|-------------|--------------|-------------|---------|---------|
|                            | Category I | Category II | Category III | Category IV | Total   | Category I | Category II | Category III | Category IV | Total   |         |
| CENTRAL SERVICES           | 2,677      | 2,699       | 104          | -           | 5,480   | 1,031      | 2,888       | 1,553        | -           | 5,472   | 10,952  |
| AGUA                       | 4,602      | 17,834      | 21,745       | 26,128      | 70,309  | 524        | 8,369       | 9,870        | 8,423       | 27,186  | 97,495  |
| CEMENTS                    | 476        | 3,006       | 3,764        | 9,206       | 16,452  | 159        | 576         | 2,017        | 760         | 3,512   | 19,964  |
| CONSTRUCTION               | 927        | 77,610      | 901          | 1,380       | 80,818  | 317        | 23,086      | 147          | -           | 23,550  | 104,368 |
| ENVIRONMENTAL SERVICES     | 13,391     | 43,131      | 32,483       | 208,528     | 297,533 | 3,721      | 10,999      | 12,235       | 25,416      | 52,371  | 349,904 |
| ENERGÍA AND SUSTAINABILITY | 11         | 40          | -            | -           | 51      | 2          | 48          | -            | -           | 50      | 101     |
| FCC VERSIA                 | 79         | 1,180       | 304          | 2,784       | 4,347   | 2          | 88          | 576          | 4           | 670     | 5,017   |
| TRANSPORT*                 | 1,228      | 1,385       | -            | 313         | 2,926   | 180        | 1,469       | 360          | 54          | 2,063   | 4,989   |
| TOTAL                      | 23,391     | 146,885     | 59,301       | 248,339     | 477,916 | 5,936      | 47,523      | 26,758       | 34,657      | 114,874 | 592,790 |

\*Includes the Transport subsidiary, which is not included in the scope of the other financial statements

### 3.3. Dialogue with the people who are part of FCC

One of the most painful and important processes in recent times took place in 2013: the beginning of the largest labour force adjustment plan in the history of the Group. The plan's characteristics are detailed in the information in the chapter, while it should be noted that it was accompanied by dialogue and communication processes that were transparent to the workers, who were provided with relevant information in spaces set up for this purpose.

#### 3.3.1. Internal communication

To achieve effective internal communication is one of the objectives of Human Resources. Worthy of note are the company's efforts in terms of communication aimed at making the workforce restructuring processes carried out during 2013 transparent.

FCC Group works closely with the Group's Communication and Corporate Responsibility Department to establish new and more powerful internal channels and a corporate culture, based on behaviours and common and robust values as its own sign of identity, able to mobilize, to motivate and to commit the people who constitute the main value of the company.

FCC has an Internal Communication Team whose main objective is to promote activities related to communication and specific internal services which, in turn, are set out in the Human Resources Department's First Communication Plan. Internal Communication also promotes the efficient provision of interesting information to workers, with special emphasis on information, messages, policies and strategies directly related to the management of the company and its employees' work environment.

In addition, the goal of the Human Resources Strategic Plan is to promote communication which contributes to workers' productivity and personal development.

#### 3.3.2. Occupational Management

The complexity of the management and protection of labour rights for FCC Group has different implications depending on whether Spain is being considered, or the rest of the world.

The section on "the employment situation in 2013" describes in detail the management and agreements reached in the Group's different businesses in Spain.

It should be noted that the entire FCC Group's workforce in Spain is covered by collective bargaining agreements. This form of labour regulation is predominant across the organisation internationally, notwithstanding other forms of regulation.

In order to protect the rights of its workforce, FCC Group is signatory to the most important international human rights standards.

- The company adheres to the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises are among the guiding principles of its policy.
- In countries that have not ratified the ILO conventions, FCC Group has been negotiating agreements with the International Federation of Building and Wood Workers (IFBWW).
- The company has acquired commitments within the framework of the Universal Declaration of Human Rights, the Declaration of the Rights of the Child and various ILO conventions.

### 3.4. Occupational health and safety

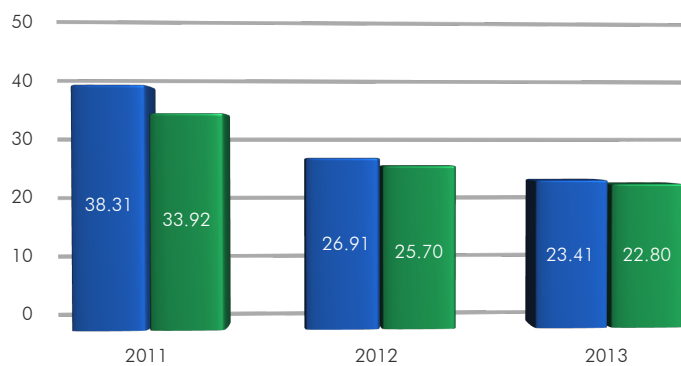
FCC's corporate policy on risk prevention represents the Company's commitment to and concern for ensuring a safe and healthy working environment. In order to unify and structure both the provision of resources and the procedures for identifying, assessing and monitoring risks and, with a view to an ongoing improvement in working conditions, the Company uses its Corporate Occupational Health and Safety Manual, which goes beyond regulatory compliance, fully conforming to the requirements for OHSAS 18001 certification.

To establish the actions and objectives common to all lines of business in the area of health and safety, in 2013 FCC Group's Prevention Committee drew up the 2014-2016 Strategic Plan for Occupational health, safety and well-being.

With regard to the accident rate, it should be noted that the downward trend of previous years in the frequency rate has continued, reducing the 2013 rate for employees by 13% and that of employees and subcontractors by 11%. The severity index, however, increased in 2013 by 15% for company employees. It should be mentioned that several management units achieved the goal of "Zero Accidents" during several months last year.

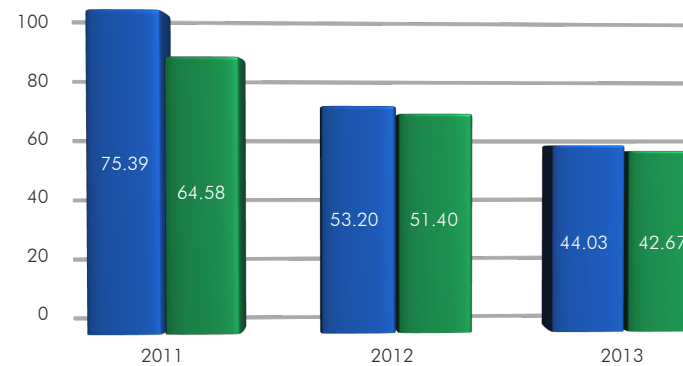
Nevertheless, in 2013 FCC has had to regret the deaths of six employees as well as those of three subcontractors.

### Frequency index



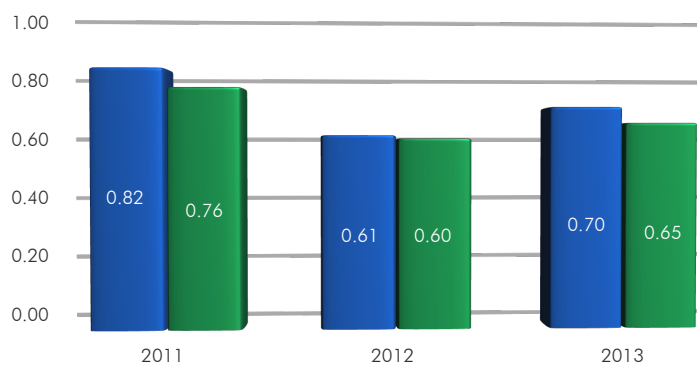
Own personnel Own personnel and subcontractor personnel

### Incidence rate



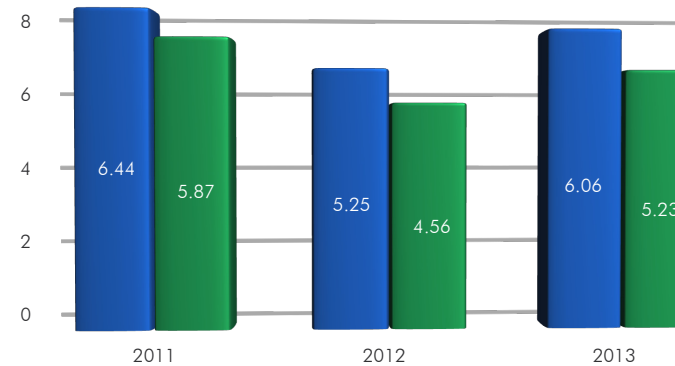
Own personnel Own personnel and subcontractor personnel

### Severity index



Own personnel Own personnel and subcontractor personnel

### Absenteeism rate



Own personnel Own personnel and subcontractor personnel



### 3.4.1. Management of occupational well-being

In 2013, FCC expanded its commitment to employees' well-being by developing and designing a new Healthy Workplace model whose mission addresses three key actions:

- To encourage and promote occupational well-being in order to improve the organization and working conditions of the persons involved, promoting their participation and anticipating the needs of both employer and employee in order to make a contribution to personal development and to fulfilling the business strategy.
- To achieve a health company from a broad, comprehensive perspective with healthy workers who are motivated, committed and prepared as group and individual investments for the future.
- To provide value to employees, their families and the communities in which we participate and to position FCC Group as an exemplary model.

This "Healthy Company" project focuses primarily on the promotion and implementation of activities in the context of health, healthy eating habits and sport.



In addition, in 2013 FCC Group conducted 8,450 studies including risk analyses, health and safety plans, technical reports on working conditions, analyses of physical, chemical and biological contamination, ergonomic studies and studies of psychosocial factors.

Furthermore, the effective management of health and safety is ensured through meetings on prevention organised by professional level, and regular monitoring meetings are conducted at all the company's structural levels with the involvement of managers from different departments. The purpose of these meetings is to monitor the health and safety objectives proposed, the accident rate, etc. In 2013, FCC Group held a total of 4,015 meetings organised by level.

Another key process to promote ongoing improvement in these areas is the management and implementation of internal audits. In 2013, internal audits on health and safety matters were conducted at a total of 149 centres.

FCC Group also intends to further increase the number of areas certified by OHSAS 18001. In 2013, 164 companies were covered by this certification, which corresponds to 74% of employees.

In addition, FCC continues to take an active role in promoting and disseminating the culture of health and safety and best practices. This is why it shares its knowledge in this field in various forums, organisations and associations:

- Active participant as members of AESPLA (Spanish Association of Occupational Risk Prevention Services) in campaigns, seminars, forums, organisations and informative events.
- Participation in the Prevention of Occupational Risks and Social Security Committee of the CEOE (Spanish Confederation of Employers' Organisations).
- Collaboration with the National Construction Confederation, the Madrid Association of Construction Companies and the Regional Institute of Occupational Health and Safety.
- FCC Construcción collaborates with the European Federation of Building and Woodworkers, where it represents the Spanish Federation of Construction Companies.
- Participation in the Occupational Risks Prevention and Social Security Committee of SEOPAN (National Association of Construction Companies) and in the Chairmanship of the Safety Commission of the European Construction Federation.



FCC has also actively collaborated in various specialised forums by taking part in global initiatives at both national and European levels. Following is a list of some of the most significant examples:

- FCC was recognised as an official European partner of the campaign coordinated by the European Agency for Occupational Health and Safety (EU-OSHA), Healthy Jobs 2012-2013 and the European campaign "Working together for risk prevention"
- Dissemination of best practices: round table organised by the National Institute for Occupational Health and Safety (INSHT) and the Castile and Leon Centre for Occupational Health and Safety.
- Worldwide campaign for participation in and raising awareness about health and safety organised by INSHT and the World Day for Occupational Health and Safety.
- Representatives of the Madrid Regional Government Ministry of Employment, Tourism and Culture visited PREFABRICADOS DELTA.
- Collaboration between the Regional Institute for Occupational Health and Safety (IRSST) and their specialists, and Conservación y Sistemas.
- The III Business Meeting on the Prevention of Occupational Risks in northern Madrid; V Congress on the Prevention of Occupational Risks in the Public Administration.

The most significant participation and recognition initiatives implemented internally were:

- The II Edition of the Health and Safety Awards aimed at recognising the work, dedication and value given to occupational risk prevention in all areas of activity by the organisation and the people in it.
- The PREVELAND contest for children of FCC employees, an activity that consists of an educational game on accident prevention, healthy living and conserving the environment as part of the Collaboration Agreement between Mapfre Foundation and FCC Group, with the "Educate your world" programme

### 3.4.2. Training in health and safety

Training and information about the risks entailed by the different professional activities and the measures to take in order to prevent them, remains a constant priority in preventive management.

FCC employees receive up-to-date training information (based on the systems for identifying and assessing risks) about the risks and the preventive and emergency measures related to their jobs, and about the resources and means available to them to prevent these risks.

The general programme for health and safety training is included in the Group's Training Plan that underlies the definition of specific training plans for each area of activity. The Plan ensures:

- Updated technical training in health and safety
- Specific training in occupational risk prevention for each job and activity.
- Training in specific risks for special tasks such as working at heights, electrical risks, etc.
- Training in emergencies and evacuations

Throughout the year, 169,123 hours of training were given to a total of 26,199 employees on issues of safety, industrial hygiene, ergonomics and social psychology for certain occupational risks, preventive measures, emergencies and first aid. The investment amounted to €3,059,189.

## HEALTH INSIDE AND OUTSIDE THE WORKPLACE

### FCC Medio Ambiente: the first environmental services company certified as a "Healthy Company".

In 2013, FCC Medio Ambiente became one of the first organisations to obtain the Healthy Workplace Certificate granted by the Spanish Association for Standardisation and Certification (AENOR) in its Catalonia II (Tarragona) branch.

This certification, in accordance with the entity's Healthy Company model, certifies that organisations have implemented a management system that promotes and protects the health, safety and well-being of employees and the sustainability of the workplace environment. This model, the first of its kind worldwide, is based on the criteria of the World Health Organization (WHO) and on the methodology of ongoing improvement that views health as a state of complete physical, mental and social well-being and whose primary goal is to promote healthy work environments. Regardless of the professional sector and the size of the organisation, this model aims to reduce accident and absenteeism rates and improve others, such as the productivity, competitiveness and sustainability of companies and promote society's quality of life in general by improving the health and well-being of employees.

Companies must comply with the requirements of the Healthy Company model and take part in an audit process in order to obtain this certification. To do this, they must identify the specific risk factors that affect their working environment, with aiming at subsequently eliminating, reducing or controlling them. Some typical examples addressed in this model range from promoting healthy eating to promoting sport at work, to healthy lifestyle habits, even after working



hours. This system, which has been published in Spanish and in English, was created by AENOR in collaboration with the European Institute of Health and Social Welfare (the Spanish body that collaborates with the WHO) and the FREMAP Prevention Society, to meet the demand of a number of large companies that are working on this issue, among which FCC is a pioneer.

Within the framework of the Healthy Company project, FCC carried out campaigns such as:

- The "Look after your back" health campaign (poster, leaflets and talks about how to take care of your back).
- The "Look after your heart", campaign against cardiovascular risks, using the same means as the "Look after your back" health campaign.
- The "You can stop smoking; you can" campaign: a specific, individualised help programme for all FCC employees who want to face the complex process of giving up smoking.
- Healthy eating: information, dissemination and promotion campaigns on healthy eating. For instance, an agreement with vending machine suppliers for labelling and promoting healthy (green label) products with a promotion for their consumption: The "5 a day" and "Watch your basic diet" posters.
- Encouraging physical activity: pre-work warm-up and stretching plans; sports teams and taking part in events.
- Healthy Christmas: A contest for ideas on healthy habits and recommendations during the Christmas holidays to start the New Year and the "2014 Healthy Community" project.

### Commitment to road safety

FCC has continued to develop the Strategic Road Safety Plan and the Company's commitment to the social, working and economic phenomena of mobility and the fight against road accidents.

Participation:

- Participation in European Mobility Week: under the slogan "Get moving for cleaner air".
- Participation in the Occupational Risks Prevention Committee meeting of the Spanish Association for Quality (AEC).
- Participation in the First Latin American Congress on Occupational Risk Prevention and on Occupational Road Safety. Presevilab 2013, promoted by the Spanish and Peruvian governments.
- International seminars on road safety in the company, in Panama, Ecuador and Peru.
- "Road Safety in the Company. IV Meeting on Best Practices ", organised by the Spanish Foundation for Road Safety (FESVIAL) and promoted by the Directorate General of Traffic (DGT), the Institute for Occupational Health and Safety (INSHT) and the Regional Government of Aragon's Directorate General for Employment.
- International congress on road safety in Santander, at the Best Practices for Occupational Road Safety symposium.



- Working Group of the Higher Council for Road Safety in Companies, GT 68, of the Spanish Ministry of the Interior and the Directorate General of Traffic.

### III Award "Aragon, Committed to Prevention"

In 2013, the government of Aragon recognised FCC Aqualia's management in the area of occupational risks. The Company was awarded the III "Aragon, Committed to Prevention" Award for its exemplary record of five accident-free years in Depurteruel.

In addition, FCC Aqualia received other recognitions for preventive management in the services it manages in the Valencian Community and the Murcia Region.

In 2013, Aqualia FCC also joined the celebration of "World Day for Occupational Health and Safety". The 2013 commemoration focused on the prevention of occupational diseases and was celebrated as the day chosen by the global trade union movement to pay tribute to victims of occupational accidents and diseases.

## 3.5. Diversity and equal opportunities at FCC

### 3.5.1. Diversity is an asset at FCC

Diversity among its employees is a priority for FCC Group. The company recognises its human capital as its most important asset and respects their right to exercise freedom of expression, political thought and, in general, participation in public life.

With a workforce of over 63,000 employees in over 35 countries, one of the Company's clear objectives in terms of human resources is to increase local hiring. To this end, FCC is immersed in the culture of the different countries in where it operates. This allows for

the promotion of diversity both within the workforce itself, in customers and in the different processes aimed at the growth and positioning of FCC as a global company serving society.

Diversity in FCC Group is also marked by the great variety of profiles needed to materialise the company's various businesses in the different sectors in which it operates.

### 3.5.2. Equal opportunities and work-life balance measures

The FCC framework of activities aimed at developing measures on gender equality and diversity are based, managed and framed within:



- FCC's Policy on quality and diversity approved by the Management Committee
- Equality Plans of the different areas and companies in FCC
- The Code of Ethics and Protocol to prevent situations of bullying and sexual harassment in the workplace
- The Plans Monitoring Committees and the Equality Management Team
- The Equality Management website
- FCC counts on the support of specialist organisations and institutions with which it has signed various conventions and agreements to develop and implement measures

Equality plans promote the implementation of measures that allow employees to maintain work-life balance between their work and personal lives. The most important work-life

balance measures applied at FCC are aimed at organising time and space, managing leaves and absences, improving social benefits and the personal and professional development of FCC workers. FCC is committed to the fight against gender violence and therefore the Company reports on the importance of being alert to any signs of violence against women, whatever the scope of action. The Human Resources Department, through the work of the Equality and Diversity Management Team, continues promoting and encouraging actions aimed at improving equality and fighting against gender violence.

Today, women represent 21.6% of the company's global workforce. Female leadership is very present in FCC operations, with five women in senior management positions, one of which is the Group's largest shareholder.

## SPECIAL ATTENTION ON WOMEN

### In favour of equality and against gender violence

FCC Group has joined initiatives such as the "Women's Empowerment Principles" developed under the framework of the United Nations Global Compact, "Companies for a Gender-Violence-Free Society" and "There Is a Way Out of Gender Violence" of the Ministry of Health, Social Services and Equality.

In 2013, FCC's commitment to equality was reflected in the company's collaboration with International Women's Day. By supporting this initiative, the Company continues to make progress in equality issues.

This year, FCC joined the new campaign against gender violence launched by the Ministry of Health, Social Services and Equality. Under the slogan "There is a Way Out", the campaign aims to eradicate this social scourge through awareness and by encouraging society to report such situations.



In the same vein, in 2013 FCC Group commemorated the International Day for the Elimination of Violence against Women. With high levels of participation, company employees created a collage with 234 photographs that form the telephone number of the Victim Care Line, 016. The final image was published on the website spreading the message of support from company professionals to victims of gender violence.

### Development of Pre-Executive Women

With the aim of promoting the professional development of women, in 2013 FCC also took part in a development programme for pre-executive women in collaboration with the School for Industrial Organisation (EOI). This action is intended to help women access management positions in the Company by facilitating the acquisition and development of practical management skills and competences as well as enriching their personal and professional development.



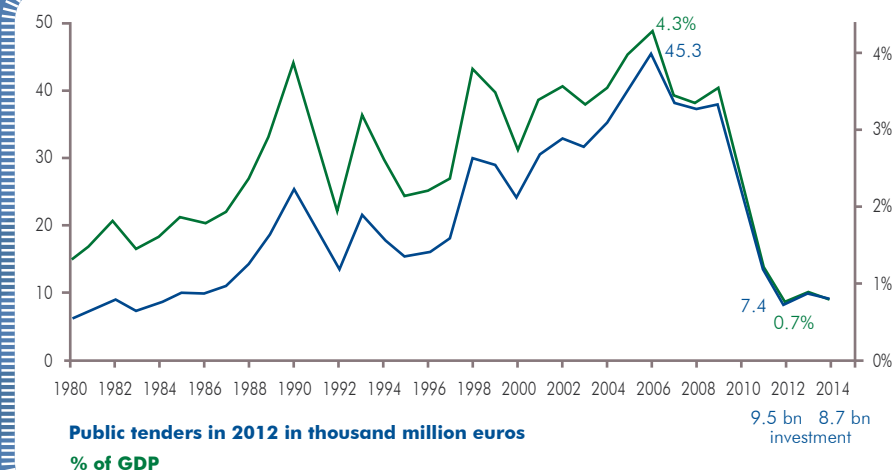
## FCC Construcción: committed to international employment despite the difficulties in the domestic market

The company considers it an obligation to manage its employees in a responsible manner. The decline of business activity in Spain has led to the need to restructure the company's production capacities which has had a considerable effect on the size of the workforce. However, the tenders awarded for emblematic projects in other countries have posed the

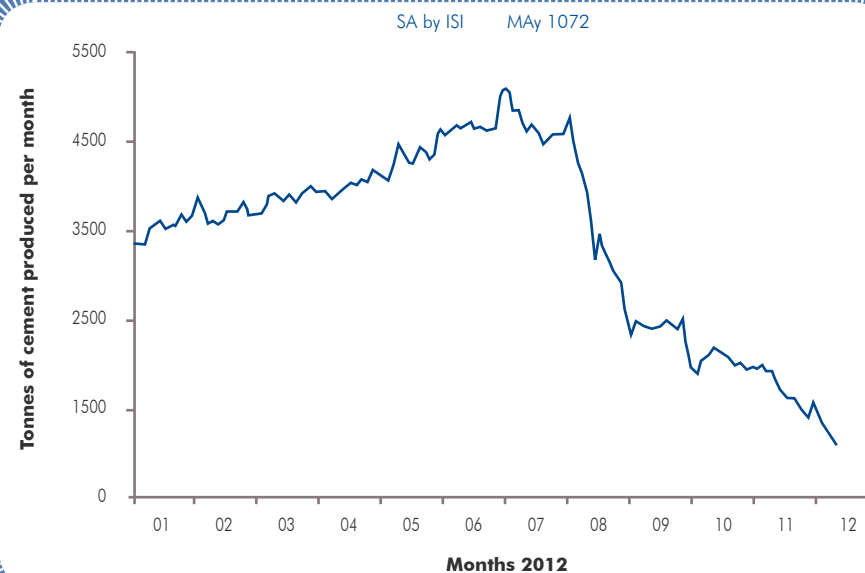
possibility of a more internationalised people management model. Below is an analysis of the investment in public works and the production of cement based on the presentation at the International Construction Economic Forum, showing a drop in sector activity in Spain and the impact of this drop on the restructuring of the Group in accordance with the situation.

### REDUCTION IN CONSTRUCTION ACTIVITY AND EMPLOYMENT IN SPAIN.

In 2012, public tenders in terms of the economic weight relative to GDP fell to an all-time low in Spain (46% less than in 1980).



Moreover, the production of cement in Spain fell drastically over the past six years.

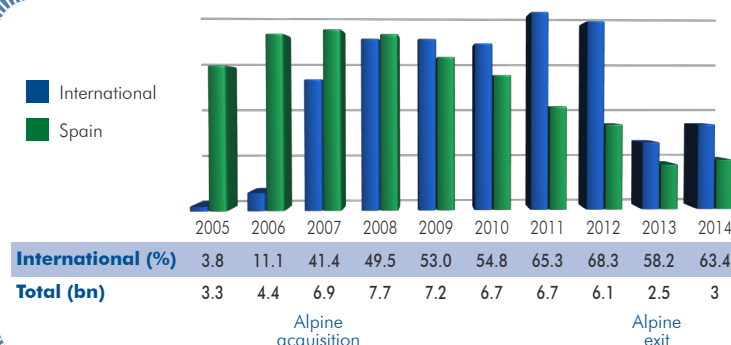


According to the Association of Cement Manufacturers (Oficemen), the consumption of cement in Spain fell from 1.3 million tonnes in June 2012 to 972,421 tonnes in June 2013, a decrease of 23.2%.

## REDUCTION IN CONSTRUCTION ACTIVITY AND EMPLOYMENT IN SPAIN.

The difficulties in the construction and infrastructure sector in Spain during 2013 have resulted in the need to adapt FCC Construcción's workforce to the Company's turnover. Nevertheless, it is important to highlight the effort made by the Company in Spain in terms of cost revision, promoting policies on internal mobility and flexibility in outplacement conditions.

The obvious crisis in the sector in Spain has meant significant changes in the evolution of FCC Construcción's international revenues.



In contrast with the situation of declining employment in Spain, 2013 was a year of job creation for the company in countries such as Panama, Saudi Arabia, Brazil and Peru.

The company's ability to export value is based on a number of competitive advantages that have allowed FCC Construcción to position itself in a total of 35 countries. The Company's more than 100 years' experience, its investment of 9.1 million euros in R+D in 2013, its intrinsic concern for the environment, its team of over 11,000 professionals and its clear commitment to quality, safety and local development (80-90% of workers come from the local area) are factors that have enabled the company to establish itself internationally



## 4. Extending FCC's principles along the supply chain

### The excellence FCC offers to its customers depends largely on the excellence of its suppliers and subcontractors.

FCC Group's main objective in relation to responsible procurement managed by the Procurement Department is to consolidate and extend the standards of integrity and sustainability throughout the Company's supply chain in order to establish stable business relationships with all necessary guarantees. Worthy of note are the criteria of transparency and objectivity applied by Company directors to the procurement process. The commitment to accountability in procurement processes is reflected in the insertion of a clause in Company contracts managed by the Procurement Department which requires suppliers, contractors and other trading partners to be familiar with and adhere to FCC's Code of Ethics.

In 2013, purchasing was decentralised in FCC Group with the aim of returning the responsibility for activity-related purchases to the businesses. With a view to efficiency, the procurement of central services where synergies might occur still lies in the corporate Procurement Department, which estimates that it will manage around 500 million euros a year under the new organisation. This procurement model, centralised in the Procurement Department, is represented as follows:



The FCC Procurement Management Model handled through the Procurement Department is certified by UNE – CWA 15869, Management of Added-Value Purchases. This standard was developed in Brussels through a joint effort among most of the European procurement associations. It is based on the best business practices, and its main objective is to promote excellence in the practice of procurement functions. The standard includes several environmental, ethical and sustainability aspects that are compulsory for procurement departments wishing to be certified. FCC was one of the first Spanish companies to obtain this certification.

#### Procurement chain. 2013 milestones

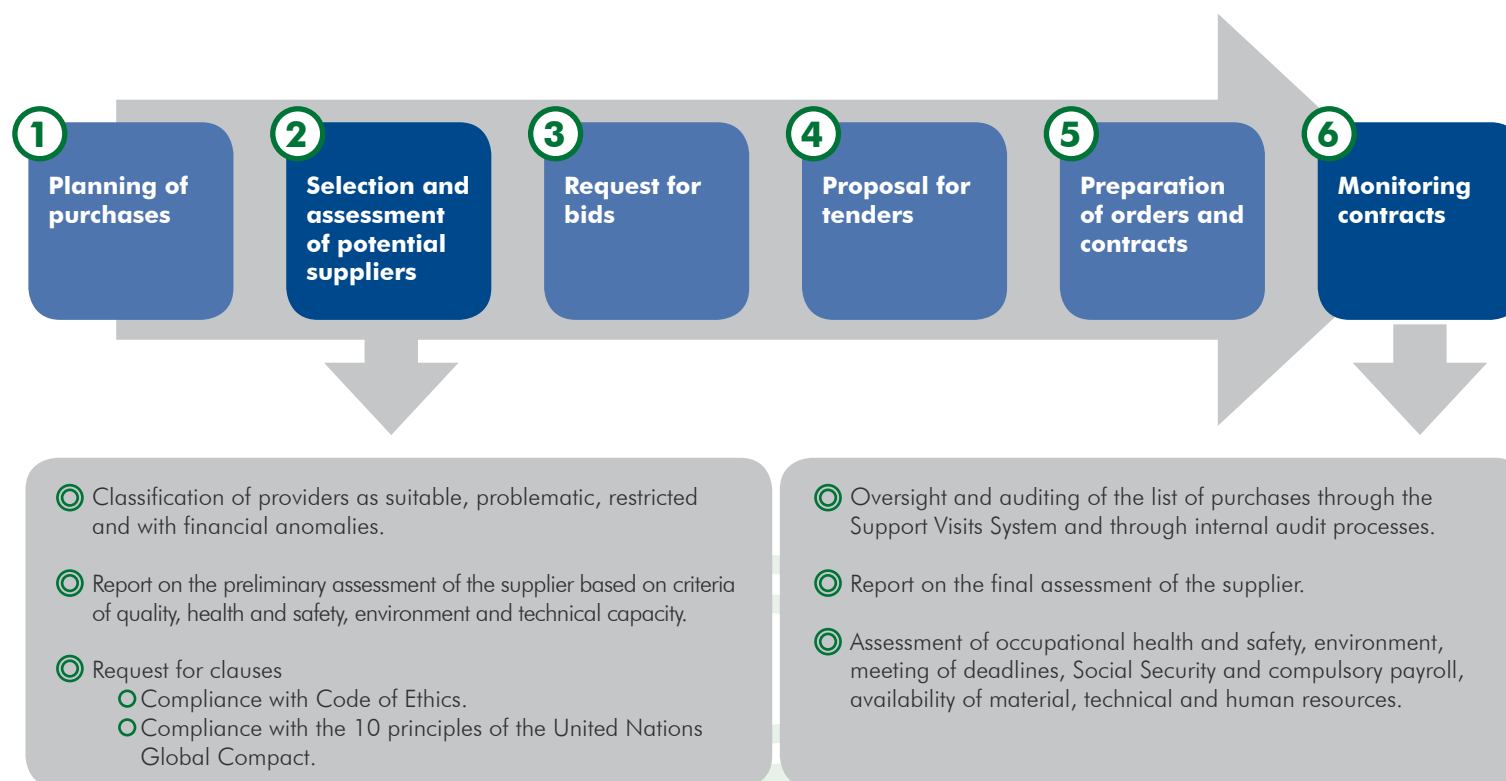
- Decentralisation of FCC Group's procurement model
- Establishment of compulsory procedures to ensure transparency in relationships with suppliers
- Measurement of overall satisfaction with the procurement process

#### Procurement chain. 2014 Challenges

- Consolidate the new decentralised procurement system addressed in 2013

#### 4.1. Responsible procurement in FCC Group

In purchases managed by the Procurement Department (amounting to around 500 million euros per year), the suppliers of materials and services have different characteristics with regard to the activities they carry out for the company. For the procurement process, it is important to control accountability in suppliers' activities, the safety and quality of the product, the possible sustainable characteristics of the product, etc.



#### 4.2. Responsibility and transparency in the procurement process

Despite the disappearance of the electronic system used to manage procurements, in 2013 FCC Group's Procurement Department specified compulsory procedures to ensure transparency, traceability and equal opportunities among suppliers in the procurement processes.

It is important to point out the segregation of duties that takes place as part of the new procedures regarding the reception of tenders and the procurement boards convened to make decisions on purchases.

In addition, as a reflection of the responsible measures included in the new procedures, there are stringent rules on procurement and a number of compulsory requirements in relation to certificates for health and safety, quality, environment, the Global Compact and the commitment to being familiar with FCC's Code of Ethics.

With regard to the measurement of overall satisfaction with the procurement process, the following procedures are carried out at FCC:

- Measurement of internal client satisfaction: the level of satisfaction of employees in FCC's Procurement Department with the overall operation of the process.
- Measurement of internal client satisfaction with the supplier: the level of satisfaction of employees in FCC's Procurement Department with suppliers.

Improvement in the total cost of ownership (TCO): level of improvement obtained in the measurement of the TCO (total cost of a product throughout its entire life cycle)





## INTELLIGENT SERVICES

**FCC, a global leader in designing the sustainable urban communities of the future.**

Since FCC Group was founded, it has provided essential services to urban communities, from the construction of infrastructure and the cleaning and management of city waste to the management of the integrated water cycle. The commonality linking the diversity of its activities is the desire to design and take part in the urban communities of the future. To do this, we believe that it is important to become familiar with and anticipate the trends that will shape them. Encouraging innovation enables an improvement of the services offering adapted to cities' needs. The two-pronged fight against climate change (mitigation and adaptation) is an opportunity for efficiency and new activities for the Group's business. Furthermore, implementing environmentally-friendly activities is part and parcel of its day-to-day activities, from the project design phase to their implementation and management.

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## 1. Sustainable citizen services

Cities have become centres of consumption with 67% of the world's primary energy demand, so transitioning them to a low-carbon economy will involve significant costs. The Stern Report from the World Business Council for Sustainable Development estimates the overall annual costs of the actions relating to reducing emissions in order to avoid the negative effects of climate change, to be 1% of GDP. The International Energy Agency estimates that billions of dollars will have to be invested in renewable energy and energy efficiency over the long term in order to limit the emission of greenhouse gases.

### Citizen services. 2013 milestones

- FCC Medio Ambiente participated in the IISIS project from the perspective of optimising waste management systems.
- FCC's Medio Ambiente division's commitment to taking part in European projects on ecosystem services.
- Development by FCC Aqualia of project such as IISIS, Remembrance, Alegría and Elan Trainasa to develop innovative and efficient systems for the treatment, desalination and purification of water.
- FCC Construcción's participation in the IISIS project to develop the elements, materials, technologies and systems necessary to accomplish sustainable construction.

### Citizen services. 2014 Challenges

- Design and implementation of solutions for Smart Cities through the IISIS project
- Promoting dialogue with cities will be an objective in order to find out about the priorities of their city councils and provide a better response through FCC services in collaboration with other organisations (public and private research centres, etc.).
- ECOCITIES Project in collaboration with the King Juan Carlos University in Madrid.

### 1.1. The sustainability challenge in cities

In the coming years, the number of inhabitants on the planet will increase significantly, reaching nearly nine billion by 2032. This growth will be especially concentrated in the urban areas of emerging and developing countries. Coupled with the transition to a low-carbon economy, the progress of these phenomena entails the related levels of pressure on infrastructure and basic city services.

As a company that provides citizen services, FCC Group sees adapting to these events as an opportunity to reduce the ecological footprint and to adapt to climate change. The company is aware that the measure of success attained in this adaptation will determine the quality of life in the urban centres of the future.

**"3.5 billion people currently live in cities around the world and a further 2 billion are expected to move to urban areas in the next 20 years. Cities also cover just 2% of the Earth's land surface, but account for over 70% of carbon emissions and energy consumption." [Source: Sustainable cities. Building cities for the future. Climate Action]**

### Challenges for the cities of the future

#### Waste management, a problem of progressive development and the increase of the middle class.

The legislation actively promotes efficiency in the elimination of wastes and promotes the recycling and recovery of wastes as responses to the growing amount of waste produced in cities.

#### The scarcity of water and the increase in demand.

Forecasts for upcoming years point to an increase in the pressure on the water resources in most of the world. This phenomenon offers opportunities to companies able to offer the market innovative approaches related to the management of the integrated water cycle and that are committed to innovation in water efficiency matters.

#### More efficient buildings, communities and services.

The concept of eco-efficiency in the development of new products, services, technologies, systems and models is becoming increasingly important. It is necessary to increase the productivity of natural resources, as well as to reduce the environmental impact (reduction of energy and water consumption) throughout the entire life of the products.

## 1.2. FCC's response to these challenges: collaboration of Group services

Currently, FCC Group's business activities are carried out mainly in the areas of water, environmental services and construction and the management of infrastructure. In the area of water, the company manages the integrated cycle and offers related services; in the area of environmental services, it focuses its main activities on the management of urban and industrial waste; and in the area of infrastructure, it focuses on carrying out large civil engineering projects.

FCC believes that the complementary nature of its services and its expertise in the areas it works in, provide solutions to the complex challenges that cities, both present and future, will demand. An offer of reliable and comprehensive services for a healthy environment and quality of life for citizens.

"**Citizens services**" means putting the focus of the services provided by the company on the end user, and sharing with these users the desire to help create communities that are socially, economically and environmentally sustainable.

"**Citizens services**" also entails the Group's commitment to integrating sustainable development and corporate responsibility into its way of doing business. The company believes that its responsibility also encompasses helping to raise public awareness about the importance of sustainable development, a key factor in the prosperity and development of societies in the coming decades.

### 1.2.1 Collaboration and integration of citizen services: Integrated Research on Sustainable Islands (IISIS)

The Integrated Research on Sustainable Islands (IISIS) Project, included in the INNPRONTA 2011 Programme of CDTI (Ministry of the Economy and Competitiveness) aims to design a smart, self-sufficient and sustainable city. This project is led by FCC and other companies participating include Acerinox, Obeki, Vinci, Berenguer Ingenieros and various research organisations.

The project demonstrates the **integration of FCC Group's activities in different business areas**. IISIS works on "sustainable development", including factors such as self-sufficiency and sustainability, in order to provide responses to the changes that take place throughout the lifetime of a city, providing a holistic vision of smart cities.

The main areas in which IISIS is developing innovative technologies are **construction materials, energy production, drinking water supply, waste water treatment, the optimization of the water-energy binomial and waste treatment**.



The project aims to carry out advanced and ambitious research on the elements, materials, technologies and systems required to develop a sustainable city that is fully integrated into the environment (energy, water, and the treatment and recycling of wastes).

To meet this goal, IISIS is made up of a group of entities that work in collaboration on four areas of research:

**AREA 1: ENERGY, led by FCC S.A.'s Energy Division:** Partners: Ingevinci and Obeki. Public Research Bodies: Tecnalia, UPV, Tekniker, Aido, Cedex-Ciemat.

It is aimed at the development, enhancement and optimisation of procurement and storage systems for renewable energy with the ultimate goal of achieving a self-sufficient island. These systems are based on concepts of sustainability and self-sufficiency, focusing on maximising the optimisation of primary energy resources and minimising the

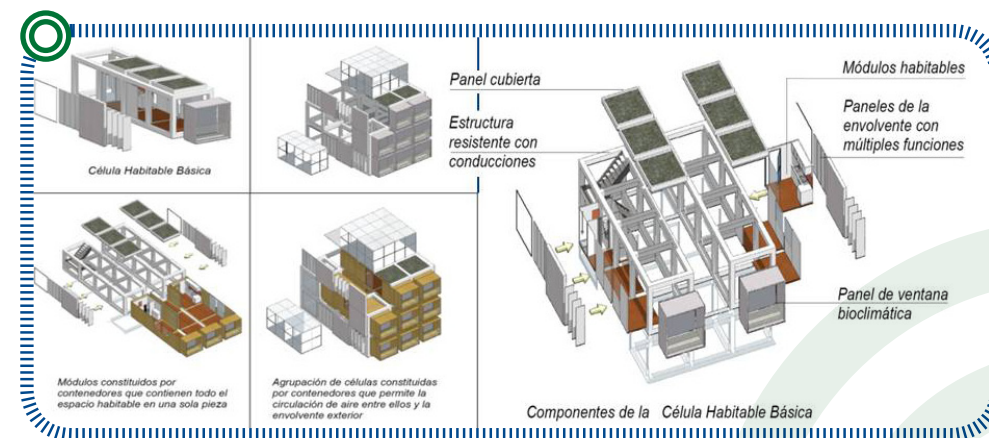
environmental impact. Under study is a new system of solar-thermal power generation, technologies using tides and wave power, a wind generator and a hybrid storage system with reverse hydraulic pumping and electrochemical batteries. All these systems are going to be managed by software to manage energy resources that will match energy production with demand.

**AREA 2: WATER AND ENVIRONMENT, led by FCC Aqualia, S.A.** Participants: FCC S.A.'s Medio Ambiente division, Public Research Bodies: the University of Valencia, the Polytechnic University of Valencia, IMDEA-Agua, CENTA, the Complutense Madrid University and the University of Huelva.

Its main objective is to research innovative and sustainable systems for the treatment and management of water and waste, not to mention the optimisation of energy and the water/waste binomial. The following technological advances are being achieved: the development of a low-energy consumption desalination system based on bioelectrochemicals for the supply of drinking water; the optimization of waste water management systems by separating these effluents by use and pollution level and managing to recover substances of interest and the reuse of water; in relation to waste management an integrated waste management and continuous treatment system is being developed that works automatically and is adapted to isolated environments.

**AREA 3: CONSTRUCTION, led by FCC Construction.** Participants: Cementos Portland Valderrivas, Berenguer and Acerinox. Public Research Bodies: Tecnalia, Instituto Eduardo Torroja, IHA

It aims to carry out research into a new open architecture model called "Open Building", which is characterised by the use of replaceable, flexible and versatile structures that can be modified over time together with components that are compatible with the demands of the marine environment, all of which will take into account sustainable design. The area is divided into two main activities: Architecture and Marine Engineering and Materials. The former is aimed at researching a new construction system based on prefabricated elements made from new materials adapted to marine environments (cement, concretes and duplex stainless steels), while the latter's objective is to define new geometric configurations of concrete caissons that are optimally adapted to the specific requirements of the marine environment, and which are structural and functional yet do not lose their essential qualities of sustainability and do not have an impact on the seabed.



**AREA 4: INTEGRATION, led by FCC Aqualia.**

Integration is a cross-cutting activity that involves all IISIS Project activities. Its objective is to develop a system of sustainability indicators that also enable the performance of a study of its elasticity as well as determining its reliability. Obviously, any technical solution proposed will not be viable in just any environment or circumstance, so these factors will have to be taken into account when defining the sustainability and self-sufficiency of the proposed solution.

This activity includes defining the scope of application of whatever solutions are implemented as well as analysing the applicability of these solutions by determining the reliability of the system as a whole and of its component elements. This area includes the study of the water-energy binomial (energy efficiency in supply, energy consumption in wastewater treatment, etc.)

### 1.2.2. FCC-URJC-London Metropolitan University social trends and expectations observatory: the Eco-Cities Project

The study of social perceptions in order to implement appropriate policies and activities is as a priority for companies that provide citizen services. Gathering information on a regular basis and its subsequent analysis will lead to the development of guidelines to define a framework with the priorities that society demands for the cities of the future.



This collaboration with King Juan Carlos University, the Cities Institute and the London Metropolitan University (United Kingdom), FCC Group aims to establish a research model based on a range of issues and indicators that enable the analysis of present and future needs of inhabitants of and visitors to sustainable cities which will be presented in a twice-yearly report. The intention of the Ecocities Report is twofold:

- a) To guide the strategies of FCC Group's business to design products and services tailored to the needs of future cities services.
- b) To be an academic leader at national and European levels in the study of sustainable cities from a sociological perspective.

### 1.2.3 Our sustainable leadership: knowledge sharing

The objective of this line of work is to share knowledge and to disseminate the information and experiences acquired in the day-to-day work of the Group's businesses and the research activities undertaken. The Group's commitment to participate in these events and forums is to promote progress in the design of the cities of the future, doing so from the perspective of service, infrastructure and water and waste management industries. Other aspects worth mentioning include:

## ENVIRONMENTAL SERVICES

### ExpoRecicla'13

- FCC Ámbito took part in the roundtable technical seminars - Expo Recicla'13; seminar specifically on "Recycling and Recovery of Plastics"

### Smart City Expo World Congress

- Participation of the Medio Ambiente division at the International Congress of Smart Cities held in Barcelona with the presentation of "Systems to Encourage Waste Separation and Improve the Efficiency of the Collection Process in the City of Oviedo" by the Director of Systems and Information Technology in the session on "Improving the Management of Urban Waste"

## WATER MANAGEMENT

### XXXII Seminars of the Spanish Association of Sanitation and Water Supply (AEAS)

- FCC Aqualia was present with a stand and took part in presentations. Various water management companies, suppliers and institutional clients went to the seminar, making this event one of the most significant meeting forums for the sector.

### FCC Aqualia, host of EUREAU's EU3 Commission

- In March, one of the three commissions of the European Federation of National Associations of Water and Sanitation Services took place in Salamanca which, together, serves over 400 million Europeans (EUREAU). Mariano Blanco, FCC Aqualia's International Director of Customer Management, along with the Salamanca City Council's member in charge of environmental matters and Almut Bonhage, Secretary-General of EUREAU, were responsible for welcoming all the attendees at the conference.

### WEX technical seminars (Madrid)

- FCC Aqualia had widespread participation in these seminars, which were opened by the Directorate-General of Water. The Water and Energy Exchange (WEX) conferences which took place this year in Madrid addressed water and energy management issues, along with aspects related to financing and business opportunities in different regions.

### International Water Summit in Abu Dhabi: part of the World Future Energy Summit Congress

- FCC Aqualia took part in the International Water Summit conference with a stand and a presentation. This is the main point of reference in global sustainability and it was attended by numerous heads of state. FCC Aqualia presented its experiences in the Middle East in the Company's stand.

Saudi Water & Forum (SWPF) and National Company Focus Day (Jeddah, Saudi Arabia)

- FCC Aqualia was present at the major industry meetings in the Middle East. SWPF is the water and energy sectors' main meeting point for discussion and debate in Saudi Arabia. In this ninth edition, FCC Aqualia was present with an information point.

Smart City Expo World Congress

- The key event for the smart city industry held in Barcelona in November 2013. FCC Aqualia's presence was relevant with its participation in different events. Highlights include the presentation of the book entitled *La ingeniería y la gestión del agua a través de los tiempos* (Engineering and Water Management through the Ages) with the presence of FCC Aqualia's CEO Felix Parra, and Jordi Agustí i Verges, Director of the Catalan Water Agency (ACA).

IDA World Congress in China

- FCC Aqualia Infraestructuras had a corporate stand. This is the global desalination conference. Held every two years, it brings together the industry's leading companies. FCC Aqualia showed its experience as designers and builders of desalination and tertiary treatment plants, both in Spain and in other countries such as Algeria and Chile.

Global Water Summit (Seville)

- Event where representatives from all areas of the water sector share their views on the outlooks and trends for upcoming years. FCC Aqualia organised a post-programme tour of the treatment plant built and operated by FCC Aqualia in La Ranilla. It was attended by delegates from countries such as Singapore, Tunisia and the GWI journal itself.

## INFRASTRUCTURE

Forum on Spain/ Brazil Investment and Business Cooperation organised by ICEX España Exportación

- FCC Construcción took part in the Forum on Spain/ Brazil Investment and Business Cooperation organised by ICEX España Exportación held on 26 and 27 November in Sao Paulo. Vicente Mohedano, FCC's Deputy Managing Director for Latin America, offered a presentation on FCC and the company's vast experience in marine works.

International Economic Forum on Construction in Amsterdam

- On 21 November 2013, Miguel Jurado, Managing Director of FCC Construcción took part in the ICEF congress at the International Construction Economic Forum in Amsterdam, where he presented FCC's process of internationalisation and its goal to focus on strategic construction markets and on projects to which the company adds value.



## IIIS Project: a joint path to the city of the future

### THE IIIS PROJECT AT FCC MEDIO AMBIENTE

FCC Medio Ambiente works in areas 2 (Water and the Environment) and 4 (Integration); specifically, it works on waste management in island environments and as well as on the design of a waste management "kit" that is "modular, transportable and autonomous in terms of energy".

The research works carried out with scientific collaboration are:

- Designing a smart selective solid urban waste collection system.
- Optimisation of the co-digestion of solid urban waste, sewage and /or others, such as algae.
- Designing micro reactors for the co-digestion of waste.
- Designing a system to dehydrate the digested product to optimal levels for composting.
- Designing mini-tunnels for composting.
- Designing an integrated waste treatment "kit"

Smart sorting is seen as especially relevant. There is a new mentality towards the consideration of waste as future raw materials (as a "resource"). The project involves a new way of thinking in many industries and aspects. The following two patents are in the process of being registered as a result of the research:

- The CARUSO ("Automatic Solid Urban Waste Sorter") System
- Diana System: "Anaerobic digestion by micro-digesters"

### THE IIIS PROJECT AT FCC AQUALIA

With an investment of 3.3 million euros, FCC Aqualia has contributed 22% of the overall project budget. FCC Aqualia's work, leading two of the four project areas: "Water and Environment" and "Integration", is carried out in various regions across Spain:

- Wastewater treatment (anaerobic membrane bioreactors, Valencia)
- Innovative desalination systems with zero energy cost (microbial desalination cells, Madrid Region)
- Systems for optimising the energy/water binomial in the drinking water supply (Valencia)
- Energy optimisation in wastewater treatment and advanced control of water treatment plants (Castile and León, Asturias, Castile La Mancha and Cataluña).
- Membrane filtration systems for the treatment of drinking water (Castile-La Mancha)
- Removal of trihalomethanes in drinking water (Extremadura)
- Supply management (national level)

IIIS generates direct employment through the recruitment of researchers by Aqualia FCC and they carry out their work in collaboration with technology centres (encouraging direct interaction between the university/research centre and the Company), and indirect employment by creating new lines of business.

### THE IIIS PROJECT AT FCC CONSTRUCCIÓN

The project includes research into the elements, materials, technologies and systems required to develop a construction for potential residential and tertiary use in the surroundings, like islands. These are reusable prefabricated buildings adapted for industrial use that do not harm the environment, are self-sufficient in all aspects (energy, water and waste treatment and recycling) and are equipped with all kinds of integrated facilities, advanced transport logistics and a smart management and monitoring system.



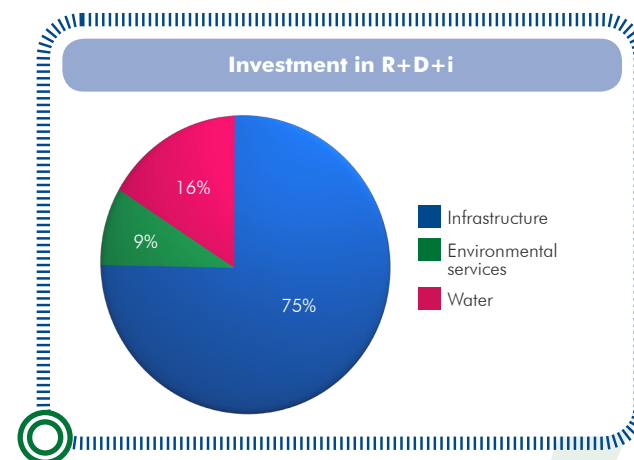
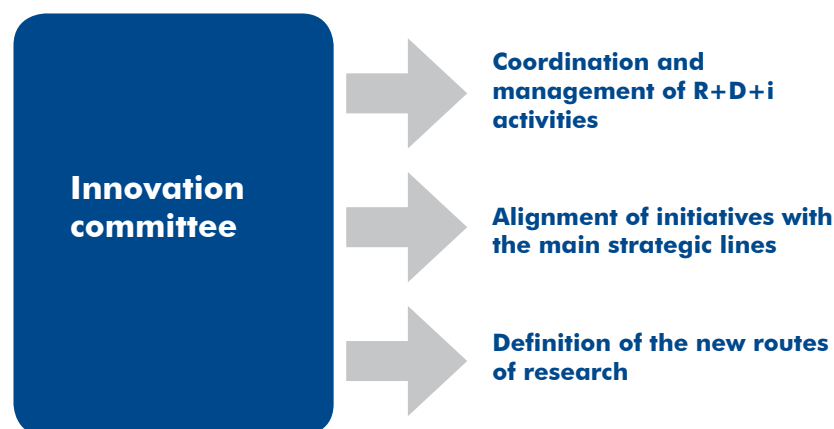
## 2. Promoting innovation at FCC

### Innovative solutions adapted to the needs of society

Cities are the centre of the challenges created by sustainability, so they are places where innovative solutions with significant and rapid impacts should be implemented. Aspects such as the ecological footprint in the development of projects, smart buildings and refurbishment, the management of risks in the context of climate change and urban accessibility, are becoming increasingly relevant.

The Group's R+D+i strives to use financial and human resources effectively. The main lines on which the Group's innovation-related activities are based are: sustainable urban development, the design of new, sustainable and high-performance products, process optimisation and improvements in information technology, process monitoring and data management. FCC Group invested 18,437,462 euros in 2013.

FCC's Innovation Committee coordinates the Group's R+D activities and directs the businesses' lines of research towards the common goal of transitioning to a low-carbon economy and towards measuring impacts on energy consumption and the water footprint that will allow it to be reduced and offer a more efficient product with a greater point of difference.



#### Innovation. 2013 milestones

- Progress towards optimising the efficiency of FCC Medio Ambiente's collection vehicles and biological treatment plants.
- Renewal of the R+D+i Management System seal in accordance with UNE 166002 Standard
- Development of projects at FCC Aqualia aimed at biogas production in the water sector, along with development of the city of the future, and efficiency and the reuse of materials in water treatment processes.
- Award of relevant projects: Zero impact in a consortium with ADIF; R+D+i projects in the occupational health and safety (the SEIRCO Project, BOVETRANS, etc)
- Research lines for the development of better local infrastructure rehabilitation works (the Merlin Project).
- Design of the methodology and of the computational model for indicators that will enable the expression of efficient management in the use of resources, both energy and water, and in the reduction of GHG in the services provided by FCC Medio Ambiente.

#### Innovation. 2014 Challenges

- Research by FCC Medio Ambiente into environmental services in cities, such as carbon sinks and the benefits of landscaping by FCC Medio Ambiente.
- Calculation of energy indicators in the areas of energy, GHG emissions and water in some urban services contracts managed by the Medio Ambiente division.

- FCC Aqualia's progress towards measuring the water footprint in the integrated water cycle system.
- Winning important projects in the H2020 Framework Programme in order to access a higher volume of state aid at FCC Construcción.
- Integrate R+D+i processes and make the best use of tax advantages in countries where FCC Construcción is present.

### 2.1. Promoting innovation at FCC: FCC Medio Ambiente

In the Medio Ambiente division, R+D projects are implemented in line with the specific objectives for the business it engages in.

Innovation in the Medio Ambiente division is aimed at responsible water consumption and the reduction of GHG emissions. To this end, work is being done on defining methodologies for monitoring and processing information, as well as on configuring,

adapting and introducing more efficient information and communication technologies into its services.

Specifically, this includes progress in the following areas:

- Automobile: collaboration with technology suppliers in work aimed at the reduction of emissions and noises in the fleet of vehicles.
- Recovery of waste in treatment plants. Work is being done on monitoring variables and indicators in joint biological processes for treating solid urban waste, with a view to the modelling of these processes to improve the production and energy efficiency of these facilities.
- Definition of the methodology to calculate intensity indicators in order to establish the environmental traceability of services, in scientific collaboration with universities and technology centres.

#### PRIZE AWARDED TO FCC'S ELECTRIC LORRY

FCC received an Innovation + Sustainability + Network Award organised by the EXPANSION business daily newspaper in the category of Large Sustainable Business for its electric refuse collection lorry.

These awards recognise innovation in the design of products and services in organisations as part their process of integration into a more sustainable society.

Today, there are more than 300 vehicles in circulation in Spanish cities such as Madrid and Barcelona, in addition to a "Zero Emissions" vehicle (resulting in less stress for workers and fewer occupational accidents). Their development has resulted in a benefit for FCC and has given it a competitive edge over its competitors.

#### OPTIMISATION OF WASTE RECOVERY

FCC manages ten biomethanisation plants that mainly treat the remaining fraction of urban solid waste (residual organic material) using different technologies (wet mesophilic process / dry mesophilic process / dry thermophilic process) whose total nominal capacity amounts to 517,500 tonnes/year and capacities ranging from 15,000 to 160,500 tonnes/year. In the last five years, FCC has progressively increased its biogas production and power generation from 35.2 million kWh in 2010 to 42.2 million KWh in 2013



#### AUTOMOBILE

Research by the Machinery Department of FCC Medio Ambiente focuses on the different ways of handling the energy inside the collection lorries.

Through a grant from the Centre for Industrial Technological Development (CDTI) FCC Medio Ambiente is working on vehicles capable of storing the maximum amount possible of energy in braking.

FCC Medio Ambiente is a pioneer in patenting utility models, i.e., in the operation of the vehicle as a whole.

For medium tonnage lorries, the so-called KB hybrids, FCC Medio Ambiente has a patent shared with AVIA, with 32 collectors and 2 tanker lorries manufactured and in operation. For heavy lorries, FCC Medio Ambiente has the exclusive patent for the utility model, with two units manufactured and in operation

## 2.2 Promoting innovation at FCC: FCC Aqualia

FCC Aqualia's line of innovation is aimed at providing solutions to the end user, based on the company's knowledge and expertise in the management of customers.

Focused on three major areas of research (quality, smart management and bioenergy) innovation at FCC Aqualia takes place in four phases: technology watch, idea generation, project implementation and patent protection.

Major projects implemented in 2013 were:

### ELAN TRAINASA PROJECT

After three years of pilot testing, this project, which is aimed at demonstrating a new technology that removes nitrogen from the return water of the sludge line of a waste water treatment plant, was applied at full scale for the first time in 2013.

The process is capable of removing between 15 and 20% of the total nitrogen load by combining the biological processes for partial nitrification and for anaerobic ammonium oxidation in a single reactor.

### BIOGAS PRODUCTION IN THE WATER SECTOR

In June 2013 the 13th World Congress on Anaerobic Treatment was held in Santiago de Compostela. Promoted by the University of Santiago de Compostela (USC) and supported by the International Water Association (IWA), FCC Aqualia was the main sponsor of the event. The congress is the most important international event in relation to the production of biogas and was attended by nearly 1,000 professionals.

In addition to FCC Aqualia's sponsorship, many professionals from the Company's research team also attended.

The opening session, "About Beauty and Consolation" was chaired by Frank Rogalla, Director of Innovation and Technology at Aqualia FCC. The three subsequent days featured presentations by company researchers in six different sessions.

### REMEMBRANE PROJECT

Developed from funds from the LIFE+ Programme (the European framework for funding projects that contribute to environmental conservation and the development of environmental policy and legislation), the project aims to prolong the life of the membranes used in the reverse osmosis purification process, recovering what is now waste by reusing it in other applications such as osmosis processes for treated water.

Its practical use is in the elimination of waste, the reduction of costs and the overall improvement in the efficiency of the desalination and water reuse process. It is hoped that the results of the Remembrane project will lead to a major advance in the operation of large desalination plants and drinking water plants and will reduce the investment and operating costs of tertiary water reuse systems.

## 2.3 Promoting innovation at FCC: FCC Construcción

Innovation represents the company's ability to remain in the vanguard in a highly competitive and internationalised market. FCC Construcción participates in a significant way in the promotion of various industry-based European and national initiatives related to R+D+i, as well as in the development of projects both nationwide and internationally.

FCC Construcción has a R+D+i system that is certified in accordance with the UNE 166002 standard. In 2013, FCC invested over nine million euros in innovation and development projects in its construction division.

### GRANDIQUE: DETECTION OF BREAKS IN VERTICAL BREAKWATERS BASED ON AUSCULTATION FROM THE SUPPORT BASE.

The research carried out in this project has led to the development of the methodology to plan auscultation campaigns that allow the monitoring of the ground behaviour during the construction process and commissioning of vertical dykes. This results in achieving a perfect chronological definition of the condition of the dyke, thereby enabling the appropriate changes to be made during the construction process by adapting to the results produced by the instrumentation installed. The project is structured around three milestones:

1. Analysis of the problem and identification of variables
2. Development of the proposal for auscultation and instrumentation
3. Adaptation of the caissons to differential movements

### DREGREEN: ECOLOGICAL DREDGING TO EXTRACT HIGHLY CONTAMINATED SLUDGE IN RESERVOIRS

FCC Construcción has developed an eco-dredging prototype for the treatment of both marine and river sludge that ensures a minimal dispersion of contaminants during the sludge extraction process. More specifically, it has had to develop a new methodology for each type of dredging equipment, differentiating the various kinds of dredging used for emerged, submerged and quaternary materials.

The company also introduced extensive improvements to prevent the overflow of water from the pit during the extraction process by developing a pit storage module with a fill scheme specifically for water.

In addition, these new developments make it possible to significantly decrease the water added from the enclosure to the material pumping system, which no longer depends on the treatment capacity of the water treatment plant built. This last activity can be considered the project's most far-reaching success.

### ALMONTE: DESIGN AND DEVELOPMENT OF A NEW AND ORIGINAL ARCH THAT WILL SET THE WORLD RECORD FOR SPANS

The project's main objective is to design the building process for an arch with a 384-metre span within a short implementation period. To do this, there must be a new approach to the project in terms of the dimensions of the keystone, the travelling cranes and the staying system, which will be completed with a new design for the materials loading and moving system and to study the formulation of the concrete.

This project is part of FCC Construcción's policy of being at the forefront of the most important developments that occur in the construction industry, in regard to technological and process innovation related to its core business, and taking an active part in initiatives that are orientated towards the action lines defined.



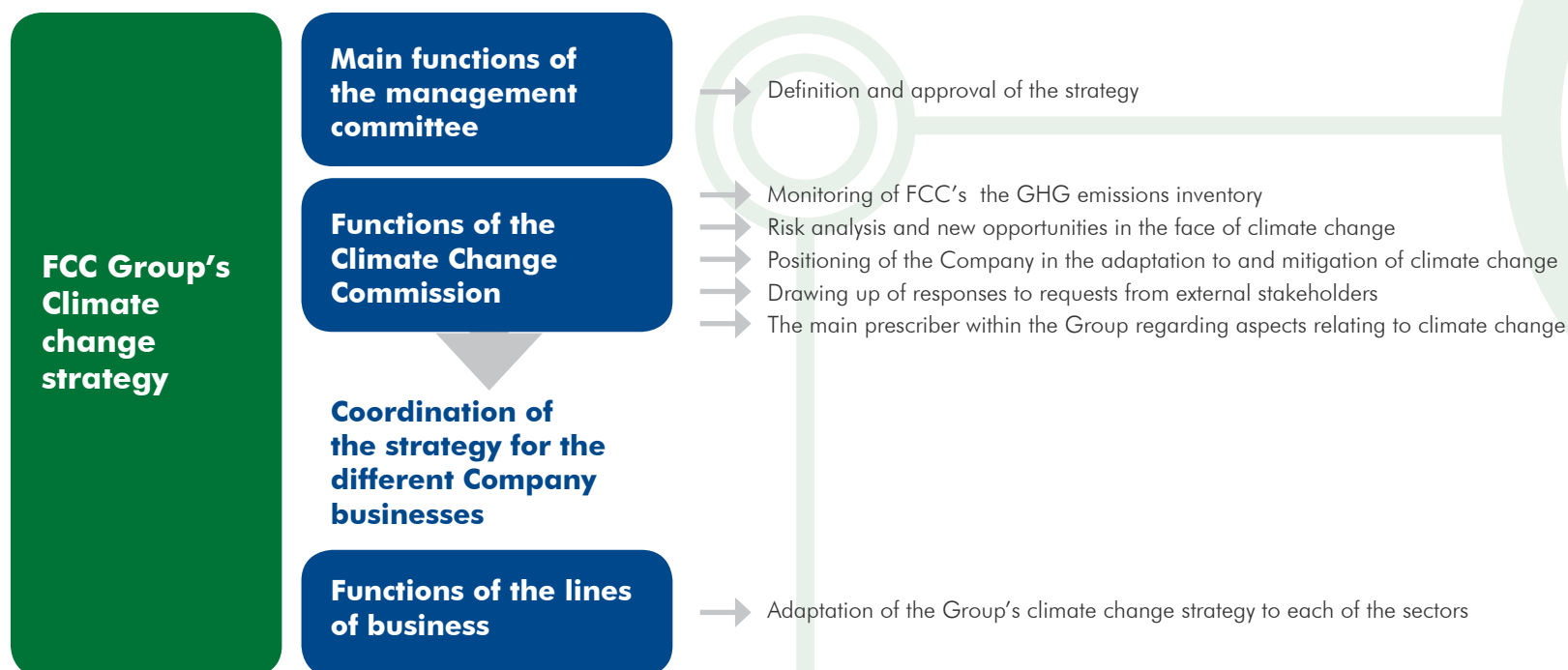
### 3. FCC against Climate Change

#### Mitigation and adaptation to climate change as a FCC Group strategy

FCC Group has developed a climate change strategy, approved at the most senior management level of the Company, and the elaboration of which has benefited from their business knowledge, thus contributing experience in these activities into the common corporate policy. The new products, services, technologies, systems and models developed by the company have been supported by innovation and efficiency as better tools for offering greater levels of well-being with lower levels of consumption.

Urban centres, as the main emitters of greenhouse gases that will be produced over the next decade, will require low-carbon efficient solutions.

\*With respect to environmental data, during 2013 some of the Company's data has been reduced, for two reasons: on the one hand the overall activity of the different business areas was reduced (although this was more specifically the case of infrastructure), and on the other hand changes have been made to the scope of the reported data. For example, for the 2013 environmental indicators report, the Medio Ambiente division this year has used the operational control criterion like it does with the other Group activities, so that only the facilities with the capacity to act, and when there is a possibility of committing to improvement objectives, are considered within said scope.



### Climate change. Milestones in 2013

- Design of the methodology and tools to calculate the indicators that will allow efficient management to be expressed in the use of resources, both energy and water, and the reduction of GHG, in the services provided by FCC Medio Ambiente.
- Verification by AENOR of the carbon footprint for the integrated water cycle in Lerida.
- Development of initiatives to reduce Scope 3 emissions (indirect emissions as a consequence of company activity from sources that are not its own) in the Construction division.
- Broader scope of verification in the measuring of the carbon footprint in FCC Construcción, expanded from Scope 3.

### Climate change. Challenges in 2014

- Verification of the carbon footprint of the FCC Medio Ambiente organisation in 2013.
- Verification of the methodology to calculate the carbon footprint and key intensity indicators specific to FCC's urban services activities in Spain.
- Progress in energy management with a view to the certification of 100% of FCC Medio Ambiente's activities.
- Broadening the scope for measuring the carbon footprint in the Water Management division.
- Driving the Group's Climate Change strategy, in terms of "adaptation" from the Construction division.

### 3.1. The corporate approach to Climate Change

The strategic nature that FCC Group confers to climate change is reflected in the designation of the Board of Directors as being responsible for positioning the Company's stance in this matter, as well as defining and approving FCC Group's Climate Change Strategy. Furthermore, by means of its Climate Change Commission set up in 2011, FCC coordinates these aspects in different areas of the Company's business.

#### 3.1.1. FCC Group's Climate Change strategy

Under the objectives established in the Corporate Responsibility Master Plan, the Company has developed its "2020 Climate Change Strategy". This strategy was born as a basic pillar of the smart services that FCC is committed to offering as a response to the opportunities in the environmental, social, and economic spheres posed by climate change.

In December 2012 FCC Group presented its 2020 Climate Change Strategy, with five pillars, whose general objectives are as follows:

- Pillar 1. MONITOR: calculate the carbon footprint of the Organisation, services and products under prestigious international standards.
- Pillar 2. REDUCE: offering services and products that have a lower carbon footprint.
- Pillar 3. ADAPT: adapting the activities to new future conditions, positioning ourselves as a company that provides services for adaptation to climate change.
- Pillar 4. INNOVATE: offering new services and products that are more efficient and less carbon intensive.
- Pillar 5. COMMUNICATE: improving the positioning of the company as one that offers solutions against climate change, by means of effective communication.

As part of its Climate Change Strategy the Company has developed an analysis of positive and negative impacts that this phenomenon can pose on different lines of the Company's business, it has identified the risks and opportunities that are part of its business strategy to set itself apart from its competitors.

## CLIMATE CHANGE ADAPTATION

### SCOPE

Impacts on the activity

- ⦿ Increase in the costs of production, operation and maintenance processes, as a result of extreme climatic phenomena.
- ⦿ Legal or reputational risks associated with the development of activities in "sensitive" areas or on "sensitive" resources.
- ⦿ Restriction in the availability of resources
- ⦿ Incorporation of climate criteria in the regulation of the sector.
- ⦿ Loss of competitiveness due to the effects of climatic impacts.
- ⦿ Risk to the integrity and physical characteristics of Company assets, products or projects as a result of climatic impacts.

Associated challenges

- ⦿ Stagnation in the activity of the sector in historic markets.
- ⦿ Increase in situations of reputational or legal damage.
- ⦿ Incorporation of climate criteria into companies activities.
- ⦿ Adjusting to a new regulatory framework that has greater environmental pressure.
- ⦿ Safeguarding the economic viability in light of increased costs as a result of climatic impacts.

### WATER MANAGEMENT

- ⦿ Restriction to the availability of resources necessary for the Company's activity (water).
- ⦿ Risks to the integrity of Company assets due to the effect of extreme climatic events.
- ⦿ Increases in operational and maintenance costs at the facilities due to changes in the characteristics of the resource (water), or changes to the operational conditions as a result of climatic effects.

- ⦿ Response to increases in demand in a scenario of greater shortages in resources.
- ⦿ Adjustment to a more restrictive future regulatory framework for the use of water.
- ⦿ Increase in the risk of conflict as a result of water usage.
- ⦿ Safeguarding maximum efficiency in the processes of water distribution, supply and consumption.

### ENVIRONMENTAL SERVICES

- ⦿ Failures and interruptions in the operational and maintenance processes of the equipment as a result of climate variation (particularly changes in temperature and intense precipitation phenomena). Restrictions in the availability of water for the processes.
- ⦿ Risks to the integrity of the infrastructure or failures/interruptions in the operational processes caused by extreme climatic events.
- ⦿ Stricter regulation regarding the use of resources necessary for companies activities (particularly water).
- ⦿ Management of failures in the operational processes, along with downtime and interruptions caused by extreme climatic events.
- ⦿ Ensure the integrity of the infrastructure and equipment against the effects of climatic variation and as a result of extreme events.
- ⦿ Reduction of the health risks facing personnel by variable climatic conditions.

## SCOPE

### Potential opportunities

- Opening new markets, the need for constructive solutions as short-term adaptation mechanisms.
- Development of new products/services framed around "more environmentally-friendly" solutions.
- Improvement as a company committed to environmental aspects.
- Collaboration with the government in the integration of climate change in the development of the sector.
- Financing international projects in vulnerable countries within the framework of multilateral banking initiatives.

## INFRASTRUCTURE

## WATER MANAGEMENT

- Development of new products and services; development of monitoring and water management systems, consumer-level training.
- Development opportunities for water management infrastructure projects in developing countries.
- R+D+i projects in the sphere of water management and saving.
- Collaboration with the government to integrate climate change into the development of the sector, and cooperation with other water consumer sectors in order to harmonize the activity of the sector with sustainable water use.
- Financing international projects in vulnerable countries within the framework of multilateral banking initiatives.

## ENVIRONMENTAL SERVICES

- Expansion of Company activities towards developing countries (vulnerable to climate change) in waste management infrastructure improvement projects.
- Renovation of infrastructure as a means of managing extreme post-event situations.
- Evaluation of alternatives sources for the harnessing of same (particularly water).
- Financing international projects in vulnerable countries within the framework of multilateral banking initiatives.

### 3.2. Reducing emissions, the common business objective

FCC Group shows its commitment to fight against climate change by maintaining control over the GHG emissions of all the Company's businesses. Under its "2020 Climate Change Strategy", FCC has established a quantitative objective to reduce emissions. Based on energy efficiency criteria, sustainable mobility, recovery and recycling, as well as management of waste, the Company intends to reduce 360,000 t CO<sub>2</sub>eq, so that in 2020 a rate of Mt CO<sub>2</sub>eq / M € of turnover is achieved, 3% less than the current rate.

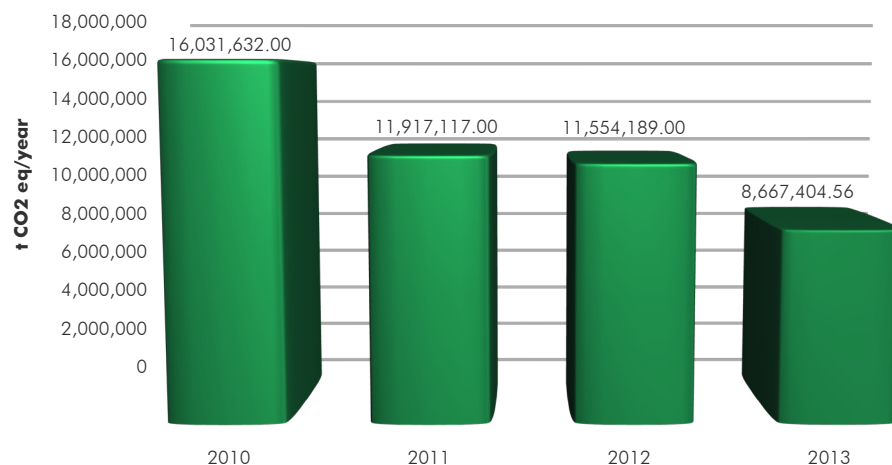
FCC takes into account and measures its Scope 3 emissions. Among other things, the Company considers the following: products and services acquired, upstream distribution and transportation, waste generated as a result of operations and business trips. These emissions have been calculated by following the Greenhouse Gas Protocol methodology.

Additionally, the Group has developed a technical energy efficiency guide, implemented into the corporate spaces and focused chiefly on lighting. A potential saving of 30% has been identified, which would reduce CO<sub>2</sub> emissions into the atmosphere by thousands of tonnes.

In 2013, FCC Group's GHG emissions totalled 8,667,404.56 t of CO<sub>2</sub> eq, representing a reduction from 2012 (11,554,189.00 t of CO<sub>2</sub> eq) and 2011 (11,917,117.00 t of CO<sub>2</sub> eq). In 2013 direct emissions reached 8,479,830 t of CO<sub>2</sub> eq, a figure that signifies a reduction of 22% with respect to 2012.

In its commitment to the operational efficiency of the business, FCC Aqualia has implemented new radiometers into the houses. Thanks to this new system, FCC Aqualia can read the water meters without requiring employees to move around. This measure will necessarily reduce the emissions caused by said travelling.

### Direct and indirect GHG emissions of FCC Group (Scopes 1 and 2)\*



\*Scope 1: direct emissions that come from sources that belong to de Company.  
\*Scope 2: emissions from the generation of electricity acquired and consumed.

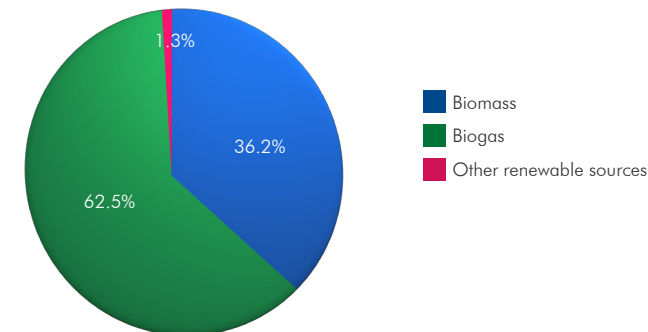
### 3.2.1 Alternative energies and energy efficiency: allies against climate change.

Increasing the use of alternative energy sources and the increase of auto-production of energy have been key to reducing emissions on the part of FCC Group.

A clear illustration of the Company's commitment to the auto-production of energy are the innovative solutions introduced into the treatment plants and the assessment of the Medio Ambiente division. These follow the twofold objectives of reducing greenhouse gas emissions and optimising the performance of co-generation, by means of harnessing the energy potential of biogas generated in the treatment of urban waste.

In 2013, the Company avoided the emission of 2,886,784.44 million tonnes of CO2 equivalent, through the implementation of initiatives related to fighting against climate change in the different companies.

### Consumption of auto-produced energy



### Consumption of FCC Group's renewable fuels according to company business areas (GJ)

| Fuels      | Environmental services | Water Management | Infrastructure | Total        |
|------------|------------------------|------------------|----------------|--------------|
| Bioethanol | 1,373.38               | 0                | 0              | 1,373.38     |
| Biodiesel  | 91,630.86              | 0                | 0              | 91,630.86    |
| Biogas     | 113,295.15             | 83,361           | 0              | 196,656.15   |
| Biomass    | 71,130.40              | 0                | 1,168,800      | 1,239,930.40 |

\*This does not include the breakdown of the Cement division's consumption.

### Consumption of FCC Group's non-renewable fuels according to company business areas (GJ)

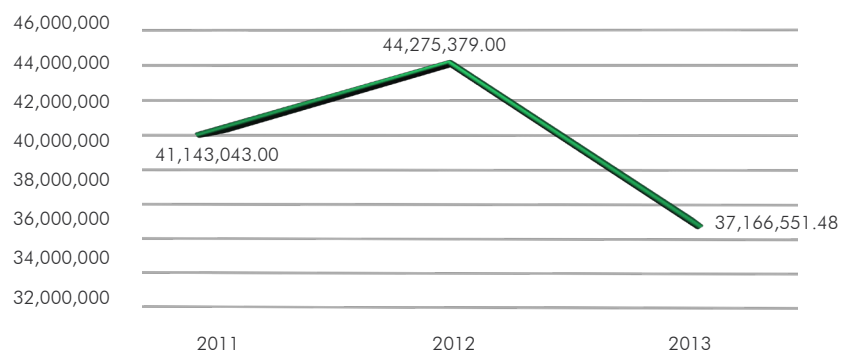
| Fuels              | Environmental services | Water Management | Infrastructure | Total       |
|--------------------|------------------------|------------------|----------------|-------------|
| Natural gas        | 956,672.46             | 23,361           | 824.91         | 980,858.37  |
| Petrol             | 23,354.56              | 204              | 22,736.2       | 46,294.76   |
| Diesel             | 2,527,967.39           | 125,849.76       | 412,942.35     | 3,066,759.5 |
| Fuel oil           | 1,008.80               | 214,511.29       | 123,838.31     | 339,358.4   |
| Propane and butane | 179.11                 | 0                | 31.96          | 211.07      |

\*This does not include the breakdown of the Cement division's consumption.



The total consumption of energy was reduced in 2013 compared to the previous year. Likewise, greenhouse gas emissions associated with this consumption has also decreased.

#### Total consumption of energy (GJ)



#### CARBON DISCLOSURE PROJECT

In 2013 FCC participated in the Carbon Disclosure Project for the fourth consecutive year, obtaining a score of 75 C. The Company will also participate in the 2014 edition.

### 3.3 Carbon footprint measurement in the FCC Group

#### 3.3.1 Carbon footprint measurement in FCC Medio Ambiente

FCC Medio Ambiente develops its products and services with a view to developing smart solutions as a competitive advantage in the city of the future; a city based on low-carbon economies and mitigation measures, and adaptation to climate change.

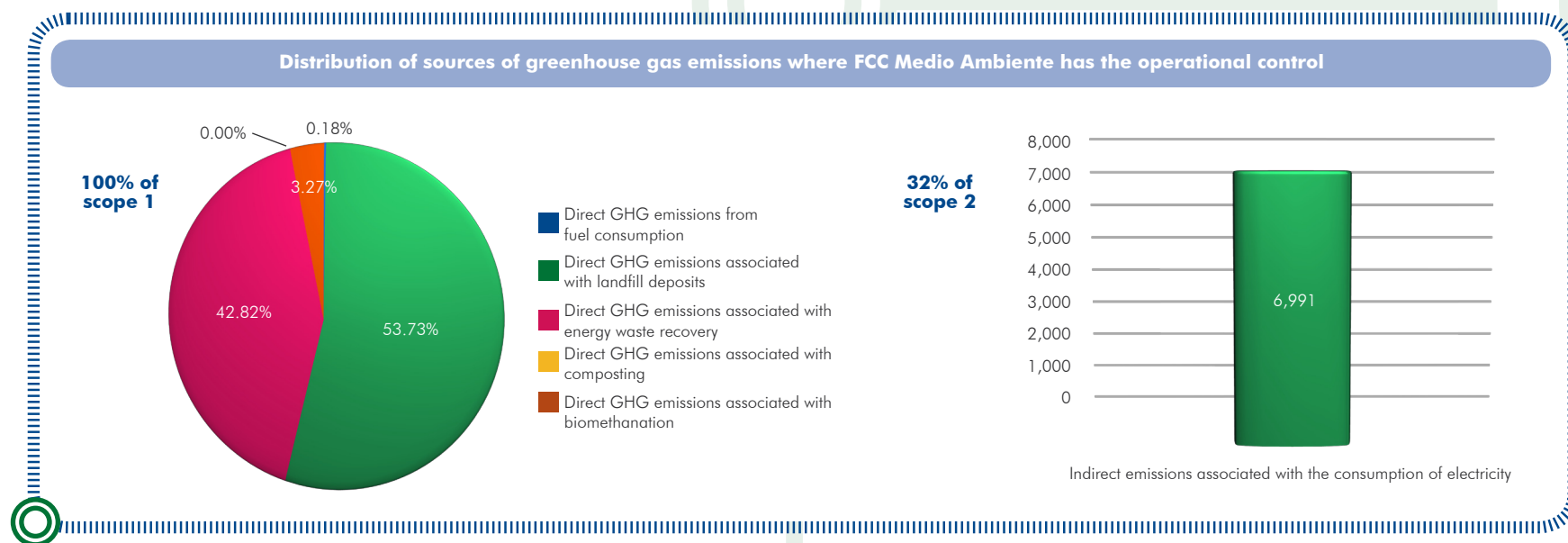
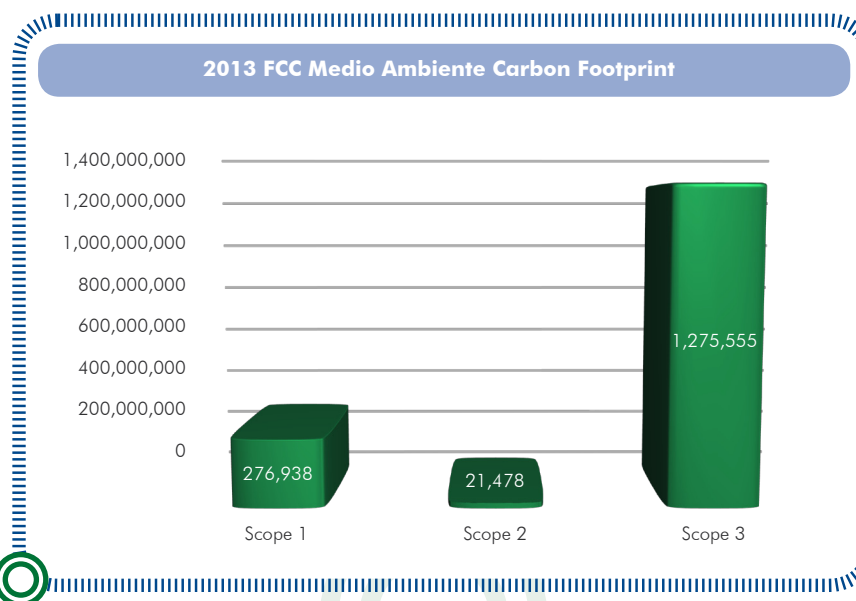
#### FCC MEDIO AMBIENTE'S CARBON FOOTPRINT

The calculation of the carbon footprint provides an overall picture of the impact that an organisation has on climate change, as a result of carrying out its activities, by quantifying its GHG emissions and by the identification of its sources. Furthermore, it is intended to be a quick and efficient indicator that provides an overall picture of the improvements in energy efficiency with respect to the processes developed by the organisation in order to contribute to fighting against climate change.

Since 2011 (first audited year) FCC Medio Ambiente's emissions were recorded as an organisation in Spain and the GHG Protocol was used as the standard, since it is the most recognised international standard for the calculation of carbon footprints at organisational level.

In May 2014 the verification of the organisation's carbon footprint was provided for 2013 in accordance with the established biennial frequency.

Moreover, FCC Medio Ambiente, has established a methodology and designed tools that will enable the calculation of the carbon footprint specific to urban services activities and their key intensity indicators. This more specific level of consolidation will be used to perform more extensive monitoring of energy management as well as the management of GHG throughout the term of the contracts.



## OBTAINING THE ENERGY MANAGEMENT CERTIFICATE IN FCC MEDIO AMBIENTE

In 2013, FCC Medio Ambiente obtained the Energy Management Certificate, GE -0022/2013, from AENOR, which it has implemented into its activities at its offices in Barcelona and the Balearic islands. It is a distinction that recognises the energy efficiency of the activity and that accredits the implementation of continual improvement of the Energy Management System in accordance with UNE-EN ISO 50001:2011.

The energy consumption is linked to the generation of greenhouse gases, therefore improvement in energy efficiency also means a reduction in greenhouse gas emissions.

The nine facilities included in the scope of the AENOR certification which comply with the requirements of the standard and that have planned and implemented defined improvement opportunities correspond to the activities of: Municipal Solid Waste (MSW) collection, selective collection of waste, cleaning of containers, street cleaning, maintenance of street furniture and children's play areas, cleaning and maintenance of buildings, cleaning and conservation of the sewerage system, and the cleaning and maintenance of fountains.

### 3.3.2 Carbon footprint measurement in FCC Aqualia

One of the main concerns of FCC Aqualia in its commitment to fighting against climate change, is the focus on improving energy efficiency in its activities. Through seeking new lines of investigation, the Company pursues a twofold objective: the improvement of environmental management and a reduction in the amount of services provided to clients, since electrical consumption represents 8% of the cost paid by the end user for the services provided.

FCC Aqualia has implemented an **Energy Management System** in accordance with the requirements of ISO 50001:2011.

## MEASUREMENT AND CERTIFICATION OF THE CARBON FOOTPRINT OF THE INTEGRATED WATER CYCLE IN LERIDA

In 2012, following the guidelines established in the corporate climate change strategy, FCC Aqualia became the first company of the water sector in Spain to perform an analysis of the carbon footprint of greenhouse gas emissions (GHG) in the integrated water cycle in Lerida. In 2013 FCC Aqualia also became the only company in the sector in Spain to have its carbon footprint verified by AENOR.

The study, certified by AENOR based on the UNE-EN ISO 14064-1:2012 Standard, has a full scope since it takes into account both direct and indirect GHG emissions. AENOR certified that the water management services of Aigües de Lleida, of FCC Aqualia, generates emissions of 3,045 tonnes of CO<sub>2</sub>. The certification of the carbon footprint for the integrated cycle in Lerida allows the Company to be aware of, and control, the emissions of the management and products, improve its competitiveness and increase transparency of the activity with respect to stakeholders. Furthermore, the work has identified and quantified the amount of fixed carbon (carbon retained in the biomass for more than 100 years), the emissions avoided, and the actual emissions that come from the burning of biomass.

It is important to point out that 90% of all GHG emissions come from the water treatment plant, due to the physical-chemical processes that are involved in waste water treatment. Therefore, the study has revealed that the noteworthy environmental management of the WWTP allows the emissions caused by electrical energy consumption to be offset by avoiding other emissions.

This initiative means a further step in the Company's eco-efficient management strategy, since it allows for the identification of new environmental improvements and the reduction in both emissions and energy consumption. The initiative to calculate and verify GHG emissions will be implemented into more towns where FCC Aqualia provides services.

## OBTAINING THE ENERGY EFFICIENCY CERTIFICATE IN ALCOY

In 2012 the drinking water supply facilities in Alcoy, managed by FCC Aqualia, received the GE -0038/2010 certificate from AENOR for its energy management system, which was in accordance with Standard UNE-EN ISO 50001:2011. This distinction, renewed in 2013, recognises the drinking water supply activities managed by the Company. The certification under this Standard helps the companies in the sector to reduce their energy consumption and Greenhouse Gas emissions.

In order to obtain the certification, FCC Aqualia carried out a series of measure to improve the efficiency of the system. The replacement of groups of pumps and the installation of frequency converters for ones that are more efficient; the installation of remote stations connected to a remote control station; sector meters with data recorders that allow for the detection of leaks and therefore reduce their occurrence as much as possible; the replacement of bulbs for energy-saving bulbs and the installation of switches whose timing can be programmed, has meant that the integrated cycle managed by the Company has been modernised.

AENOR has audited that the requirements of the standard have been met and that the established consumption base line has been checked, the opportunities for improvement have been detected, action taken with regard to same, and that there is continual improvement in energy performance.

The main measures consist of the following: the reuse of excess clean rubble and earth from the site itself, proper maintenance of machinery, speed control of vehicles on site, and the use of less contaminating fuels, etc.



### 3.3.3 Measurement of Scope 3 Emissions in FCC Construcción

FCC is committed to sustainable construction with the focus on energy saving, emissions reduction and being environmentally-friendly.

FCC Construcción has implemented a system of best practices (Sistema de Buenas Prácticas®) which ensures an improvement in the activities environmental results and that goes beyond legal requirements.

## THE CONTROL OF SCOPE 3 EMISSIONS AT FCC CONSTRUCCIÓN

As part of the Company's commitment to reducing emissions in combating climate change, it is worth pointing out the effort made by FCC Construcción to reduce Scope 3 emissions; emissions produced as the result of the Company's activity but that are generated from sources beyond its control: transportation of employees, transportation of purchased fuels, emissions in the supply chain, etc. Among the main initiatives carried out are the following:

- Redesign of processes, such as the optimisation of routes, promoting the consumption of local resources closer to the construction site, use of less contaminating fuels, better lighting and control of energy consumption.
- Replacement, modification or renovation of the equipment, with the suitable maintenance of machinery and construction site vehicles and adjusting the intensities and types of lighting installed.
- Awareness campaigns aimed at employees and subcontractors, with initiatives such as speed reduction on construction sites.
- Emissions inventory, certified by AENOR, in which the following Scope 3 emissions are included:
  - Emissions associated with production and transportation of consumption materials. It takes into account emissions from the production and transportation of concrete, asphalt and steel, and the emissions from the transportation and movement of earth and aggregates.
  - Emissions associated with the incorporation of subcontracted business units into the scope of the Group.
  - Emissions associated with the transportation and management of surplus materials and waste.
  - Emissions associated with the transportation of personnel for Company business trips.
  - Emissions due to the loss in transmission or distribution of electricity.

## 4. Environmental management at FCC

### Commitment to the protection and conservation of the environment

The environmental policy of FCC Group reflects the Company's commitment to the protection and conservation of the environment. Environmental management is an integral part of the Group's business strategy and therefore all business divisions take it into account during their daily activities.

The company actively promotes the environmental optimisation of production processes as a means of reducing its environmental impact.

In order to reduce the effect of the impact of its activity, FCC performs a series of studies in order to identify, classify and evaluate the impacts that are made from by facilities, and subsequently establish the measures necessary to minimise negative environmental impacts.

\*As stated previously, with regard to the data included in this subsection it is necessary to take into account the reduction in activity during 2013 (fundamentally in Infrastructure business), and that changes have been made in the scope of the reported data.

#### Environmental management. Milestones in 2013

- Certification of energy management in the city of Barcelona in FCC Medio Ambiente: ISO 50001
- Servicios del Levante SA environmental certification in FCC Medio Ambiente: ISO 14001.
- Certification of the Reus contract within the EMAS regulatory framework.
- Implementation of operational efficiency systems in FCC Aqualia
- Nomination of FCC Construcción as Global Environmental Ambassador for 2014 for the environmental project developed by FCC in Enniskillen Hospital.
- On-line provision of FCC Construcción's CACUMEN tool, for the collection and consolidation of operational environmental data related to the division.
- Evaluation regarding sustainability of FCC Construcción tenders: categorisation of projects according to economic, social and environmental risks.



- Obtaining the environmental management system certificate in 21 countries in which FCC Construcción is present.

#### Environmental management. Challenges in 2014

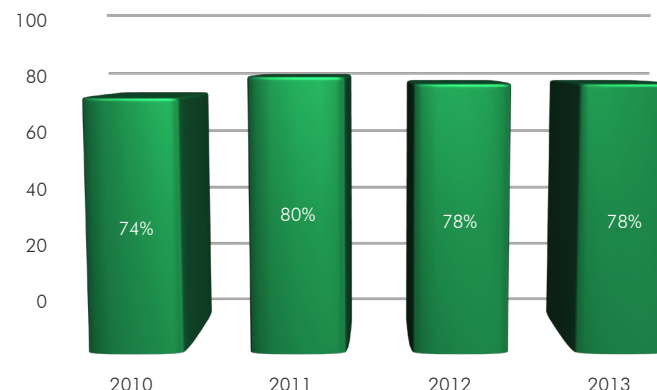
- Maintenance of environmental certificates obtained for FCC Medio Ambiente centres.
- Measurement of FCC Aqualia's water footprint. Project in Cantabria in collaboration with the Complutense University of Madrid, the University of Cantabria and the Botín Foundation.
- Certification of FCC Contrucción's environmental management system in Mexico, Panama and Nicaragua.

#### 4.1. Environmental management system

FCC's **environmental management system** is a basic instrument for the eco-efficiency of the production processes. The Company continually promotes the environmental certification of activities and installations.

Practically all FCC Group's business areas have an environmental management certificate in accordance with Standard UNE-EN ISO 14001:2004 in Spain, as well as projects that are developed in other countries. The objective of each division is to certify 100% of its operations under this standard. After each acquisition a period of 6 months is established, with the purpose of aligning the project with the Company's environmental policy.

% of activities with ISO 14001 environmental certification



The Spanish Technical Building Code (CTE) in the environmental quality management systems of the Company is important. The application of this code improves the efficiency in 100% of the buildings constructed by the Company.

In order to understand the effectiveness and degree of development of the initiatives and projects carried out, FCC makes use of an internal information collection and management system called "**Horizonte**". In total it has 25 environmental indicators, broken down into groups, lines of business and countries, the tool also serves as a starting point for the design of improvement plans and corrective actions.

In 2013 **FCC Medio Ambiente** recorded the Reus contract under the EMAS certification. Furthermore, it achieved certification in energy management in the city of Barcelona under ISO Standard 50001. It was certified by Servicios del Levante SA in 2013 under ISO Standard 14001.

FCC Construcción has implemented a **System of Best Practices** with actions that ensure better environmental results that go beyond legal requirements. Based on the analysis of previous environmental impacts and their classification, the Company has categorised a series of actions that the sites select and implement in so far as they are applicable.

These best practices are weighted according to several factors. Thus the following achieve a better assessment:

- Actions that result in a greater benefit to the environment.
- Actions that are intrinsically better.
- Actions that are more innovative and result in a greater effort with respect to the sites (either due to the investment, research or ingenuity involved).

For the assessment of best practices, their scope must also be taken into account. Those that show a higher level of implementation, greater generalisation and a higher number of interventions will achieve a better assessment.

An IT application manages the Environmental Plan of the Company's sites and centres and ensures the reliability and availability of the data.

The information that is generated at each construction site, and that the site uses for proper environmental management, is entered into a database that allows the environmental pulse of the company to be gauged, that enables improvement actions to be undertaken and information is provided to society. A rigorous internal auditing system, and its own controls, that the data are subject to in the different integration processes, validates their accuracy.

#### 4.1.1 Environmental management in the corporate culture

FCC aims to instil an environmentally-friendly corporate culture in all its processes and systems. Company considers training in environmental management systems to be a crucial investment in the promotion of proper environmental practices. At both the headquarters, and at different business units, procedures have been developed for these spaces to be considered Green Working Points.

The Group's 2012-2014 Corporate Responsibility Master Plan, ensures forward-looking targets are maintained with respect to the environmental policy and establishes as a target for 2014, among others, the evaluation of suppliers according to environmental, social and ethical criteria.

#### 4.1.2 The Company's risk map includes environmental risks

As part of the process of drawing up the Corporate Risk Map, aspects relating to the analysis and management of environmental risks are included. The basic tool for the management of this type of risk is the environmental plan drawn up by each of the business units and which covers the following phases:

- Identification of environmental aspects
- Definition of environmental impact evaluation criteria.
- Measures required in order to minimise these impacts.
- System for measuring and monitoring targets.
- Subsidiary management systems with procedures for the management of environmental emergencies.



## 4.2 Efficient water management

Water is a differentiating factor as far as the social and economic development in various regions of the world is concerned. Different global trends such as climate change, growing populations, urbanisation processes and growing middle classes pose a serious risk to the availability of this resource. Water scarcity combined with the growing need to build and manage hydraulic infrastructure are the major challenges for all those involved in this sector.

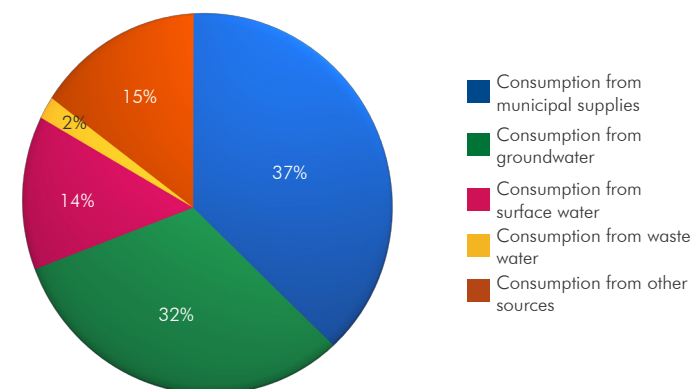
Since water is a key factor for the performance of many of the Group's activities, such as the environmental services activities (street cleaning and garden maintenance), or the manufacturing process of cement and concrete, FCC encourages the rational and efficient use of this resource and promotes the use of water from alternative sources.

The efficient management of this resource in FCC Aqualia is especially relevant. As a subsidiary of FCC specialising in integrated water cycle management, it serves a population of around 28 million people all over the world. Its experience and efficiency in the management of water resources is an extra pillar in our commitment to the sustainable development of FCC.

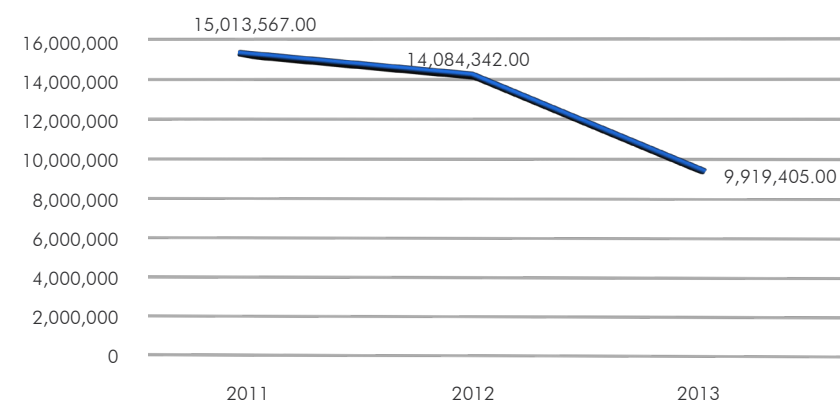
In 2013, FCC Group's water consumption amounted to 9,919,405 m<sup>3</sup>, of which 37% is from municipal supplies.

The decrease in water consumption is directly related to the reduction in the volume of the Infrastructure activity (construction and cement), these activities have consumed approximately 3.5 million cubic meters less. The data does not include self-consumption of the integral water cycle management activity.

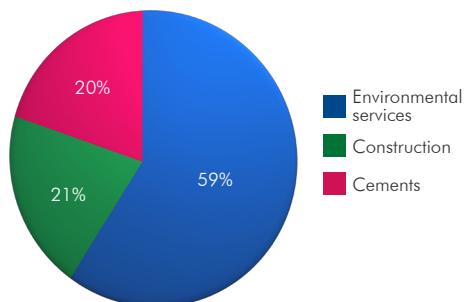
Water consumption according to source (%)



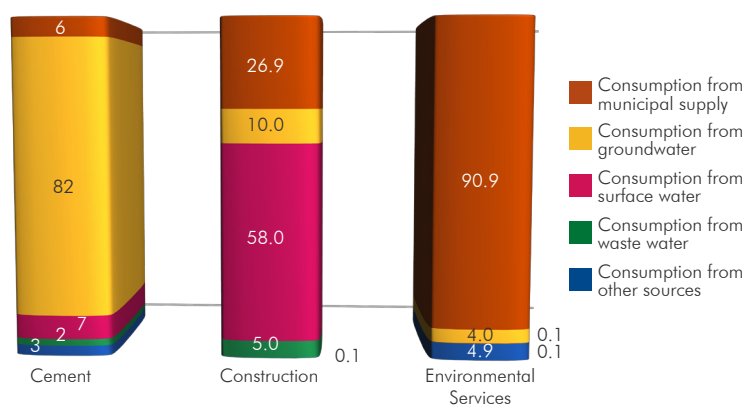
Total consumption of water (m<sup>3</sup>)



Water consumption by business area



Water consumption by business area according to source (%)



#### 4.2.1 Water management at FCC Aqualia: present in the integrated water cycle

FCC Aqualia offers solutions for the integrated water cycle regardless of its use: domestic, agricultural or industrial. Its experience in this area helps improve efficiency in the management of water resources in the other Group companies and controls all the phases in the integrated water cycle, pursuing the optimization of resources that promote sustainable development.

The integrated water cycle starts from the capturing, purification and treatment of the water collected from the natural environment, to its distribution and collection of used water for its subsequent purification and return to the environment where it was obtained.

Currently the company is present in over 1,100 municipalities throughout the world, and has the capacity to serve around 28 million people. FCC Aqualia is considered an expert in the field of integrated management due to its extensive and proven experience in all phases of the water cycle.

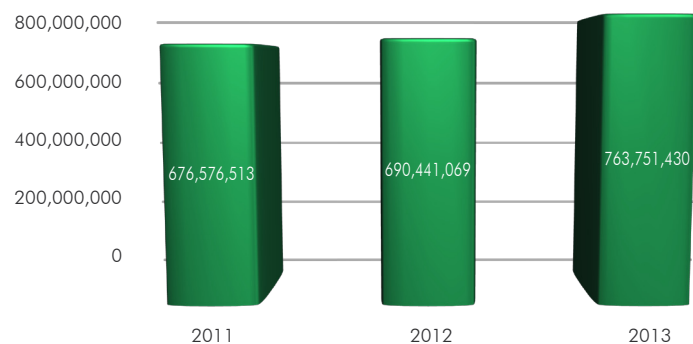
FCC Aqualia's main asset to protect the environment is investment into research and development through work on sustainability, which involves working on reducing the environmental impact, reducing energy costs, and using sludge treatment equipment as resources, as well as creative alternative treatments.

FCC Aqualia has management systems certified in accordance with Standard UNE-EN ISO 14001 in all its activities, which allows the correct implementation of the environmental plans. As the Company expands the scope of said certification it facilitates the homogenisation of plans as well as the maintenance of quality levels.

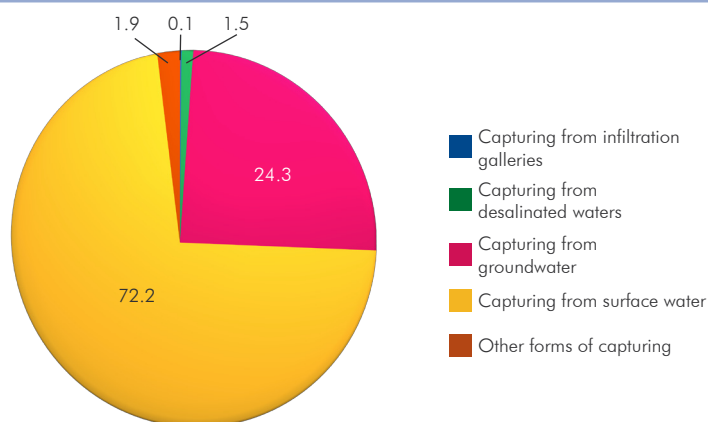
The total volume of captured water for management carried out by FCC Aqualia in 2013 was **763,751,430 m<sup>3</sup>**.



Volume of captured water (m³)



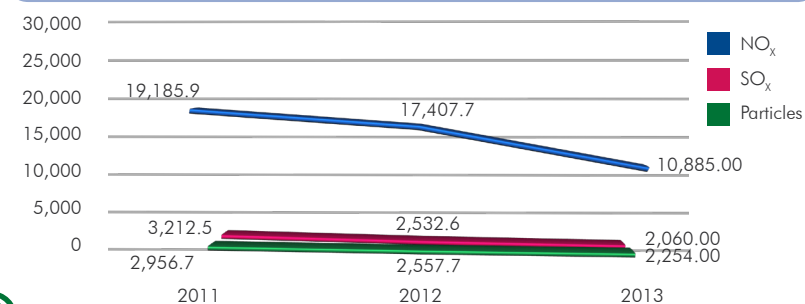
Origin of water managed by capturing source (%)



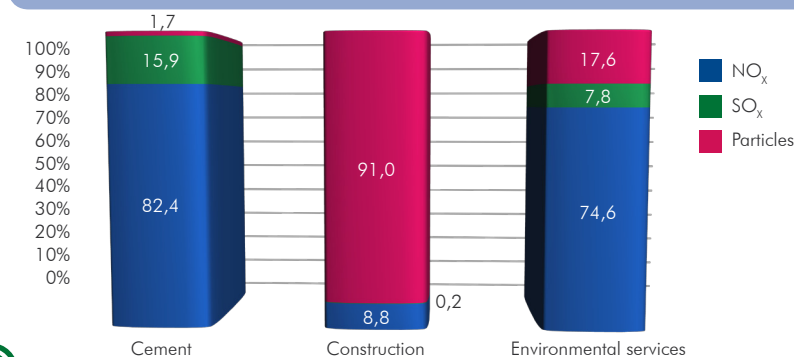
### 4.3. Atmospheric emissions

The Group's main emissions, in addition to carbon dioxide emissions (CO<sub>2</sub>), are nitrogen oxides (NO<sub>x</sub>), sulphur dioxide (SO<sub>2</sub>), CFC and solid particles. NO<sub>x</sub> emissions are produced primarily in the cement business; SO<sub>2</sub> emissions are mainly produced in the Environmental Services business, and the particles in the infrastructure business.

SO<sub>x</sub>, NO<sub>x</sub> and particle emissions (t)



% of emissions by business area





All the Group's centres subject to Integrated Environmental Authorisations (in accordance with Law IPPC 16/2002) have established atmospheric emissions' limitations for all their sources of emissions. In general, they all have gas cleaning and filtering systems that use different techniques depending on the characteristics of the process generating the emissions.

#### 4.4. Control of discharges and spillages

FCC Group establishes very demanding and specific procedures for the prevention and proper management of spillages by means of its environmental management systems and integrated environmental permits. In order to avoid negative environmental impacts, each centre has defined action protocols that establish responsibilities and what to do in the event of an accidental discharge or spillage.

The Company's own waste water receives different treatment, according to its nature and contaminant load, before being returned to the environment, with the purpose of complying with the established discharge limits set out in the regulation, or in the permits.

| Total volume of discharged water (m³) |              |
|---------------------------------------|--------------|
| 2012                                  | 2013         |
| 5,950,039.84                          | 3,063,125.22 |

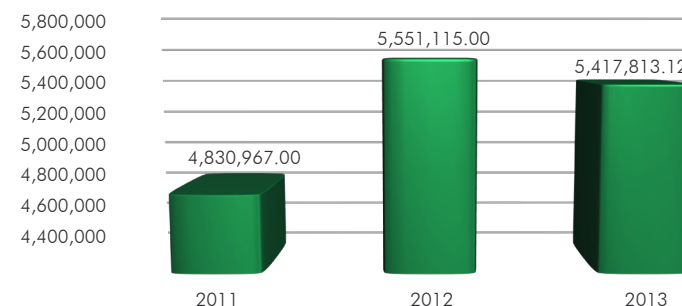
Furthermore, it is important to point out that FCC Group manages and treats other discharges that do not come from its own activities, as part of its integrated water cycle activities performed by FCC Aqualia.

| Volume treated in waste water treatment stations and returned to the environment (m³) |             |
|---------------------------------------------------------------------------------------|-------------|
| 2012                                                                                  | 2013        |
| 499,002,489                                                                           | 557,073,556 |

#### 4.5. Waste management

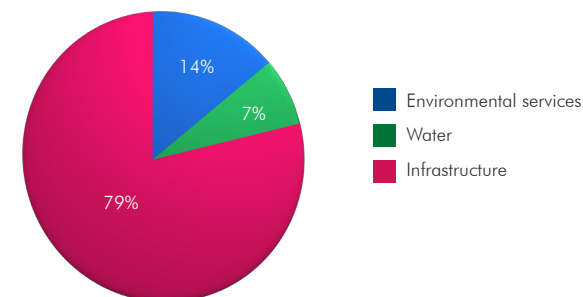
The growing need to manage waste is the result of the growth of the population in urban centres linked to economic development. FCC's strategy is committed to recycling, reuse and recovery of waste in order to face up to this problem.

Evolution of total waste generation (t)

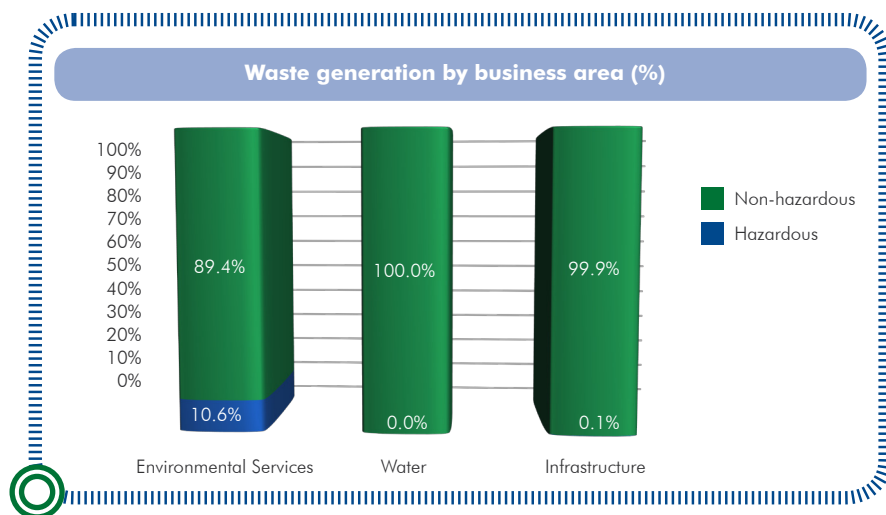


Each of FCC Group's business areas has its own waste management plans, in line with the responsible consumption of raw material criteria in order to minimize their generation.

Origin of the generated waste



Following the "three Rs" rule (Reduce, Reuse, Recycle), as the strategy applied to waste management, FCC Group gives priority to reducing at origin.



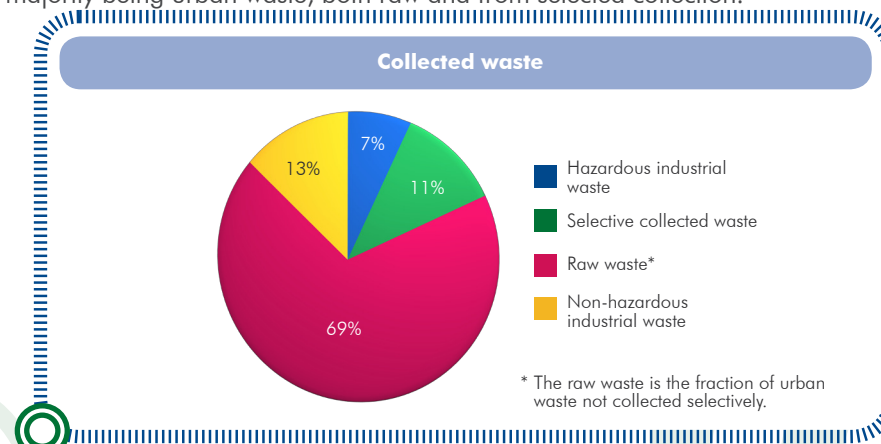
The Group has a business division that specialises in integral waste management, and the waste volume collected is more than 6.69 million tonnes of different types of waste (industrial and urban, hazardous and non-hazardous waste). Among the FCC companies that specialise in waste management are FCC Medio Ambiente, FCC Environment (UK), ASA and FCC Ámbito.

FCC Medio Ambiente, FCC Environment (UK) and ASA. are subsidiaries of the Group that provide urban sanitation services, such as municipal waste collection, street cleaning, treatment of urban wastes and the maintenance and upkeep of parks and gardens. FCC Group is a leader in this sector in Spain and is one of the largest operators in the United Kingdom, Austria, Portugal, Egypt, Czech Republic and the following eastern European countries: Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia. It provides services to more than 72 million citizens.

Furthermore, FCC Ámbito provides services in the field of integrated management of industrial waste, industrial cleaning, decontamination of soil and external intervention in case of accidents, spillages, discharges, etc.

This diversity, taking into account the broad range of waste that it manages, and the breadth of countries across which it offers solutions, makes FCC Group one of the world's

leading companies in integral waste management. So much so, that throughout the whole of 2013, the Group collected more than 6,692,653.44 tonnes of different types of waste, the majority being urban waste, both raw and from selected collection.



With regard to waste treatment, FCC Group has facilities for the treatment of all types of waste. The company carries out recovery processes, elimination in controlled landfill, deposits in rubbish tips and stabilization.

In 2013 the company treated 17,091,361 tonnes of waste at its facilities.

| Waste treatment: % of the total admitted at FCC facilities |      |
|------------------------------------------------------------|------|
| Recovery in selection and classification plants            | 4.0  |
| Recovery by biological treatment                           | 3.1  |
| Recovery by heat treatment                                 | 2.3  |
| Recovery in construction and demolition-waste plants       | 0.0  |
| Elimination in controlled landfill                         | 80.7 |
| Deposits in rubbish tips                                   | 0.0  |
| Recovery by recycling                                      | 0.2  |
| Energy recovery                                            | 0.0  |
| Recovery by physical-chemical treatment                    | 3.1  |
| Stabilisation                                              | 0.6  |
| Transfer to an end manager                                 | 6.0  |

#### 4.6. Biodiversity protection

The activities of the Group have an associated impact on the territory, and therefore on biodiversity. The material impacts on the environment mainly take place within the infrastructure division. To mitigate the effect that these impacts have on the environment as a result of construction and development of quarries, the Group is developing comprehensive management approaches for the restoration of affected spaces and protecting biodiversity. Therefore, the physical condition of the environment in which they work to receive indigenous biodiversity, the management of the natural environment to improve the conditions of biotopes and eradication of invasive species of high ecological impact, are the guidelines on which the activities of the Group are based in its concern for the conservation of biodiversity.

The estimated surface area of protected zones or areas of high value for biodiversity, contained within, or adjacent to, the areas where FCC operates is 217,485.83 hectares.

It is important to point out that in 2013 FCC joined the Spanish Corporate Biodiversity Initiative (IEEB), promoted by the Biodiversity Foundation of the Ministry of Agriculture, Food and the Environment.

The initiative aims to integrate biodiversity protection as another factor to consider in the strategic decisions of companies. FCC was one of the first companies to join the initiative.

#### 4.7. Communicating and disseminating environmental issues

It is important to point out the effort made by FCC in the sharing of their knowledge and experience in matters of best environmental practices by participating in events and initiatives relating to the environment. This way the Group contributes to reflecting and learning about the professional practice of environmental excellence and about responsibility with regard to the environmental behaviour of citizens.

### ECOSYSTEM SERVICES

Given the growing importance of **protecting biodiversity** in the urban environment development model, in 2013 the Company opened up lines of investigation with the purpose of improving the quality of life of the citizens in those municipalities where it manages green zones.

The green spaces, as with ecosystems, provide the community with a range of benefits, known as **ecosystem goods and services**. Experts have defined four types of services:

- **Supply services** of the goods themselves, such as food, water, wood and fibres, etc.
- **Regulation services** of the climate and rainfall, of water (for example flooding), of waste and the spread of disease.
- **Cultural services** that provide beauty, inspiration and recreational values, etc.
- **Essential services**, such as soil formation, photosynthesis and the cycle of nutrients, which are the mainstay of growth and production.

New importance is gaining ground regarding a focus on ecosystem services for **quantifying the benefits produced** from green services in the cities (CO<sub>2</sub> sinks, generating business as a result of a change in attitude, air purification, recreational activities, etc.).

Therefore, as a Company with extensive experience in the conservation and upkeep of parks and gardens, lines of research on matters of regulation and cultural services are especially relevant, which when quantified economically, can be included in the services offered by FCC.

#### 4.8. A differentiating environmental service: tools and indicators for efficient management

In recent years FCC has been developing different initiatives for the measuring, coordination and spreading awareness of its environmental performance. Among these initiatives the following have been implemented by the Medio Ambiente division:

- ce2d® methodology: for establishing and monitoring environmental performance
- SEDRUS® knowledge platform (Sharing Environmental Data to Reflect Urban Sustainability): for the dissemination of environmental data on matters of park and garden management, sustainable management of treatment facilities, and the elimination of, and fighting against climate change.
- Methodology and Verification of the Organisation's carbon footprint (base year 2011)

With the ultimate aim of presenting a differential service based on economic and environmental efficiency, and on reliability, it is important to use the information and experience acquired in the above-mentioned initiatives in order to move on to the next level of production services. To this end, currently FCC is trying to establish and calculate the indicators that will allow the efficient and sustainable management of the environmental services provided, during the awarded management services contracts, to be expressed, seeking and demonstrating efficiency in the use of resources, both energy and water, and minimising Greenhouse Gas emissions (GHG).

#### EFFICIENT MANAGEMENT INDICATORS REGARDING RELEVANT ISSUES

The strategic guidelines established by the EU aimed at the responsible use of resources, recovery of waste and the reduction of GHG signifies significant risks and opportunities for those organisations that FCC is developing.

Based on this context, the company is working towards the identification of relevant matters for different stakeholders in order to demonstrate their technical solvency with regard to these aspects.

Since 2013 FCC's Medio Ambiente division has been working on the definition and validation of efficient management tools regarding relevant issues, such as the management of resources, energy and water, and the reduction of GHG emissions. The management of said matters will be limited to contracts in which the company has operational control, meaning, where it has the capacity to act and can commit itself to establishing improvement objectives.

The efficient management indicators of relevant matters, that the company has been addressing consecutively, can be classified at different levels.

|                                                                                                    |                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Organisation                                                                                       | In May 2014 FCC Medio Ambiente’s carbon footprint for 2013 will be verified, and it will be compared with that of the base year (2011).                                                                                                                                                                              |
| Activities regarding the collection of waste, street cleaning, and the upkeep of parks and gardens | In May 2014 an audit will be performed on the methodology and tools designed for the calculation of the indicators that will allow the sustainable management of the services provided to be expressed, for activities regarding the collection of waste, street cleaning, and the maintenance of parks and gardens. |

<sup>2</sup> This methodology and the calculation tools have been designed, adjusted and validated by a scientific entity and their adaptation to recognised standards has been validated by an entity of recognised prestige that specialises in Climate Change.

Activities regarding treatment and the elimination of waste

At the beginning of 2014 the Company created a steering group for treatment and elimination activities, in which a series of case studies were raised which, over the next two years, will involve the monitoring and evaluation of relevant matters detected. This work will enable the demonstration of the Organisation's technical capacity with regard to efficient management in the use of resources, as well as in the reduction of greenhouse gases at landfill sites, and in the recovery of materials.

With the establishment of these methodologies and indicators for efficient environmental management, in 2016 they will then be extended to FCC Medio Ambiente division's activities and service contracts when requested by customers. These tools will allow FCC Medio Ambiente's management ability to adapt to environmental demands to be demonstrated to stakeholders.

## TOOLS FOR EFFICIENT MANAGEMENT

The environmental services subsidiary in the United Kingdom, **FCC Environment** has implemented a software tool called **WRATE** (Waste and Resources Assessment Tool for the Environment), which allows environmental impacts of different municipal waste management systems to be compared. The program uses life cycle evaluations to include resources used, the transportation of waste and the operation of a wide range of waste management processes with their environmental benefits and costs. WRATE is designed so that managers can easily apply complex techniques for the management of the life cycle of urban waste. The results are easy to understand and interpret for financial managers, politicians, and other stakeholders.







## CONNECTING CITIZENS

### Maximising the positive impact of activities in the community.

FCC Group intends to link the performance of its activity with the current demands of society. The Company is committed to maintaining an open attitude to dialogue with different stakeholders in order to consolidate the sustainability of its business. The Company involves citizens and its own employees in the development of sustainable solutions.

The ultimate objective is to generate maximum social value by means of interaction with FCC stakeholders and creating added value activities. The main lines of action are:

- Establish a sustainability observatory (sustainable radar), by means of dialogue platforms at town and city councils with the objective of connecting FCC management with the trends and needs of future communities.
- Promote sustainable behaviour among citizens (active sustainability). This means involving communities in the development and start-up of sustainable solutions.
- Promoting the participation of workers, by means of designing programmes for the development of the "responsible local commitment" concept.
- Consolidate the corporate volunteer programme in collaboration with the Esther Koplowitz Foundation and its residential homes in Madrid, Barcelona and Valencia, for the elderly that do not have any resources or young people with physical disabilities.
- Maximisation of sustainable value by means of positive impact action that strengthens the public appreciation of the service that the Company provides.

### Content

- **1. Social commitment as a distinguishing feature in FCC Group**
- **2. Corporate volunteering**
- **3. Interaction with stakeholders**

## 1. Social commitment as a distinguish feature in FCC Group

The Corporate Responsibility Master Plan defines the framework of action regarding FCC Group's social matters. The main social commitment actions carried out by the Company are supervised and approved by Senior Management.

Included in these actions are those relating to the signing of conventions and agreements with universities, business schools and technical centres and colleges, donations, corporate volunteering and the provision of support to public and private institutions and associations.

In 2013, FCC Group's activity, aimed at social projects, was centred on education, support for people with special needs, heritage conservation, dissemination of art and culture, promotion of sport, and environmental awareness, among other things. The amount allocated to corporate citizenship projects reached a total of 4.017 million euros.

### Social commitment. Milestones in 2013

- Start-up of the First disability and social and occupational integration week.
- Support by FCC Environment to social and environmental campaigns through the WREN foundation.
- Collaboration in professional training initiatives by FCC Ámbito such as the 2013 Youth Project in collaboration with INDESPRE and REPACAR.
- FCC Aqualia was a finalist in the Territorio y Marketing awards for the educational initiatives developed by the Company in Oviedo.
- Celebration of World Environment Day with the 11th Edition of FCC Aqualia's drawing competition which was a great success with regard to participation.

### Social commitment. Challenges in 2014

- Develop metrics to assess the impact of its corporate citizenship projects.
- Development by FCC of the environmental volunteer programme "Teachers for a day"

### 1.1 Education: collaboration with universities, colleges and business schools

Cooperation within the sphere of education represents a traditional line of action with respect to the social commitment activities of FCC Group. Knowledge and experience of the employees are the main assets of the project developed by the Company. FCC makes use of this expertise and carries out educational activities aimed at economic, environmental, social and cultural development of the local communities where it operates.

Each one of FCC Group's lines of business promotes its own educational activities. In 2013 specifically the Medio Ambiente division invested a total of 2.7 million euros in initiatives for the protection of the natural environment and the promotion of the efficient use of resources through educational activities.

FCC's objective is to share knowledge in the areas in which the Company specialises, fundamentally in the areas of waste management, combating climate change, improving air quality, maintenance of parks and gardens, and social corporate responsibility, among others.





Main agreements and initiatives on education in 2013:

## FCC MEDIO AMBIENTE

Collaboration with the Design and Processes Engineering Department of the **University of Huelva (UHU)** in:

- The IISIS "Integrated Research on Sustainable Islands" project, for the management of waste in island environments.
- Measurement of the carbon footprint of the services.
- Technical advisory agreement signed by the **Polytechnic University of Valencia (PUV)** for the control of pests and diseases in urban trees.

Agreements signed for the performance of work experience:

- The **Confederation of Aragon Entrepreneurs (CREA)** for the performance of non-labour work experience at its centres in Zaragoza.
- The **University of Zaragoza** for the performance of work experience.
- **Dynamic Zaragoza (Zaragoza Municipal Institute for Employment and Business Development)** for performance of non-labour work experience at work centres.
- The **Integrated Centre for Professional Training in Aguas Nuevas** for performance of non-labour work experience at work centres in the parks and gardens in Albacete.
- The **Olot Professional Technical School, the Centre of Financial Studies in Barcelona** and the **Agustí Serra Institute** so that their students can gain work experience in the Company.
- The **University of Tarragona (Rovira Virgili University)** promoting end-of-course projects and collaboration agreements.
- Agreements with the **University of Vigo** for the training of students and a job bank concession in the Barbanza Environmental Complex.

## FCC AQUALIA

Collaboration with the **Industrial Organisation School (EOI)**:

- Presence in the **Advisory Council on Quality and Excellence**.
- **Programme for the Development of Management Skills**, where the participants received training for the development of management skills and competences, key to developing their professional positions.
- Courses with the **Technological Institute of Water (TIW)** at the Polytechnic University of Valencia to train its workers in technical matters.

Collaboration in courses with the following universalities:

- Course "Smart Cities and Innovation in Services" (July 2013). International University of Menéndez Pelayo. (UIMP). (Santander).
- Course "Management of Urban Services. Smart Cities" (July 2013) University Laguna in Adeje (Santa Cruz, Tenerife) 21st Edition.



## FCC CONSTRUCCIÓN

Matinsa- FCC Construcción's conservation and maintenance company:

- Agreements to establish grants for the practical training of students in the final year of their degree.
- Agreements have been signed with the Polytechnic University of Madrid (PUM), the Polytechnic University of Valencia (PUV) and with the University of Castilla la Mancha.

Brazil delegation:

- Collaboration agreements with the University of Rio de Janeiro: provision of data for the mathematical prediction model developed by the University of Cantabria.

Panama delegation:

- Agreements with four universities, USMA, UMA, University of Panama and the Technological University.

Algeria delegation:

- Agreement with the Polytechnic University of Tiaret for running seminars on Technical Planning, Concretes and Quality Management

### 1.2 Support for groups at risk of social exclusion and inclusion difficulties

The FCC Group includes, within its Corporate Social Responsibility, support for associations that work towards integrating people with disabilities and promote equal opportunities in access to employment as part of its human resources policy. The Company sees integration as work integration, which involves the full development of some workers.

In 2013 FCC Group continued its affiliation with the **INSERTA Programme** of the ONCE Foundation (Spanish Blind Association), which aims to promote the labour integration of persons with disabilities into its workforce. Both parties have combined forces to develop joint projects and to promote and facilitate the full integration of people with disabilities into society.

Likewise, FCC Group has continued to develop activities around the **Family Plan** signed with the Adecco Foundation, to promote labour integration for people with disabilities, with a special focus on employees that may have family members with disabilities of some kind.

### 1.3 Evaluation of the social impact of FCC projects, a driving force for progress for society

The principles that guide FCC Group in its commercial activities are also applied in the Company's activities within the sphere of "Connecting Citizens". These principles are defined in the Code of Ethics, which establishes that as part of its social commitment, FCC Group will evaluate the **non-financial aspects** of the business projects in which it may participate as well as the material investments made".

FCC Group generates a positive social impact and therefore, in the performance of its business, it becomes a source of wealth and employment, and an important driving force for local development.

Likewise, FCC Group's commitment to society takes the form of **sponsorships and collaborations**, which are channelled, by means of agreements and the allocation of resources, to the community organisations in line with the company's strategy.

However FCC is aware that its activity, on occasions, causes a negative social impact. The actions that have the greatest potential for negative impact are those related to the extraction of materials, carried out by the Cement Division, and the activities of the divisions involved in waste management. It is for this reason that, before beginning each project, FCC Group carries out proper **environmental impact studies**. Moreover, some

## 1<sup>ST</sup> DISABILITIES AND SOCIAL AND OCCUPATIONAL INTEGRATION WEEK

In 2013, FCC Group launched the **1<sup>st</sup> Disabilities and social and occupational integration week**, in collaboration with the Adecco Foundation and the ONCE Foundation. During this week, the Servicios Ciudadanos Group held a programme of events in which employees participated.

The aim of this week was to help extend a vision of enriching people with disabilities, actively promoting integration and normalisation in society, especially in the professional field. By means of these events FCC Group also intends to contribute, where possible, to the day-to-day improvement of both social participation and family conditions.

### 2013 Youth Project: Collaboration with INDESPRE and REPACAR

In 2013, **FCC Ámbito** collaborated with **INDESPRE** (a company that specialises in providing training activities for companies of particular industrial sectors) and **REPACAR** (Spanish Association of Paper and Cardboard Recycling) in the **2013 Youth Project**. The programme consists of providing training on work at paper and cardboard waste plants to young unemployed people, for the subsequent work experience in companies of the sector. **Marepa**, a subsidiary of FCC Ámbito, is a company that takes on work experience students from the Plant Operator course in paper and cardboard waste companies.

### Semana de la discapacidad en FCC 22-27 de abril

En la semana del 21 al 27 de abril queremos compartir con todos vosotros el compromiso de la compañía con la integración social y laboral de las personas con discapacidad.

Estos días contaremos con el apoyo de nuestras entidades partner en este motivo: Fundación Adecco y Fundación ONCE. Asimismo durante los días 26 y 27 de abril, la ONCE vendrá a exponer del **Día de la Madre** en la SECE de FCC.

Durante una semana os presentaremos testimonios, actividades diseñadas por FCC o patrocinadas de interés sobre discapacidad.

Os presentamos el programa de actividades y las temáticas para la 1<sup>a</sup> Semana de la Discapacidad FCC:

#### Día 22. APOYAMOS LA INTEGRACIÓN LABORAL

A través de una **muestra fotográfica** cedida por Fundación Adecco y Fundación ONCE podremos conocer la realidad sociolaboral de las personas con discapacidad.



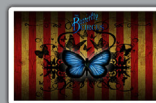
#### Día 23. DEPORTE Y VALORES

El deporte paralímpico y el deporte adaptado transmiten multitud de valores que enriquecen todos los deportes y estilos de vida existentes en la sociedad. En 23 de abril contaremos con el testimonio de XXXXXX, deportista del equipo paralímpico español.



#### Día 24. OCIO Y CULTURA

Proyectaremos el corto "El caso de la montaña" y contaremos con el testimonio de Pablo Pineda, primer discapacitado con síndrome de Down y protagonista del film "Yo también", película por la que fue galardonado con la Concha de Plata en el Festival de San Sebastián.



#### Día 25. FAMILIA Y DISCAPACIDAD

La familia es uno de los pilares más importantes para la integración social y laboral de las personas con discapacidad. En este día beneficiaremos del **Plan Familia** en FCC, nos trasladaremos al testimonio.



#### Día 26 y 27. ACCIÓN SOCIAL

La colaboración y responsabilidad de todos es fundamental para apoyar a fundaciones y asociaciones que trabajan para apoyar a personas con discapacidad. Este día lo dedicaremos a acción social presentando aquellas acciones que se impulsan a través de la Fundación Esther Koplowitz.



**La discapacidad a escena**  
El 26 por la tarde FCC apoyará una actuación de la Compañía de Teatro de la Fundación ONCE, "La Luchadora", en la Residencia Nuestra Casa de Colado Vilalba.



**Voluntariado**  
Las empresas de Valencia y sus familias podrán participar en una actividad de voluntariado con personas con discapacidad de la Residencia Nuestra Casa.



of the Group divisions implement **dialogue processes** with local communities with the objective of understanding their opinions and expectations, and adapting to their needs.

With regard to social projects, FCC Group ensures its commitment to transparency and participation. The Company does not only play the role of donor. FCC uses **control measures and periodical reviews of its social activities** with the purpose of measuring the scope or value generated based on projects that contribute to the social development of the communities in which it operates.

In order to comply with the objective of the Corporate Responsibility Master Plan relating to the **maximisation of value**, FCC Group considers the development of new performance indicators to be key to measuring the outcome of corporate philanthropic activities and corporate citizenship.

With this objective, FCC intends to implement **new procedures to measure the social impact** of the Company's activities in order to strengthen the concept of Citizen Services. In order to demonstrate to citizens and public administrators the added value generated by the activities of FCC Group, the **established objectives in this regard** are the following:

- The creation of an observatory for the monitoring and analysis of trends related to sustainability, including in the specifications of tender contracts in the main markets in which the Company operates.
- The identification of activities carried out by FCC Group that will allow the improvement of environmental and social performance of same, in accordance with the Law on Economic Sustainability.
- The development of a methodology for developing and demonstrating the added social and environmental value generated by the Company's activities for their inclusion in FCC Group's service offering.
- Publication of a sustainable practices catalogue for internal distribution



## PRIORITIES OF THE WREN FOUNDATION IN 2013

A significant development in 2013 was the launch of a pilot scheme for the creation of a new fund. WREN's investment showed that it is often the most underprivileged communities where it is the most difficult to obtain positive results from significant investment, due to a lack of necessary experience for identifying and or developing projects. FCC Environment's Building Communities Fund will help address this matter. The first pilot scheme will take place in the community of Gainsborough, in Lincolnshire and will be extended to other areas of the United Kingdom if the scheme is successful.

Furthermore, in 2013, the Foundation supported two projects in collaboration with the Scottish Government's Cashback for Pitches Fund totalling £100,000 (121,625,00 euros). By means of a fund created from money recovered from procedures on crime legislation, the WREN foundation will support the installation of a network of AstroTurf fields for playing football and rugby in different communities throughout Scotland. The initiative is mainly centred around those areas in which anti-social behaviour and delinquency have a particular effect on people living in these communities, and has a clear emphasis on young people.

On the other hand, through the Biodiversity Action Plan – which helps achieve important government improvement objectives and nature conservation – the Foundation supported 12 large projects totalling £2.7 million (3.283.875 euros).

Through the Heritage Fund - whose objective is to preserve some of the most important buildings in the United Kingdom - the Foundation supported a further 19 projects totalling £835,000 (1,015,568.75 euros).

### Building communities and changing lives: WREN FCC Building Communities

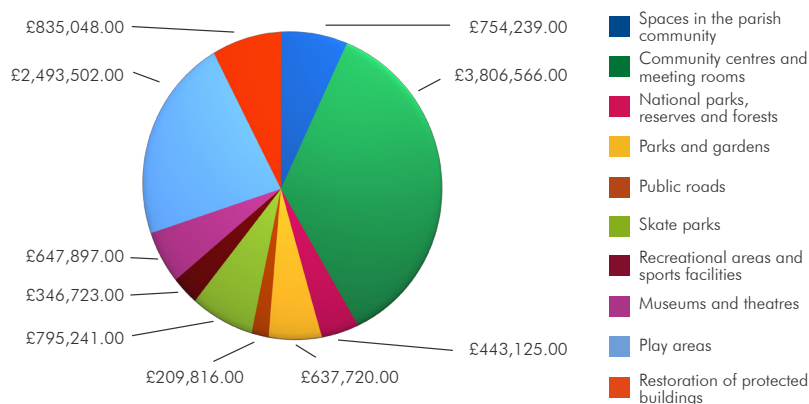
Through the independent non-profit-making foundation WREN, FCC Environment, as part of the FCC Building Communities programme, provides enormous benefits to communities and the environment in the United Kingdom as a result of land fill operations. As part of the Landfill Communities Fund, FCC Environment can set aside part of the tax levied on each tonne of waste deposited in landfills for the WREN Foundation, which in turn uses the money for financing important social and environmental projects within a radius of 16 kilometres around the landfill site.

WREN's strategic approach to funding is based on three pillars of activity: community, biodiversity, and heritage. In 2013 WREN financed a total of 335 projects at a value of £14,790,200 (17,923,208.07 euros), close to a total milestone of £200 million (242.4 million euros) of financing since it was set up in 1997.

More information on the community work of WREN in the United Kingdom can be seen at <http://www.wren.org.uk/schemes/fcc-building-communities>

See graph on the following page ➤

### Priorities of the WREN Foundation in 2013



## EDUCATIONAL ACTION FOR SUSTAINABLE DEVELOPMENT

### 36,578 reasons for a smart use of water

For yet another year FCC Aqualia celebrated the World Environment Day with the 11th edition of its drawing competition with a successful level of participation. In the event held on 22nd March, World Water Day, 36,578 3rd and 4th grade primary school students participated from 1,000 schools.

In this edition, held under the slogan "The future for water is bright, because you're creating it", the children created drawings of how the future in their municipalities will be, creating a thousand and one smart ideas for a responsible use of water.

FCC Aqualia raises awareness in all the municipalities where it provides services, giving value to the work that it carries out, such as the effort it has made in creating techniques and innovations that contribute to making the life of citizens easier by means of more efficient use of water and respect for the environment.

The International Children's Drawing Competition is already a reference point for the municipalities in which FCC Aqualia is present in Spain, Portugal, Italy and the Czech Republic. From the first edition it received more than 325,000 drawings. The event, a pioneering initiative in the sector, enjoys collaboration from schools, local councils and the press, for public awareness.

World Environment Day, celebrated under the slogan "Think. Feed Yourself. Save", is one of the main vehicles that the United Nations uses to promote global awareness about the environment. The objectives are focused on humanizing environmental issues, empowering people to become active agents of sustainable development, promoting the fundamental role of communities in changing attitudes towards environmental issues and encouraging cooperation, which will ensure that all nations and people enjoy a safer and more prosperous future.



### Territorio y Marketing Awards

The Territorio y Marketing channel granted the finalist award of the Territorio y Marketing prizes for the educational action developed by FCC Aqualia in Oviedo. The objective of the organised activities was to contribute to education on matters of water management in order to give value to the activity and help sustainable development of water as a resource.

Every year the Territorio y Marketing Awards recognise the work of the institutions that have developed efficient and effective marketing strategies over the year regarding the environment. Within the "Sustainability" category, FCC Aqualia and the City Council of Oviedo presented all educational and solidarity actions organised around the 10th edition of the International Children's Drawing Competition, whose slogan was "A distinction for you, a distinction for the planet". Some of the highlights included collaboration with the Theodora Foundation and Action Against Hunger, as well as open days, educational talks, and the presentation of the comics Hidrokid and Gluglú, among others.

## 2. Corporate volunteering

FCC Group and its different business areas encourage the participation of its employees in achieving corporate objectives. The programme helps the social projects of the Esther Koplowitz Foundation, a point of reference in Spain for providing assistance to society's most needy.

The volunteer programme is an opportunity to promote, among employees, the benefits of participating in corporate citizen projects, supporting the company's mission to create value for society and to contribute to the welfare of people. The volunteer projects are developed in the field of cooperation, environmental education and aid to humanitarian emergencies.

In 2013, 447 people benefited from "FCC Volunteers", which involved the participation of 68 Company employees. In 2013 FCC Group invested €40,665.72 in corporate volunteering activities.

### Volunteering. Milestones in 2013

- 39 conferences organised within the programme "Fridays at the Old People's Home", by volunteers and personalities of Spanish life.
- A volunteers' day with the Adecco Foundation in the home for people with disabilities, "La Nostra Casa de Valencia".
- The redesign of the volunteers website

### Volunteering. Challenges in 2014

- Organisation of laughter therapy workshops with the Theodora Foundation.
- Increase the number of volunteers.
- Launch the new volunteer website.

### 2.1 Providing community-focused volunteering

In 2013 FCC Group continued its commitment to the community by means of its programme entitled "Fridays at the Old People's Home", with an original series of conferences that followed the objective of sharing professional and cultural experiences with the residents of the Esther Koplowitz Foundation centres. Some of the highlights of the activities included musical, professional, religious, historical and gastronomical themed conferences, conducted by leading experts in various fields. In 2013 the series of conferences comprised 39 activities, including cultural and music events and conferences.

In May FCC Group and the Adecco Foundation organised a joint corporate volunteer activity for people with disabilities at the "La Nostra Casa de Valencia" home, part of the Esther Koplowitz Foundation. More than 20 volunteers swapped their usual work attire to become a pirate for the day, with a gymkhana theme, in order to give people with disabilities a boost, and to encourage and support the social integration of people with disabilities through these leisure activities.

## NEW FEATURES OF THE VOLUNTEERS' WEBSITE

In 2013 the accessibility to the FCC Volunteers website was enhanced. As a tool for facilitating such activities, the new website highlights a more dynamic look, making it easier for FCC employees to join and participate in the activities, as well as access to information about upcoming events. This site is intended to be a platform for the participation of employees in the Group's corporate citizenship, promoting the concept of "Connecting Citizens" of FCC's Corporate Responsibility Master Plan. For more information visit: <http://portaldelvoluntariado.fcc.es/voluntariado/voluntarios/index.html>



## Fridays at the Old People's Home. 2013 programme

| CONFERENCE                                                                           | VOLUNTEERS                                                                           |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Style and personal image consultancy                                                 | Dariem Pozo Lorenzo<br>Style and personal image consultant                           |
| Antonio Machín, a whole lifetime<br>(Musical Review of the life of the Cuban artist) | Javier López- Galiacho<br>FCC Group's Director of<br>Corporate Responsibility        |
| Personal Training in the Company                                                     | Juan Luis Regaliza<br>Training Director at El Corte Inglés                           |
| The role of the Virgin Mary in the year of faith                                     | R.P. Daniel Zavala L.D.                                                              |
| Letter from John Paul II to the elderly                                              | Eulogio López Escribano<br>Founder and Director of the<br>newspaper "Hispanidad.com" |

| CONFERENCE                                                                  | VOLUNTEERS                                                                                                                               |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| The jewels in the Thyssen Museum's collections                              | Amalia Gallego<br>Art Historian at the<br>Thyssen-Bornemisza Museum<br>Iní López de Sa<br>Marquis of San Eduardo                         |
| Trossos d'una via                                                           | Mila del Castillo<br>FCC Group                                                                                                           |
| To heaven and back                                                          | Cristina Álvarez de Mon<br>Writer                                                                                                        |
| The Copla: popular poetry                                                   | Olga Torres Barrado<br>FCC Group                                                                                                         |
| Tarraco Scipionum Opus: Scipio,<br>the commitment with Rome                 | Juan Luis Castillo Castilla<br>Director zone II, Aqualia (FCC group).                                                                    |
| The marvellous world of flowers                                             | Maribel Castelló Villegas<br>FCC Group                                                                                                   |
| Presentation of the book<br>"The revelation of a narrator: Osvaldo Soriano" | Deissem Ghanem<br>Writer                                                                                                                 |
| The marvellous world of tea                                                 | Concha Rubio de Miguel<br>FCC Group                                                                                                      |
| The truth in bulls and in life                                              | Juan Carlos Montejano<br>Purchasing Management Director of FCC                                                                           |
| Breeding fighting bull                                                      | Silvia Camacho<br>The "Marí Carmen Camacho" livestock<br>breeder, and member of the National<br>Board of the Spanish Cancer Association. |
| Valencia                                                                    | Alvaro Alepuz<br>Cements Portland Valderrivas Board Member                                                                               |
| Planet Water                                                                | Félix Parra<br>General Manager of Aqualia                                                                                                |
| Presentation of the book "Almas Brujas"                                     | Helena Cosano<br>Diplomat and author                                                                                                     |
| The brand, the logo of the soul                                             | José Manuel Velasco Guardado<br>General Manager of Communications and CR                                                                 |
| Come and see.                                                               | Alcibíades López Cerón<br>Director of Development-Europe<br>FCC Construcción                                                             |
| Plastic surgery: history, development,<br>concepts and fields of action     | Dr. Antonio de la Fuente<br>Head of the Plastic Surgery unit<br>of the Ruber International Hospital                                      |
| How to find happiness                                                       | Lourdes Pérez Pérez<br>Lawyer and photographer                                                                                           |



| ACTION                                                          | VOLUNTEER                                                                                                |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Flamenco recital                                                | Matías de Paula (Flamenco Singer-songwriter) and Antonio Reyes (Guitarist)                               |
| Yoga Workshop: The inner smile                                  | Renuka.                                                                                                  |
| Yoga Workshop: Keep calm... breathe                             | Clotilde Amouruox.                                                                                       |
| Comic Workshop                                                  | Jesús Miguel Alonso Pérez Mining Engineer and Head of R+D+i at PROSER (FCC).                             |
| Dance group "Castilian Roots"                                   | Dance group "Castilian Roots" from the Castile and Leon Regional Community Centre in Alcobendas (Madrid) |
| Intercursos Choir                                               | San Patricio School, Madrid                                                                              |
| Theatre production "Short works by Antón Chejov"                | La Luciérnaga Theatre Company (ONCE Foundation)                                                          |
| Recital                                                         | Pipo Prendes Singer-songwriter                                                                           |
| Spectacle "The Singing Poets"                                   | Luis Farnox Poet, musician and composer                                                                  |
| Spectacle of cuplés, chotis, pasacalles music and other rhythms | Mari Pepa de Chamberí Singer                                                                             |
| Zumba and Salsa Show "Bolero" Recital                           | Teresa Fuentes Winner of TVE's "Young People" programme                                                  |
| Regional dances                                                 | The Extremadura Regional Community Centre in Pozuelo                                                     |
| Celebration of Christmas with Christmas carols                  | Orvalle School                                                                                           |
| Christmas Festival with dances                                  | Aurora Labella Dancer                                                                                    |
| Recital                                                         | Irune Núñez Violinist                                                                                    |



### 3. Interaction with stakeholders

The **strategy of dialogue** with the FCC Group stakeholders is promoted from all lines of business within the Company. In a citizen services company such as FCC Group, communication with stakeholders should be on-going, in order to detect and meet the needs of the societies in which we operate and to identify their main concerns.

The Company's solid strategy of dialogue and cooperation, allows a very close relationship to be maintained with its stakeholders by means of different communication platforms. FCC Group considers participation in initiatives that enable better visibility and knowledge of different activities and corporate results to be a priority.

The Company has various channels of communication that allow it to propose, listen and carry out initiatives that respond to requests made by third parties. In recent years the



**corporate website** has been consolidated as the most used channel through which it can offer information to its different stakeholders. Likewise, the different divisions of the Group post key information through **consultation sessions**, **e-mails**, **bulletins** and **magazines**, **sectorial publications** and **end-of-construction work surveys**, among other things.

#### Stakeholders. Milestones in 2013

- Performance of pilot schemes, in the Water Management division, with a view to implementing the Aquarating programme in 2014, for the performance evaluation of water and sanitation service providers.
- Implementation of measures for the responsible management of the La Valdeza communities, 19 April, in Panama in the Construction division. .

#### Stakeholders. Challenges in 2014

- To work with local administrations to understand the needs of future cities, and promote dialogues and projects regarding same.
- To review contracts with suppliers in order to introduce clauses that include sustainability requirements.

### 3.1. Shareholders and investors

The company website has a **section for shareholders and investors**, which received a **monthly average** of 26 visits, with information about the economic performance of the Company, trading and financial information, as well as an investor's diary to communicate relevant events. FCC Group has a Shareholder Services Office.

In 2013, the Stock Market and Investor Relations department held 288 meetings with investors.

### 3.2. Employees

The main communication tool with employees that brings together all FCC professionals is the **FCC ONE corporate Intranet**. Therefore, in order to meet the needs of the Company's core capital in a more personalised way, the employees can use the **Employee Website**, with specific content on commercial offers, flexible payment plans and opportunities for internal relocation, as well as various internal communication channels with additional tools for facilitating dialogue and aligning positions between employees and the Company.

Furthermore, FCC Group holds **periodic meetings** aimed at informing employees face to face about different matters relating to the Organisation.

FCC Group also keeps its employees informed via the publication of the bi-monthly on-line magazine "**Communication Network**", available in twelve languages, which in 2013 received 22,251 visits from 18,086 different people. In the same vain, and so as not to leave without information those employees that do not have access to the information on-line, the Company has strengthened its means of communication by placing **information stands** around its work centres. These information stands include a global distribution of more than 2,000 posters, which include the most noteworthy headlines that appear in the magazine.

It can be highlighted that in 2013 the Intranet registered 6,389,186 visits 81% more than in 2012. Given the complexity of 2013 due to staff restructuring, it has been an especially relevant year with regard to the effort made in communicating to employees.

A multitude of information and awareness campaigns were launched via the corporate Intranet, as well as on electronic media at work centres and on bulletin boards. It is important to highlight the campaigns to support disadvantaged groups such as victims of domestic violence or people with disabilities, International Women's Day, World Day against Child Labour, Volunteers Day, the campaign for the prevention of occupational risks, internal awards for eco-efficiency, internal awards for Health and Safety, the joint drafting of the Citizens' Conduct Manual, as well as different commercial promotions with advantageous conditions for employees.

It is also worth highlighting the setting up of the CEO Blog and the "FCC around the world" site, an internal website with Company information on projects, which is also an opportunity for all Group personnel interested in personal development in the international sphere.

### 3.3. Suppliers and contractors

Looking after the relationship with suppliers and contractors is crucial in order to ensure the ethical commitments made by FCC Group to this regard. Using training sessions and awareness campaigns FCC tries to align the behaviour of its suppliers and subcontractors with the policies and standards of the Company. To this end, the Group's objective in 2014 is to review contracts with suppliers in order to introduce clauses that include sustainability demands (ethical, environmental and social).

### 3.4. Public administrations and regulators

FCC Group is always available to public administrations and legislators in order to collaborate and make use of its extensive experience in the sectors in which it operates. The nature of the Company's activities and the impact that they have on the areas in which they are developed means that FCC frequently undertakes self-regulation initiatives and participates in the development of legislation relating to its sphere of operation. All the Group's business areas have implemented voluntary measures with the objective of maintaining standards of production and service in the different areas of activity, as well as in the sphere of sustainability.

### 3.5. Customers

FCC Group's direct customers are public administrations, private institutions and individuals. The objective of the Company is none other than to satisfy the needs and demands established by the end users of the products and services that it provides.

The quality management systems implemented in all lines of FCC Group's business, based on prestigious international standards such as the UNE EN ISO 9001, are incorporated as an aspect with which to evaluate customer management.

With the objective of identifying possible areas of improvement and achieving the highest levels of quality and reliability in the provision of its products and services, FCC Group implements communication channels for customers (telephone, email, fax, internet, letters, invoices, or face-to-face meetings or visits with the commercial departments).

#### 3.5.1. Customer satisfaction

FCC Group carries out customer satisfaction surveys in different business areas with the objective of becoming aware of the opinion and degree of satisfaction of customers with regard to projects carried out, as well as to identify the most important areas of improvement for future projects.

The diversity of activity and types of customer of FCC Group means that measuring satisfaction is carried out in a decentralised way so that each line of business has its own measuring methodology and periodicity. Based on the defined aspects for the Group's business, FCC Aqualia, as a manager of end consumers and users, is the Group's business that manages more directly dialogue and the measuring of satisfaction of these stakeholders.

The Division carries out biannual satisfaction surveys, the next one will take place in 2014.

### 3.6. Platform for dialogue with cities

Within the Corporate Responsibility Master Plan, FCC Group has planned cooperation with cities and communities in order to establish **platforms of dialogue** regarding the eco-efficiency challenges of the municipalities.

In this vein, the Company has worked with representatives from the cities of Almería, Mahón (Menorca) and El Campello (Alicante), in order to design these platforms or tables of dialogue that allow both the identification of sustainability challenges and the selection of prescribers that allow them to get started.

In the case of El Campello, where FCC manages a waste transfer plant, an environmental education project is being studied with the Salesiano School.

#### FCC MEDIO AMBIENTE INCREASES PUBLIC INFORMATION

FCC's Medio Ambiente division has drafted a series of specific procedures for reporting information. The objective is to ensure the reliability of the systems used in order to express, qualitatively and quantitatively, the significant values of the organisation's environmental and social performance of the sustainability policy, which it communicates to its clients. All of which contributes to strengthening the monitoring and control plan for the reliability and quality of published information.

## FCC AQUALIA BUILDS UP CUSTOMERS' TRUST

FCC Aqualia works with its clients, in order to consolidate trust and ensure access to water without any shortcomings, while promoting its prudent and responsible use. FCC Aqualia is aware of the role it plays in the management of a basic and extremely valuable resource such as water, which is why it strives every day to deliver on commitments made with its customers. In order to achieve this connection, FCC Aqualia has two basic tools:

- ◉ **Aqualia online:** Available to any user through FCC Aqualia's 20 local web applications, this on-line service allows access to a virtual office 24 hours a day, 365 days a year.
- ◉ **Aqualia contact:** A call centre which employs specialist managers who have an extensive knowledge of the water sector, which means they are able to respond to both matters relating to customer services and breakdowns/interruptions in services and provide support to self-reading consumption meters. On this point it is worth noting that the reading and meter systems for the self-management of consumption have been highlighted in recent years as they have been subject to important innovations, since they allow consumption meters to easily and accurately be read, without the need to access the property.

- ◉ **INFOAQUALIA:** Communication channel with clients that contains information of interest for citizens, specific to their own services, on the reverse side of the Company bills.

Finally it should be mentioned that the FCC Aqualia's "Aqualia contact" and "Aqualia online" services, are certified in information security by AENOR, as reflected in its strategy to seek customer management excellence.

## FCC CONSTRUCCIÓN'S CUSTOMER LIAISON

FCC Construcción has a customer liaison officer responsible for raising points of collaboration and addressing any suggestions received, as well as discussing the information gathered in meetings with customers, and will subsequently provide information on the actions taken as a result of their suggestions.

| Communication tools for stakeholders  | Trading and Investor Relations Department | Shareholder Services Office | Corporate Website | Corporate Intranet FCC net | Employee Website | Internal Communications Channel | Bi-monthly on-line magazine | Information Posts | Customer Liaison officer (FCC Construcción) | FCC Aqualia online, FCC Aqualia contact, info FCC Aqualia |
|---------------------------------------|-------------------------------------------|-----------------------------|-------------------|----------------------------|------------------|---------------------------------|-----------------------------|-------------------|---------------------------------------------|-----------------------------------------------------------|
| Shareholders and investors            | ✓                                         | ✓                           | ✓                 |                            |                  |                                 |                             |                   |                                             |                                                           |
| Employees                             |                                           |                             | ✓                 | ✓                          | ✓                | ✓                               | ✓                           | ✓                 |                                             |                                                           |
| Suppliers and contractors             |                                           |                             | ✓                 |                            |                  |                                 |                             |                   |                                             |                                                           |
| Public administrations and regulators |                                           |                             | ✓                 |                            |                  |                                 |                             |                   |                                             |                                                           |
| Clients                               |                                           |                             | ✓                 |                            |                  |                                 |                             |                   | ✓                                           | ✓                                                         |

Communication tools for stakeholders

## CUSTOMER SATISFACTION AS A PRIORITY FOR FCC AQUALIA

Through aqualiaOnline and aqualiacontact, FCC Aqualia is able to respond to its customers based on strict quality standards. Both channels have a management system that ensures the security of customer information from three perspectives: availability, integrity and confidentiality. The system has been audited by AENOR in accordance with UNE-ISO 27001:2007 which

strengthens the Company's excellency strategy with regard to its customer services.

Furthermore, the Company works to improve processes such as the control of consumption and billing, electronic billing and meter reading.

## AQUARATING

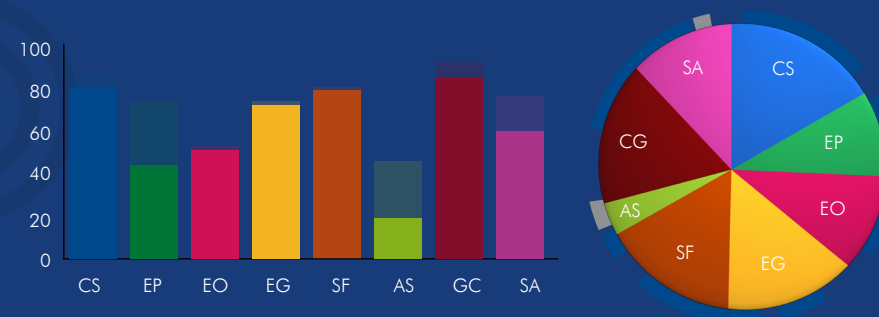
Aquarating is a scoring system to comprehensively evaluate the performance of water and sanitation service providers. The programme is in its development phase and is being developed by the Inter-American Development Bank, (IDB), in collaboration with the International Water Association (IWA). The system offers the following results:

- An overall score of the provider.
- Detailed scores with respect to the following aspects: Access to the Service, Service Quality, Operational Efficiency, Planning and Execution of Investments, Efficiency in Business Management, Financial Sustainability, Environmental Sustainability and Corporate Governance.
- An evaluation of the reliability of information provided.
- Guidelines to improve management practices.

Aquarating provides important benefits for both direct customers of companies and for the end consumer. For the former, the system assumes important stimuli for providers to maintain or improve their performance and direct incentives, technical assistance and financing of same, in accordance with their level of performance. For the end user it is an opportunity to obtain better services in access to quality, efficiency, sustainability and transparency.

In 2013, with a view to implementation in 2014, the programme performed pilot schemes for different companies in the sector, among which included FCC

Aqualia. With an overall score of 60.89 out of 100, FCC Aqualia's score in more specific areas is broken down as follows:



|                                                           |       |
|-----------------------------------------------------------|-------|
| SC / Service Quality:                                     | 80.95 |
| EP / Efficiency in Planning and Execution of Investments: | 43.99 |
| EO / Operational Efficiency:                              | 51.22 |
| EG / Efficiency in Business Management:                   | 71.86 |
| SF / Sustainable Financing:                               | 79.57 |
| AS / Access to the Service:                               | 19.64 |
| GC / Corporate Governance:                                | 84.79 |
| SA / Environmental Sustainability:                        | 59.92 |

## PROMOTING SOCIAL DEVELOPMENT BY MEANS OF RESPONSIBLE MANAGEMENT

FCC Construcción provides a common framework for action on ethical behaviour for all divisions of the company that strengthens its business culture and commitment to society.

FCC's Construction division always carries out its activity with the perspective

of providing social and economic development where it is present through the promotion of the production system, encouraging the creation of direct and indirect jobs, collaborating with the community, and giving priority to purchases from local suppliers.

### RESPONSIBLE MANAGEMENT OF COMMUNITIES: LA VALDEZA AND THE "COMUNIDAD 19 DE ABRIL"

La Valdeza and the "Comunidad 19 de Abril" are two sectors located in the Corregimiento de Guadalupe, a district of La Chorrera, in the western region of the city of Panama. In this ecological corner of Panama, characterised by its clay soil with different degrees of hardness, the La Valdeza quarry is located, which is owned by FCC, and whose operation employs hundreds of workers.

The quarry operates as an open pit and covers the following activities: stripping or removing of sterile material, preparation of work platforms, drilling, blasting, loading, and finally, the transfer of the material to the crushing area where the rock is processed in order to reduce its size to turn it into aggregates for the construction industry.

The facilities, located in the neighbourhood of the two communities, are the setting for the fundamental production process which provides progress and development to the country. The region, the company and the community have become knitted together over time and within the framework of dialogue, a mutually beneficial relationship has developed. The high levels of social acceptance of the project are a reflection of FCC Groups conviction to carry out responsible management from a social and environmental point of view.

The spokesperson for the community of La Valdeza affirmed that "the company FCC is aware that its work can generate health problems as a result of dust and noise from trucks, as well as safety issues regarding blasting, which is why it has

made every effort to control any type of situation that may affect the community and mitigate possible impacts".

FCC Group has implemented several reforestation awareness programmes and has undertaken work for the mitigation of dust, overseeing the trucks passing through the community, and controlling noise, so that the community's inhabitants can enjoy their rest time. The majority of these programmes have been at the initiative of the Company, but they have always been approved by the community, which has enabled us to have better communication with them, while at the same time being able to better understand what their needs and concerns are.

The spokesperson for the "Comunidad 19 de Abril" maintains that in recent years the relationship between the community and the company has improved, and the Corporate Social Responsibility activities carried out in order to improve the situation of the residents has achieved a harmonious environment of coexistence.

In all these activities that were started as a result of FCC's Corporate Responsibility Plan, the Company promotes inclusive participation of the community, developing communication and socialising activities such as periodic meetings with the communities, as well as the informative newsletter which is always issued to members of the community informing them of all activities and stimulating local involvement. On the other hand every effort is put in to make workers and community members environmentally aware in order to be able to ensure sustainable development.



## HOW THE REPORT WAS PREPARED

### (G4-18 b)

This FCC Group Corporate Social Responsibility Report (CSRR) provides information regarding the management of key aspects of the Company and its business during 2013, as well as developments, activities and indicators framed in the strategic concepts defined in the 2012-2014 Sustainability Master Plan. In order to understand the evolution of corporate responsibility at FCC over the years, we recommend that the reader visits the FCC website, which contains information on Corporate Social Responsibility management in the Group and its subsidiaries.

The report contains an introduction to the profile and FCC's key figures, as well as information regarding milestones and objectives in each of the Group's three lines of business: Infrastructure, Services and Water; and the information about the corporate responsibility strategy, and action programmes, in accordance with the three strategic lines of the Master Corporate Responsibility Plan (exemplary behaviour, smart services and connecting citizens). Each of the three chapters contains a summary of the main policies and initiatives in force.

Based on a materiality criterion, the report places great emphasis on the most relevant aspects for each of the three business lines, including prominent cases in each section. Thus, issues related to the management of customers have been treated in a special way by FCC Aqualia, aspects relating to the social and environmental impact of its activities have become important for the infrastructure business and for the measuring of the carbon footprint that has been reported for the environmental services sector.

In order to increase the information relating to sustainability of the three business of the Group, and if further information should be required, the reader is invited to visit its corporate website, or to read the corresponding sustainability reports, which address each activity in specific detail.

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) sustainable reporting guidelines, as amended on March 2013 (entitled G4), as well as in

accordance with the AA1000 APS Accountability Standard (version 2008). It has also taken into account the sectorial supplement of the GRI for the construction sector.

The IT tool for collecting information on economic, social and environmental matters is called Horizonte, created to facilitate the collection and consolidation of qualitative and quantitative information, it is enhanced each year with improvements in the organisation of information collecting by those who compile the CSRR, with the development of protocols to support those who prepare the reports in business areas and divisions (2012), thus ensuring reliability, quality, consistency and the origin of the information. Moreover a materiality matrix has been carried out which ensures that each business reports its performance based on the material indicators in accordance with the impact of its activities and the expectations of its stakeholders.

The Communications and Corporate Responsibility Department is responsible for coordinating accountability regarding the economic, social and environmental performance of the company, as well as the promotion of the Corporate Responsibility Master Plan.

#### Application of the AA1000 Standard in the preparation of this report: (G4-18 b)

**Inclusiveness.** FCC Group and each one of its businesses regularly conduct consultations with its stakeholders. In producing this report the 2012-2014 Master Plan has been taken into consideration, for the development of which internal consultations were conducted, through interviews with managers responsible for areas and businesses, as well as external meetings with energy experts, cities, the media and representatives of NGOs and public administrations. To this regard the information contained in this corporate social responsibility report intends to respond to the expectations of identified stakeholders. For the drafting of this report, internal interviews were held with key reporters of the Company's three businesses.

**Relevance.** During the design of the Master Plan, an analysis was carried out of sustainable trends that should be met by FCC Group as a citizen service company. This trend analysis was based on reports from sources of reference such as the World Economic Forum, Slim cities: sustainable buildings; Smart Energy; Water Resources Group; and the special 2011 report of the IPCC and the Special Report on Renewable Energy Sources and Climate Change Mitigation. Subsequently, in a round of internal interviews and with a panel of experts, the relevance of these trends was consulted as well as the material aspects that the company should take into account according to

## IDENTIFICATION

The materiality study carried out based on 46 specific aspects defined in the G4 Guidelines applies to the infrastructure, water and services sectors, in which the company operates.

## PRIORITISATION

By means of a relevance analysis (quantitative assessment of the subjects identified according to the weight established by the sources consulted) and a maturity analysis (benchmark with the principal companies from the different sectors in which the company carries out its activity) the prioritisation of subjects was established.

## VALIDATION

For the internal validation of subjects identified and prioritised, a series of interviews with managers of different lines of business was carried out.

## REVIEW

The different people responsible for the information contained in this report have reviewed and completed each section as the document was drafted.

Group at the heart of the strategy and putting greater emphasis on the sustainability of the supply chain.

### New G4 approach to the matter (G4-18 b); (G4-23)

FCC's commitment to sustainability is reflected in the constant effort made by the Group to meet the most advanced international standards in the provision of information on sustainability. For this reason, and as the main novelty of this 2013 Corporate Social Responsibility Report, the content set out in this document is based on the new G4 framework of the Global Reporting Initiative.

This version of the GRI guidelines (G4) requires companies to perform a prior materiality study with the objective of identify matters of governance and social and environmental matters, which, due to their relevance to the business and to stakeholders, significantly influence the strategy and decision making of companies.

This approach to matters that are relevant to the 2013 Corporate Social Responsibility Report allows FCC Group to attain more in-depth content with respect to the most critical issues for the company regarding, economic, social and environmental matters, with which the company can promote further progress towards the sustainability of its sectors. It is however important to mention some of the aspects of the report that were not highlighted in the materiality study, which are part of the management of certain environmental and social aspects that the company has been compiling and verifying in recent years.

### Process to determine material matters for FCC Group (G4-18 a)

#### Identification

The materiality study was performed based on 46 specific aspects defined for the G4 guidelines applied to the sectors of infrastructure, water and services, into which the Company is integrated.

#### Prioritisation

The aspects were classified according to sections of the 2012-2014 Corporate Responsibility Master Plan and line of business. Thus, the materiality analysis allows FCC to turn aspects raised in the G4 guidelines into reality for the Company with respect to each of the strategic concepts of the Plan.

its activity. The three concepts of this Plan constitute the structure that organises the sustainable information of this CSRR.

Response capability. In the Master Plan, FCC Group designed a series of initiatives to respond to the challenges that have been identified as key issues for the company. That is why the Group's response to the challenge of combining its activities with developing sustainable cities of the future aims to better serve its citizens, putting people of the

A relevance analysis was carried out, for which a quantitative evaluation was performed (number and extent of references made) of the different aspects defined in the G4 Guidelines of the Global Reporting Initiative in the public information of the prescribers relevant to FCC, and which cover key agents of the sectors in which the Company is involved, as well as key international organisations and institutions in the field of sustainability.

- On matters of sustainability: the G4 Global Reporting Initiative Guidelines, construction sector questionnaire of the Dow Jones Sustainability Index.
- International organisations: OECD and the United Nations Global Compact
- On matters concerning the sector: International Project Finance, Fundación Laboral de la Construcción, TECNIBERIA, International Water Association, AQUAESPANA, Water UK, ASEGRE, International Solid Waste Association, Ecoembes, Aselip, ASEJA, ASPEL and Repacar.

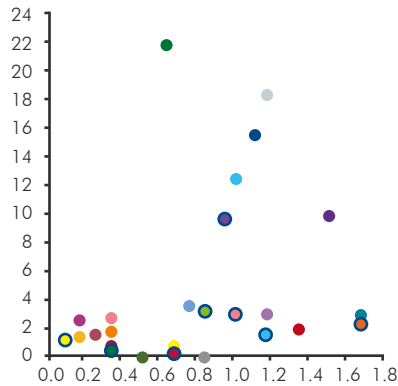
(G4-24)

Maturity was determined through analysis of the annual and sustainability reports of FCC's main competitors. This allowed the identification of relevant matters of sustainability for competitors and the establishment of their importance and level of development according to the degree of care given to them in these reports. Reports analysed were those published by Ferrovial, Hyundai E&C, ACS, American Water, Suez Environment, AGBAR, Veolia, Suez, Waste Management Inc., Cespa and Lipor.

The result is a series of matrices that determine the prioritisation of subjects based on the results obtained in the relevance and maturity analysis, and broken down according to the business and strategic line of the Corporate Responsibility Master Plan.

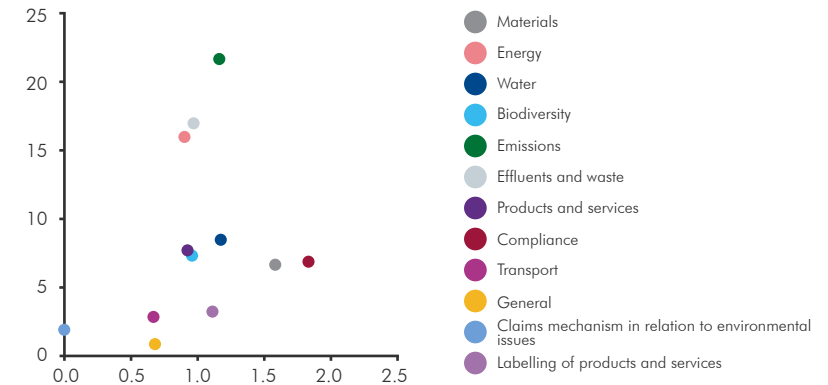
## FCC Medio Ambiente

### Exemplary behaviour

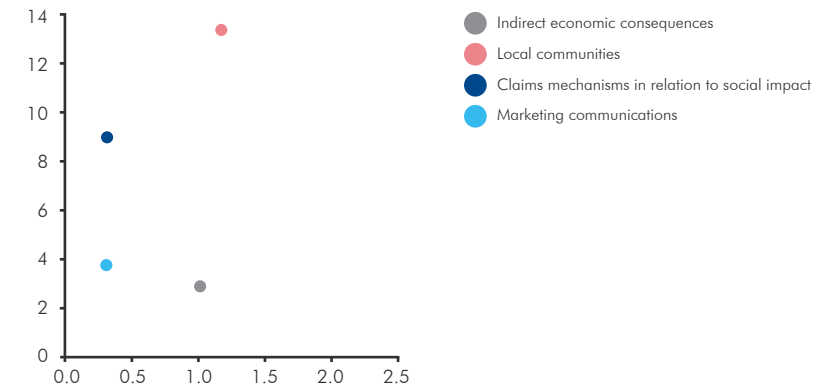


- Procurement practices
- Environmental assessment of suppliers
- Employment
- Relations between employees and the management
- Occupational health and safety
- Training and education
- Diversity and equal opportunities
- Equal pay for men and women
- Assessment of suppliers' labour practices
- Claims mechanisms related to labour practices
- Investments
- Non-discrimination
- Freedom of association and collective bargaining
- Child labour
- Forced labour
- Safety measures
- Rights of indigenous populations
- Assessment
- Assessment of suppliers in relation to human rights
- Claims mechanisms in relation to human rights
- Combating corruption
- Public policies
- Unfair competition practices
- Compliance
- Assessment of the social impact of suppliers
- Customer health and safety
- Customer privacy
- Compliance

### Smart Services

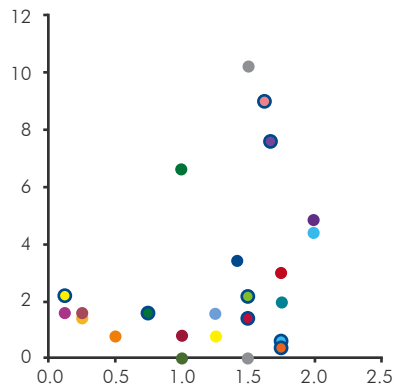


### Connecting citizens



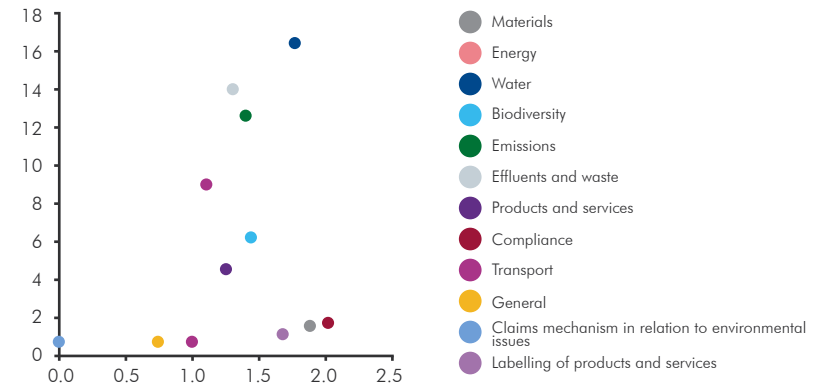
## FCC Aqualia

### Exemplary behaviour

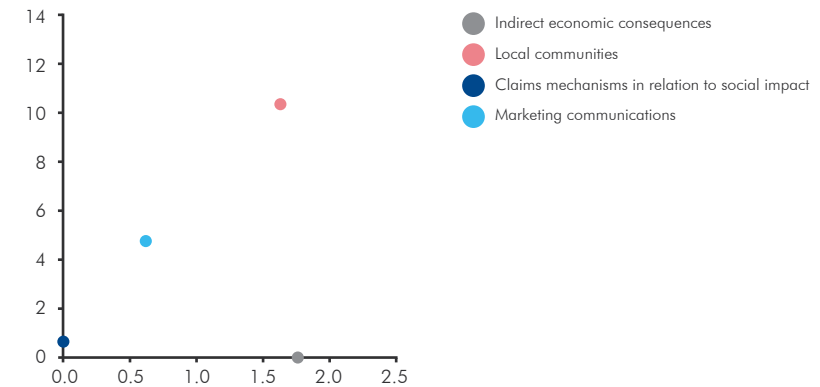


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### Smart Services



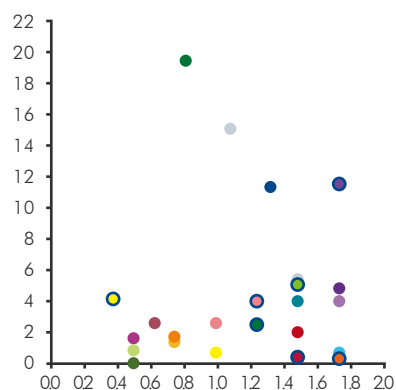
### Connecting citizens





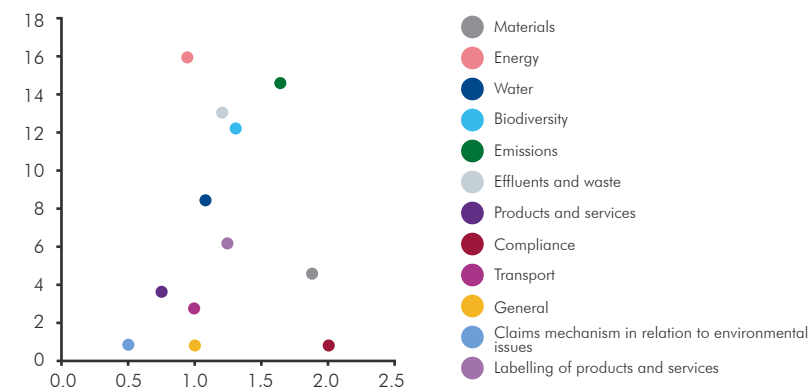
## FCC Construcción

### Exemplary behaviour

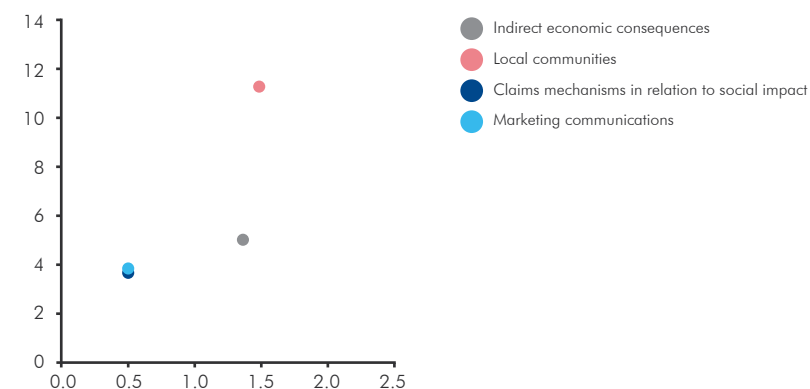


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### Smart Services



### Connecting citizens



### Validation

For the internal validation of the material matters identified, a series of meetings were held with different people responsible for the information from each of FCC Group's lines of business. This, together with the external analysis, allows the completion and validation of prioritisation matrices of material matters in accordance with the G4 criterion.

### Review

The different areas involved in the process of drafting FCC's 2013 Corporate Social Responsibility Report have had the chance to review the information reported as well as to complete the document with information that they consider relevant.

## Results of the 2013 materiality analysis (G4-19); (G4-20); (G4-21); (G4-23)

| Master Plan         | G4 Aspects                                      | FCC Medio Ambiente | FCC Aqualia | FCC Construcción | Scope of the impact of the aspect                                    |
|---------------------|-------------------------------------------------|--------------------|-------------|------------------|----------------------------------------------------------------------|
| Exemplary behaviour | Training and education                          | ✓                  | ✓           | ✓                | Employees                                                            |
|                     | Diversity and equal opportunities               | ✓                  | ✓           | ✓                | Employees                                                            |
|                     | Employment                                      | ✓                  |             | •                | Employees                                                            |
|                     | Combating corruption                            |                    | ✓           | ✓                | Employees, Suppliers and Contractors, and Shareholders and Investors |
|                     | Relationship between workers and the management | ✓                  | ✓           |                  | Employees                                                            |
|                     | Customer health and safety                      |                    | ✓           |                  | Clients                                                              |
|                     | Occupational health and safety                  | ✓                  |             | ✓                | Employees                                                            |
| Smart Services      | Water                                           |                    | ✓           | ✓                | Society and Employees                                                |
|                     | Biodiversity                                    |                    | ✓           | ✓                | Society                                                              |
|                     | Compliance                                      | ✓                  |             |                  | FCC Group                                                            |
|                     | Effluents and waste                             | ✓                  | ✓           | ✓                | Society                                                              |
|                     | Emissions                                       | ✓                  | ✓           | ✓                | Financers, Society and Regulator                                     |
|                     | Energy                                          | ✓                  | ✓           | ✓                | Financers, Society and Regulator                                     |
|                     | Materials                                       | ✓                  |             |                  | Financers, Society and Regulator                                     |
| Connecting citizens | Marketing communications                        |                    | ✓           |                  | Clients and Regulator                                                |
|                     | Local communities                               | ✓                  | ✓           | ✓                | Society                                                              |
|                     | Indirect economic consequences                  | ✓                  |             | ✓                | Society                                                              |

### Scope of the 2013 Corporate Responsibility Report (G4-18 b); (G4-22)

The scope of information in this report coincides with the financial consolidation of the Group, and reflects the activities of the company in 2013. Specifically, the extent of the information provided in this report, both regarding the sections on Connecting Citizens and Exemplary Behaviour, corresponds to the scope of integration which is used for financial consolidation, according to which, data is considered from 100% of the subsidiaries over which FCC has management control, regardless of the holding percentage.

In the case of joint ventures, the value of those where FCC controls the operations is included, applying its holding percentage. In both the Smart Services and the Exemplary Behaviour sections, following the principle of materiality and the availability of information by business area, the scope of the quantitative data excludes the Proactiva subsidiary, which left the Group in 2013 and the Smart Services chapter does not include Versia. Likewise, Alpine, the Austrian subsidiary of FCC Group was deconsolidated from the Group's accounts after it declared insolvency in June 2013 and went into liquidation. The economic, social and environmental information contained in this Corporate Social Responsibility Report does not include information on Alpine for the year 2013. All those differences regarding this scope are specified in the tables of the corresponding data.

FCC Group, characterised for its diverse geography and activities, is working to extend the scope of information to all companies making up the group. The relationship of FCC Group companies as of 31 December 2013, and a description of each, appears in the annexes of the annual accounts.

### Quality and reliability of the information disclosed (G4-18 b)

This report intends to provide public awareness regarding issues and indicators that have been identified as tangible, enabling the expectations of Group stakeholders to be met, with information being duly provided on decision making.

The drafting process has been guided by the principles established by the Global Reporting Initiative (GRI) in its G4 Guidelines in order to reflect quality information, and it includes the additional information required by the supplement "Construction and Real Estate", which contains specific indicators for companies in the construction and real estate sector, which must be followed by all companies that want to produce a report in accordance with G4 at its comprehensive level, granted by the new GRI guidelines to those reports that follow its recommendations. This Corporate Social Responsibility Report for the year

2013 offers a balanced, comparable, accurate, reliable, regular (annual) and clear perspective on the economic, social and environmental performance of the Group.

The FCC Group Corporate Social Responsibility Report 2013 has been verified by KPMG in accordance with the ISAE 3000 international standard. The scope, description of the work and conclusions of said Verification can be found in the section entitled Independent review report.

### United Nations Global Compact

In 2013, FCC Group continued to strongly support the Ten Principles of the Global Compact, principles relating to human rights, labour rights, environmental protection and corruption. The Group has been associated with the Spanish Global Compact Association (ASEPAM) since 2007, whose main objective is to support, promote and disseminate the incorporation of the Ten Principles in the strategic vision of companies.

To show its strong support for the Ten Principles of the Global Compact, FCC Group includes a clause in all contracts with suppliers, approved by the Management Committee, which requires all suppliers and contractors to meet the FCC Group's Code of Ethics and comply with the Ten Principles of the Global Compact. This clause is a guarantee for the Group that its suppliers are adhering to these principles in their own activities.



## FCC GROUP PERFORMANCE INDICATORS 2013

| Economic indicators                                                    | Units              | 2013                     | 2012       | 2011       |
|------------------------------------------------------------------------|--------------------|--------------------------|------------|------------|
| Revenue                                                                | Millions of Euros  | 6,726.5                  | 7,429.3    | 11,896.7   |
| Gross operating profit EBITDA                                          | Millions of Euros  | 719.9                    | 820.3      | 1,256.4    |
| Net operating profit EBIT                                              | Millions of Euros  | 303.1                    | 147.4      | 393.2      |
| Cash flow from operating activities                                    | Millions of Euros  | 765.1                    | 1,159.0    | 995.1      |
| Cash flow from investing activities                                    | Millions of Euros  | (159.7)                  | (227.2)    | 7.7        |
| Backlog                                                                | Millions of Euros  | 32,865.1                 | 30,896.4   | 35,238.0   |
| Economic value generated                                               | Thousands of Euros | 7,024,118                | 7,845,554  | 12,128,878 |
| Economic value distributed by FCC Group                                | Thousands of Euros | 6,909,491                | 7,288,996  | 11,703,268 |
| Procurements (suppliers of materials and services)                     | Thousands of Euros | 2,660,726                | 2,782,029  | 5,483,597  |
| Staff costs                                                            | Thousands of Euros | 1,995,593                | 2,154,928  | 3,331,103  |
| Income tax                                                             | Thousands of Euros | (135,502)                | (37,956)   | 20,210     |
| Interest and exchange rates differences                                | Thousands of Euros | 498,613                  | 512,921    | 489,164    |
| Dividends paid to shareholders                                         | Thousands of Euros | 0                        | 0          | 173,191    |
| Economic contribution to corporate citizenship.                        | Thousands of Euros | 4,017                    | 4,500      | 6,180      |
| Significant financial assistance received from governments (subsidies) | Thousands of Euros | 226,254                  | 220,239    | 159,721    |
| Activity certified by ISO 9001                                         | %                  | 83.8                     | 81.1       | 84.5       |
| Purchases from suppliers                                               | Thousands of Euros | ND <sup>(1)</sup>        | 916,550    | 881,779    |
| Total purchases from local suppliers managed directly                  | %                  | ND <sup>(1)</sup>        | 90         | 93.5       |
| Ethics and integrity                                                   | Units              | 2013                     | 2012       | 2011       |
| Communications received through the Code of Ethics channel             | Number             | 22                       | 23         | 14         |
| Efficiency and technology                                              | Units              | 2013                     | 2012       | 2011       |
| Investment in R+D+i                                                    | Thousands of Euros | 18,437                   | 28,474     | 16,326     |
| Activities with environmental certification (e.g.: ISO 14001)          | %                  | 77.5                     | 78         | 79         |
| SO2 emissions*                                                         | Kg                 | 2,060,000                | 2,532,655  | 3,212,498  |
| NOx emissions*                                                         | Kg                 | 10,885,000               | 17,407,693 | 19,185,920 |
| Particulate emissions                                                  | Kg                 | 2,254,000                | 2,557,722  | 2,956,737  |
| Materials from renewable sources                                       | Tonnes             | 1,206,724 <sup>(2)</sup> | 8,815,606  | 10,580,427 |

<sup>(1)</sup> Information not available in 2013 due to the change in the structure of the Procurement department

<sup>(2)</sup> The decrease in 2013 is due to the fact that Alpine (a subsidiary of FCC Construcción) left the FCC Group, their activities consumed large quantities of wood (renewable) for formwork.

| Efficiency and technology                  | Units          | 2013                      | 2012        | 2011          |
|--------------------------------------------|----------------|---------------------------|-------------|---------------|
| Materials from recycled sources            | Tonnes         | 14,098,240                | 9,679,289   | 10,615,176    |
| Certified materials                        | Tonnes         | 4,097,668                 | 701,601     | 1,963,658     |
| Water consumption                          | m <sup>3</sup> | 9,919,405                 | 14,084,342  | 15,013,567    |
| Consumption of recycled water              | m <sup>3</sup> | 610,012                   | 610,372.94  | 3,289,728     |
| Consumption pertaining to surface water    | m <sup>3</sup> | 1,294,226                 | 2,987,563   | 2,658,021     |
| Consumption pertaining to groundwater      | m <sup>3</sup> | 1,627,473                 | 3,828,606   | 1,110,799     |
| Consumption pertaining to municipal supply | m <sup>3</sup> | 3,563,204                 | 5,081,542   | 5,206,906     |
| Consumption pertaining to other sources    | m <sup>3</sup> | 1,462,230                 | 1,576,258   | 2,748,112     |
| Discharged waste water                     | m <sup>3</sup> | 560,136,681               | 504,952,528 | 496,474,025   |
| Purified waste water                       | %              | 95.0                      | 92.6        | 94.2          |
| Water captured to be managed               | m <sup>3</sup> | 763,751,430               | 690,441,069 | 676,576,513   |
| Percentage of groundwater captured         | %              | 29                        | 35.8        | 28.7          |
| Percentage of surface water captured       | %              | 72                        | 60.8        | 66.7          |
| Percentage of desalinated water captured   | %              | 1.5                       | 1.4         | 1.8           |
| Percentage of other captured water         | %              | 1.9                       | 1.9         | 2.8           |
| Total waste generated*                     | Tonnes         | 5,417,813                 | 5,551,115   | 4,830,697     |
| Hazardous waste generated*                 | Tonnes         | 85,559                    | 139,800     | 277,441.08    |
| Non-hazardous waste generated*             | Tonnes         | 5,332,254                 | 5,411,315   | 4,553,255.92  |
| Waste managed                              | Tonnes         | 17,091,361                | ND          | 16,127,144.33 |
| Waste collected                            | Tonnes         | 6,692,654 <sup>(3)</sup>  | 10,384,776  | 10,771,438    |
| Urban waste                                | Tonnes         | 5,382,369                 | 8,105,721   | 8,445,372     |
| Hazardous industrial waste                 | Tonnes         | 432,931                   | 694,569     | 499,217       |
| Non-hazardous industrial waste             | Tonnes         | 877,354                   | 1,584,486   | 1,826,850     |
| Waste admitted in FCC centres              | Tonnes         | 10,398,707 <sup>(3)</sup> | 16,710,490  | 15,542,788    |
| Urban waste                                | Tonnes         | 5,051,636                 | 10,983,933  | 13,452,376    |
| Hazardous industrial waste                 | Tonnes         | 357,531                   | 172,637     | 268,475       |
| Non-hazardous industrial waste             | Tonnes         | 4,989,540                 | 5,553,920   | 1,821,667     |
| Treatment given to hazardous wastes        |                |                           |             |               |
| Recovery                                   | %              | 26                        | 27          | 5             |
| Stabilisation                              | %              | 41                        | 28          | 14            |

<sup>(3)</sup> The decrease is due to the fact that Proactiva Medio Ambiente left the scope of the indicator



|                                                                |                      |             |             |             |
|----------------------------------------------------------------|----------------------|-------------|-------------|-------------|
| Transferred to an end manager/other destinations               | %                    | 20          | 45          | 82          |
| Treatment given to non-hazardous wastes                        | Tonnes               |             |             |             |
| Valorization                                                   | %                    | 13          | 26          | 18          |
| Elimination in controlled landfill                             | %                    | 81          | 66          | 76          |
| Transferred to an end manager                                  | %                    | 6           | 7           | 6           |
| <b>Energy and climate change</b>                               | <b>Units</b>         | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Total GHG emissions                                            | † CO <sub>2</sub> eq | 8,667,404   | 11,554,189  | 11,917,117  |
| Direct GHG emissions                                           | † CO <sub>2</sub> eq | 8,479,830   | 10,808,177  | 11,342,481  |
| Indirect GHG emissions**                                       | † CO <sub>2</sub> eq | 187,575     | 746,012     | 574,636     |
| Direct consumption of energy                                   | GJ                   | 25,280,059  | 36,464,378  | 34,798,033  |
| Renewable energy consumed                                      | GJ                   | 1,529,593   | 2,990,430   | 2,430,701   |
| Non-renewable energy consumed                                  | GJ                   | 23,750,466  | 33,473,948  | 32,367,332  |
| Indirect consumption of energy                                 | GJ                   | 11,886,493  | 7,811,002   | 6,190,452   |
| Electrical energy consumed                                     | GJ                   | 11,884,007  | 7,792,273   | 6,176,025   |
| Energy in the form of steam consumed                           | GJ                   | 2,486       | 18,729      | 14,427      |
| Total consumption of energy                                    | GJ                   | 37,166,551  | 44,275,379  | 40,988,485  |
| <b>Community</b>                                               | <b>Units</b>         | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Investment in corporate citizenship                            | Millions of Euros    | 4.0         | 4.5         | 6.2         |
| <b>People</b>                                                  | <b>Units</b>         | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| Total employees                                                | Number               | 63,254.97   | 80,549      | 90,749      |
| Total women                                                    | Number               | 13,677.09   | 15,931      | 19,196      |
| Total men                                                      | Number               | 49,577.88   | 64,618      | 71,554      |
| Percentage of executive women with respect to total executives | %                    | 17%         | 16.6        | 13.6        |
| Number of employees with permanent contracts                   | Number               | 12,989      | 29,565      | 32,637      |
| Number of employees with a temporary contracts                 | Number               | 8,759.10    | 9,732       | 11,444      |
| Number of contract employees                                   | Number               | 41,507      | 41,252      | 46,668      |
| Total voluntary rotation                                       | %                    | 3.88        | 6.46        | 5.42        |
| Total voluntary rotation of men                                | %                    | 4.10        | 5.40        | 5.69        |
| Total voluntary rotation of women                              | %                    | 3.11        | 1.06        | 4.40        |
| Number of disabled employees                                   | Number               | 930.69      | 963         | 1,019       |
| People hired within the geographical proximity                 | Number               | 7,407.38    | 14,655      | ND          |

| People                                                                                                                               | Units  | 2013  | 2012  | 2011  |
|--------------------------------------------------------------------------------------------------------------------------------------|--------|-------|-------|-------|
| Number of training hours per employee                                                                                                | Number | 9.37  | 12.11 | 10.21 |
| No. workers covered by collective agreements (Spain)                                                                                 | Number | 100%  | 100%  | 100%  |
| Amount of time off due to work related accidents, employees + subcontractors (except while travelling or for cardiovascular reasons) | Number | 2,821 | 5,045 | 7,589 |
| Accident rates FCC Group (own personnel, national and international)                                                                 |        |       |       |       |
| Frequency rate                                                                                                                       |        | 23.41 | 26.91 | 36.31 |
| Severity rate                                                                                                                        |        | 0.7   | 0.61  | 0.83  |
| Incidence rate of occupational accidents                                                                                             |        | 44.03 | 53.2  | 75.39 |
| Absenteeism rate                                                                                                                     |        | 6.06  | 5.25  | 6.44  |
| Accident rates FCC Group (own personnel + subcontracted personnel)                                                                   |        |       |       |       |
| Frequency rate                                                                                                                       |        | 22.8  | 25.7  | 33.92 |
| Severity rate                                                                                                                        |        | 0.65  | 0.6   | 0.76  |
| Incidence rate of occupational accidents                                                                                             |        | 42.67 | 51.4  | 64.58 |
| Absenteeism rate                                                                                                                     |        | 5.23  | 4.56  | 5.87  |
| Deaths caused by occupational accidents                                                                                              |        |       |       |       |
| FCC Group Total (own personnel + subcontracted personnel)                                                                            | Number | 9     | 10    | 13    |
| Own personnel                                                                                                                        | Number | 6     | 6     | 9     |
| Subcontracted personnel                                                                                                              | Number | 3     | 4     | 4     |



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### **Independent Assurance Report to the Management of Fomento de Construcciones y Contratas, S.A.**

(Free translation from the original in Spanish.  
 In case of discrepancy, the Spanish language version prevails.)

We performed a limited assurance review on the non-financial information contained in the Corporate Social Responsibility Report of Fomento de Construcciones y Contratas, S.A. (hereinafter FCC) for the year ended 31 December 2013 (hereinafter "the Report"). The information reviewed is limited to the content referenced in chapter "How the Report was prepared" of the Report, with the symbol ✓.

FCC management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in item G4-32 of the chapter "How the Report was prepared" of the Report, and following the Materiality Matters criteria, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000APS); for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and, based on the work performed, to issue a report. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement. It concerns a review performed according to KPMG assurance engagement independence rules, as well as the requirements from the International Ethics Standards Board for Accountants Code of Ethics on integrity, objectivity, confidentiality, professional behaviours and qualifications. We have also conducted our engagement in accordance with AA1000 AccountAbility Assurance Standard 2008 (AA1000 AS) (Type 2), which covers not only the nature and extent of the organisation's adherence to the AA1000 APS, but also evaluates the reliability of performance information as indicated in the scope.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures:

- Risk analysis, including media search to identify material issues during the period covered by the Report.

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- Verifying the consistency of the information that responds to the General Standard Disclosures, with internal systems or documentation.
- Interviews with Management to gain an understanding of FCC's processes for determining material issues, as well as the stakeholders engaged in these processes.
- Interviews with relevant staff concerning FCC's policy and strategy application on sustainability, governance, ethics and integrity.
- Interviews with relevant FCC staff responsible for providing the information contained in the Report.
- Visit to 4 installations selected based on a risk analysis considering quantitative and qualitative criteria and considering the FCC Construcción, aqualia, Ámbito and FCC Medio Ambiente business.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reviewing the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of FCC.
- Verifying that the financial information reflected in the Report was taken from the annual accounts of FCC, which were audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Corporate Social Responsibility Report of Fomento de Construcciones y Contratas, S.A. for the year ended 31 December 2013 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines and Oil and Gas Sector Disclosures version 4.0 of the Global Reporting Initiative as described in item G4-32 in chapter "How the Report was prepared" of the Report. Additionally, and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that as a result of FCC implementing the procedures described in the section "Application of the AA1000 Standard in the preparation of this report", any material issues have been omitted as applies to the principles of inclusivity, materiality and responsiveness as included in the AA1000 AccountAbility Principles Standard 2008.

Under separate cover, we will provide FCC management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

**In relation to the INCLUSIVITY principle**

As in recent years, FCC has undertaken a process of consultation and communication with internal and external stakeholders. With regard to the external consultation process, it has been specifically developed in the different sectors in which the company has its main activities through sectoral organizations. Moreover, throughout this year and due to the company's circumstances, communication with internal stakeholders has gained special relevance. It has been recommended to FCC to continue advancing in the development and formalization of the stakeholders consulted in order to carry out these consultations in a coordinated and consistent way in all the group's activities and in all geographic areas.

**In relation to the MATERIALITY principle**

FCC has carried out a materiality study to identify the relevance of the different items to be included in the CSR Report, taking into account the lines of the Master Plan 2012-2014 and the considerations required in different reporting standards (for example, G4). In this prioritization, it has been considered both external and internal reviews, and has been based on the impacts that each of the issues generates inside and outside the organization. It has been recommended to FCC to further progress in this direction and to consider the process in a systematic way, including the impacts for both external and internal stakeholders, inside and outside the organization, taking into account the entire value chain of the company. Another aspect to take into account in this prioritization, and due to fact that the company is in a deep process of internationalization, must be the impacts on the value chain in the different geographies where the company operates.

**In relation to the RESPONSIVENESS principle**

For FCC, its Corporate Social Responsibility Report represents one of the main ways to meet the stakeholder's needs, supplemented by communication channels established within the company's Master Plan 2012-2014. The company could continue advancing in the formalization and extension of these bidirectional communication channels to all its stakeholders and in all geographic areas in which the company operates. Additionally, the expectations gathered through this communication channel should be gradually integrated into the company's management systems, which, among other forms of communication, provide information for the Corporate Social Responsibility Report.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

5 June 2014

