



**FOSTER WHEELER ENERGIA S.L.U**

**COMMUNICATION ON PROGRESS**

JANUARY 2011

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*January 2011*

Foster Wheeler Energia S.L.U (FWES) signed up to the Global Compact Principles on the 20th of January 2010. Since then, the company has made progress related to the application of the 10 Principles.

I am pleased to confirm that FWES supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to renew this support. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals.

During 2010, FWES has achieved the following goals which give evidence of its commitment to support the 10 principles:

- (i) the certificate ISO 14.001 as a result of having implemented this management system in favor of environment.
- (ii) fighting corruption through Foreign Corruption Practices Act, related local Spanish law and OCDE rules compliance.

Next year we will go further expanding the areas of influence to human rights and labour. I am confident that FWES will continue working on improving and distributing these principles within interest groups.

FWES publishes the first Communication on Progress Report (COP) on the Global Compact web and makes it available to its interest groups.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within *one year* of joining the Global Compact, and *annually* thereafter according to the Global Compact COP policy.

  
Sincerely yours,

Mr. Eric Svendsen

CHIEF EXECUTIVE OFFICER

## 2. 2010 ACTIONS

In 2010, we have set objectives related to our intention to advance in Corporate Social Responsibility and especially in Global Compact Principles. To commence, FWES has focused on these two areas “Environment” and “Anti-corruption” which were considered more significant for FWES business strategy.

### A. ENVIRONMENT

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### ➤ ISO 14.001

FWES is concerned about the Environment and has developed a management system to address these matters which is compatible with all other existing management systems.

The main goal, as the first year being signatory for Global Compact, was to certify the system. This goal has been already achieved in July 2010 when ISO 14.001 certificate was obtained. FWES shares with ISO culture the idea of working in favor of continuous improvement pursuing an excellent environmental performance after controlling impacts, products and services.

The Health, Safety and Environmental Committee for the global Foster Wheeler organization leads and monitors a culture of sustainable HSE excellence.

FWES needed to implicate all employees to make them aware of environmental issues. This was performed through training. All FWES employees received training to be sensitized to the environmental causes.

➤ Code of Conduct

A worry for Environment forms part of FWES culture and it is included in our Code of Conduct which shows its importance.

“All Foster Wheeler employees should strive to conserve resources and reduce waste and emissions through recycling and other energy conservation measures. You have a responsibility to promptly report any known or suspected violations of environmental laws or any events that may result in a discharge or emission of hazardous materials. Employees whose jobs involve manufacturing, construction, plant operation, or other industrial activity have a special responsibility to safeguard the environment. Such employees should be particularly alert to the storage, disposal and transportation of waste and handling of toxic materials and emissions into the land, water or air.

Foster Wheeler is committed to avoiding adverse impact and injury to the environment and the communities in which we do business. Foster Wheeler employees must comply with all applicable environmental laws, regulations and Foster Wheeler standards. It is your responsibility to understand and comply with the laws, regulations and policies that are relevant to your job. Failure to comply with environmental laws and regulations can result in civil and criminal liability against you and Foster Wheeler, as well as disciplinary action by Foster Wheeler, up to and including termination of employment. You should contact your Operating Unit’s Corporate Counsel if you have any questions about the laws, regulations and policies that apply to you”.

➤ FWES Environmental Policy

Environmental Policy exists and has been updated in March 2010.

This policy establishes an Environmental system to protect the area in which FWES has influence. It is essential to maintain the Environment in every operation and as a significant part of our strategy introduced in our entrepreneurial activity, promoting continuous improvement. We develop technologies in order to minimize injuries to environment. We would do our best in minimizing environmental impact in equipment construction and project execution through contamination prevention.

Our environmental policy reinforces final objective of zero incidents taking into account the philosophy that all these facts/issues can be avoided.

We comply with legislation and regulation in business area of responsibility. We assure participation through establishment and measurement of objectives. In order to be coherent with environmental objectives we provide sufficient resources.

FWES incorporates this policy in day-to-day business when implementing new projects.

➤ Products

FWES designs, supplies and erects advanced steam generating equipment and is a leader in fuel-flexible combustion technology and the development of solutions to address carbon reduction through three main areas:

(i) Oxycombustion

FWES is actively developing Flexi-Burn™ technology for our CFB steam generators. We believe Flexi-Burn™ technology will be an important part of an overall strategy for capturing and storing CO<sub>2</sub> from coal power plants. This technology will enable our CFB steam generators to operate in “oxygen-firing CO<sub>2</sub> capture” mode, commonly referred to as oxy-fuel combustion. In this mode, the CFB combustion process will produce a CO<sub>2</sub>-rich flue gas which can then be delivered to a storage location while avoiding the need for large, expensive and energy intensive post-combustion CO<sub>2</sub> separation equipment.

FWES is involved together with other Foster Wheeler companies, Spanish government foundation (CIUDEN) and Endesa (one of the most important electricity companies) in the program EEPR (European Energy Program for Recovery) following European Union initiative since 2007 to create demonstration projects to capture, transport and store carbon to reach energetic goals of CO<sub>2</sub> reduction.

The pilot thermal plant for Phase I of the EEPR sited in Ponferrada “CIUDEN Project” is under construction for capacity 20 thermal MW.

(ii) Renewable energy / Solar

FW Solar technology was initiated by the company Foster Wheeler Solar Development Corporation with the study Solar Power Array for the Concentration of Energy (SPACE) founded by The National Science Foundation.

In 1974 Foster Wheeler continued research and development studies for Crosbyton Solar Power Project in Texas in collaboration with Solar Tech University. They started by fossil-fuel steam generator system to be integrated with solar steam system and turbine in order to

assure an uninterrupted supply of power at night and during periods of low solar radiation. International Engineering Conference was held by that time.

Recently, FWES has been awarded with different contracts to design and supply solar steam generator systems (preheaters, drum-type evaporators, and superheaters) including interconnecting piping, valves, primary I&C, steel structures, and site advisory services for plants located in Spain and outside Spain (international presence such as in Abu Dhabi, United Arab Emirates (UAE)).

Solar technology is considered the cleanest as it uses water and sun as principal source of energy.

FWES will continue working on the technology and new equipment (evaporators, steam drums) following legislation advances taking into account that price optimization is being searched. We offer solar boilers, condensers and heaters. We also design, manufacture and install auxiliary equipment, which includes steam generators for solar thermal power plants.

FWES received a solar award obtained as solar technology recognition "Concentrated Solar Power (CSP) Engineering Firm 2010". Solar technology works through a water motor that operates with the steam obtained from heat produced by mirrors heated by sun rays over one point in which a fluid runs. Power is produced during the process.

In FWES Total Sales Solar numbers represent more each year. Our first offers started in 2008 and our first project came in 2009 (2% of FWES Sales). In 2010 Solar Projects represent 18% of the sales.

(iii) NOx

Determination to obtain NOx reduction is worthy as it improves decreasing undesirable impacts in environment. NOx emission to the atmosphere produces air pollution, acid rain and greenhouse effect when creating ozone O3. NO2 is toxic for human being with negative effects in respiratory system.

Further, we offer a full line of new and retrofit nitrogen-oxide, which we refer to as NOx, reduction systems such as selective non-catalytic and catalytic NOx reduction systems as well as complete low-NOx combustion systems. We provide a broad range of site services relating to these products, including construction and erection services, maintenance engineering, plant upgrading and life extensions.

Foster Wheeler offers a wide experience in low NOx combustion projects since 1979 with over 50.000 MW installed in several countries.

Foster Wheeler recommends implementation of NOx emission reduction measures in a 3-phase process:

1. Low NOx burners, air over fires (OFA), milling improvement (adjustable sorter) and continuous flow measure / pulverized coal granule (ECT).
2. Optimization combustion system: ongoing combustion adjustment (maximum reduction or efficiency).
3. Selective catalytic reduction (SCR).

Low NOx burner development is continuous as each project requires adjustment to a special coal geometry and range. Price reduction under continuous improvement will allow installation in other units.

Low NOx burners installed in steam generators produce over 3.800MWe.

➤ Actions performed in Offices and Workshop

FWES is concerned about the environment and does its best to reduce damages. An effort is being performed to maintain this tendency. The highest objectives have been set in the Workshop as environmental impact is higher than in offices. In this line, we have implemented several actions where results can be easily verified.

(i) Offices

There are resources for recycling paper in all offices, which are used by FWES employees. All employees were trained during the year to raise awareness of environmental impact.

(ii) Workshop

Several activities have been completed and some others are on-going as this is considered a continuous improvement process.

All employees were trained during the year to raise awareness of environmental impact.

New works are being performed between 2009 and 2010 to asphalt the gas-oil tanks area in order to avoid spillage damage.



An objective for 2010 was to reduce the number of environmental incidents in 30%. This objective has been accomplished.

Cardboard, containers and packaging recycling objective in 2010 was 10% more than previous year. Cardboard figures show it has been successful. For containers and packaging the objective was accomplished 75%.

We have improved metallic waste management in 2010 obtaining up to 180 kilograms of copper cable arranged through an authorized agent.

## B. ANTI-CORRUPTION

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Due to Foster Wheeler Group's robust commitment to compliance with the U.S. Foreign Corrupt Practices Act, Management has implemented Corporate Policies and Procedures to be followed by all employees in order to ensure compliance with the Foreign Corrupt Practices Act.

Code of conduct also shows this concern and special attention has been given in 2009 and 2010 through Code of Conduct Training to all employees. 100% of FWES employees have completed the training and Management has been specially trained in certain matters. Compliance ReportLine is the instrument employees have to report an abuse on this area.

"The United States Foreign Corrupt Practices Act (the "FCPA") prohibits Foster Wheeler and its employees and agents from offering or giving money or any other item of value to win or retain business or to influence any act or decision of any governmental official, political party, candidate for political office or official of a public international organization. Stated more concisely, the FCPA prohibits the payment of bribes, kickbacks or other inducements to foreign officials. This prohibition also extends to payments to a sales representative or agent if there is reason to believe that the payment will be used indirectly for a prohibited payment to foreign officials. Violation of the FCPA is a crime that can result in severe fines and criminal penalties, as well as disciplinary action by Foster Wheeler, up to and including termination of employment.

All agreements with sales representatives, agents and others acting in a similar capacity must be in writing, signed and filed in accordance with the procedures of the Business Group or Operating Unit entering into the engagement."

Before engaging any Agent or executing any extension, renewal or significant amendment to an agreement with an existing Agent, FWES performs a due diligence to provide reasonable assurance that any Agent is an appropriate and proper person to represent Foster Wheeler and will comply with the U.S. Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws.

The giving of gifts to Foreign Officials is strongly discouraged and may only occur if the gift is of nominal value, customary, and approved in writing in advance by the Chief Legal Officer.

Payments to agents are also supervised and executed only after proper approvals are obtained.

### 3. FUTURE ACTIVITIES

#### ➤ Environment and Anti-corruption

FWES will continue working on the actions started in 2010 to improve results obtained.

Recycling in Madrid's office will be reinforced in 2011 through a sensitization campaign to reduce paper and printer's ink.

The possibility of electricity lowering will be studied.

In our Workshop:

- We are working on aerosol storage for those which have explosion risk.
- We have planned a project for decanting water from rain before being lost outside our Workshop.
- There is also a plan to replace all mercury vapor lamps by 2011.

Code of Conduct training will be held in 2011 involving all FWES employees. It will reinforce FCPA Compliance including special mention to UK Bribery Act 2010 and Facilitating Payments.

Training in Spanish Code Penal reform is planned for 2011 to explain management about corruption consequences.

#### ➤ Human Rights and Labour

Within these areas we have some measures implemented in FWES as Code of Conduct, Core Values, collective agreement, Equality Plan, Compliance ReportLine, Remuneration Essays and Labor integration of handicapped.

The certificate OHSAS 18.001 was obtained in July 2010 as a result of having implemented this management system in favor of health and safety. Staff was trained regarding health and safety matters. Some employees attended to a course of risk prevention. Individual prevention equipment's usage is being reinforced.

Other initiatives in these areas are being explored and need more time to expand. We will report progress on them in the following years.

#### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Finally, we would like to mention that Our Core Values and Code of Conduct reflect statements to fight against issues on human rights and labour. They follow principles 1 to 6.

#### Our Core Values are:

- Integrity: we will behave ethically, safely, honestly and lawfully.
- Accountability: we will work to clear and mutually accepted responsibilities, engage in hands-on management and decision-making, and accept appropriate rewards and consequences.
- High Performance: we will consistently meet or exceed expectations and focus on continuous improvement.
- Valuing People: we will treat individuals with respect and dignity - and we will communicate with clarity and honesty. We will also provide opportunities for employees to reach their full potential.
- Teamwork: we will work collaboratively toward common goals.

#### 4. DISTRIBUTION

A summary of these initiatives / policies is communicated to clients and vendors through offers and requests for quotation.

Employees have access to the COP report through FWES Intranet.