

Madrid, 01 October 2015

Subject: Communication on Progress Report and Renewal of the Commitment to the Ten Principles of the United Nations Global Compact.

Through this Communication on Progress Report, I am pleased to **reaffirm the commitment of FCC Construcción for yet another year to the United Nations Global Compact's Principles** and to its implementation and promotion according to the terms set out in the 2013-2014 Sustainability Report and its 2014 updated version.

The **2014 version of the Sustainability Report** highlights the significant actions related to our management of human rights, employment standards, the environment and the fight against corruption throughout the 2014 financial year. Building upon the 2013-2014 Sustainability Report, in accordance with the "comprehensive option" of the G4 GRI Reporting Guidelines, the update has been drawn up based on a materiality principle, focusing on relevant issues for the organisation, which also have an influence in the decision-making of our main stakeholders.

The financial year was beset with complicated circumstances, namely the second consecutive employment downsizing process; the change of FCC Group's shareholder structure; the numerous appointments; the reallocation of roles and the restructuring of the organisation aimed at consolidating our presence in strategic countries and redirecting business towards more specific and profitable projects. Despite these circumstances we have continued working in order to consolidate this necessary change, to reinforce the internationalisation process, while always referring to the concept of sustainability as a guide in our business management.

It is clear that we are in the midst of an era characterised by change; the business model is changing, the players involved are changing, our partners are changing, and in a nutshell, so too are our needs and expectations. This is evidenced by the fact that the company's international activity contributes to 50% of the income and will be inclined to increase in the next few financial years as a result of the award of major international contracts, such as the Mersey Gateway in the United Kingdom, Lima Metro in Peru, Doha Metro in Qatar or the Chucas Dam in Costa Rica. This track record, also endorsed by the fact that 67% of the portfolio is based in international markets, confirms the need to continue reaffirming the Principles of the Global Compact, particularly in new geographical areas.

The company's internationalisation strategy has also defined its management processes, with FCC Construcción witnessing numerous changes throughout 2014. These included the establishment of "FCC Industrial" to merge all industrial activities into a single company; the adaptation of the management system procedures to new international market demands, especially considering the development of contract management processes; as well as the launching out of an internal, online and multilingual IT application, adapted to our international projects reality so as to draw up the Site Management Plan.

We cannot deny that the internationalisation process has also had an obvious effect on employees, which is why, in 2014, a new Mobility Policy was published and an internal information site "FCC worldwide" was set up. The company site focuses on new professional opportunities within FCC, particularly on international benchmark projects. Given that our employees are one of our prized assets, in 2014 we coordinated 95,000 hours of training, placing a special focus on specific training related to the new cost control system and the implementation of the international program for recently graduated engineers.

Insofar as social dialogue and relations with local communities are concerned, FCC has held its first Health and Safety at Work Week and has launched the project "FCC Empresa Saludable" (FCC Healthy Company), thereby promoting awareness of risk prevention in the workplace and improvement of health. In addition, we have signed the Spanish Diversity Charter, which is an initiative of the European Commission's Directorate-General for Justice for the implementation of policies to tackle discrimination, and our projects have actively contributed to the socioeconomic development of their neighbouring populations.

FCC Construcción is committed to extending the principles of integrity and sustainability to its entire value chain; therefore the FCC Citizen Services ethical framework is implemented so that all supplier and subcontractor contracts include a clause whereby our Ethical Code is recognised and respected. Another clause is also incorporated to highlight the obligation to comply with the 10 Principles of the United Nations Global Compact. The new needs of the company led to the restructuring and transformation of the FCC Construcción Purchasing Service in 2014 and to changes being made to the suppliers' assessment so as to include social and human rights criteria.

In 2014 we incorporated new environmental and social criteria to the policy, procedures, guides and IT applications of the Management System to ensure they comply with IFC Performance Standards. We also continued to extensively apply the Good Practices® methodology in the worksites carried out in all countries in which we operate; which in turn improves our environmental performance. We are clearly accountable for this in our Environmental Report, which is published in 2015 and which analyses the environmental footprint of the works carried out in 2014.

Representative of our firm commitment to address climate change, FCC Construcción was the first construction company to register its carbon footprint in the Spanish National Registry of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects, which was launched by the Ministry of Agriculture, Food and Environment of Spain. In spite of the sector crisis, we believe that the company's climate change strategy is a key factor which sets us apart, especially in an increasingly international context. In this regard, the Energy Management System of the company's corporate headquarters was certified in 2014 according to ISO 50001.

The performance of FCC Construcción was acknowledged in 2014 with various prizes and distinctions in the different countries where we operate. The most noteworthy prizes were the "Excellence in Infrastructure" award from the European Rail Awards, the "Global Best Project" from the Engineering News Record and the "Best International Project" from the Professional Association of Civil Engineers in Madrid for the construction of the New Europe Bridge (Vidin Bridge) which connects Bulgaria and Romania. Other prizes were the "Aqueduct of Segovia" prize from the Professional Association of Civil Engineers for the Despeñaperros Relief Road in Spain, the IJ Global Europe & Africa Awards from the publication PFI for the "2014 Best European Infrastructure Project" for the Mersey Gateway in the UK or the award from the Spanish Network of the UN Global Compact for having boosted its mission as partner over the last decade.

We believe it is essential to be accountable for our behaviour and to share it with our stakeholders. For this reason, in 2014 we developed new communication channels: internal channels such as "FCC One", the intranet of FCC Construcción; and external channels such as the "Ciudad FCC" (FCC City) and the video blog "FCCCO Live". Additionally, the analysis of the results obtained, along with the concerns from our principal interest groups, are the main input used to define new **goals and challenges** we set ourselves, to work towards a more sustainable future.

From an *economic perspective*, the turnover increase in international markets seems unavoidable, as do the improvement of production processes and the optimisation of costs. Therefore, a clear company guideline is that which limits our presence exclusively to more profitable areas and projects which enable us to generate additional value for the company.

The fact of becoming a company with established roots in many places, with new partners and employees of different nationalities, requires permanent consolidation of our Sustainability Management System, which as of 2013 is certified with international scope. In addition, in the coming years the Management System is expected to be adapted to the new standards ISO 140001, ISO 9001, ISO 27001 and UNE 166002, and the development of an internal methodology to assess sustainability of our civil engineering works is also anticipated.

Within the *environmental context* of the company, the main challenge that we face is the extension of the environmental management system certificate ISO 14001 to reach 100% of FCC Construcción, for which we worked intensively throughout 2014. We are also working on expanding the geographical limits of our greenhouse gas emissions' inventory, as well as on developing the company's formal grievance mechanism on social and environmental impacts, employment practices and/or human rights, so that it encompasses all the aforementioned scopes and all of the company's stakeholders.

Included among our *social and labour objectives* is the management of human resources processes according to the key skills outlined; the establishment of a performance assessment to measure the level of skill-related development of individuals; and the implementation of an international executive development program which is aimed at the positions of site manager and head of production. Other challenges facing the company in this field are the implementation of Best Practices on site, which flag up actions to improve preventative management and active safety. Others include the integration of R&D&I processes in countries where FCC Construcción operates, as well as the enhancement of the digital presence and FCC Construcción websites or the creation of a communication guide among the site interfaces.

In light of the above and, through our renewed commitment to the Ten Principles of the United Nations Global Compact, we want to do business responsibly and demonstrate through our actions that we can have a positive impact on building a more sustainable future for generations to come.

Sincerely,



Miguel Jurado Fernández
Chairman of FCC Construcción