

Madrid, 03 October 2016

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

I am delighted to, once again, bring you this Progress Report to reiterate the **commitment** FCC Construcción has made to the **Principles of the United Nations Global Compact** and to implementing and promoting them, both internally and when working with third parties.

This year, the **2015-2016 Sustainability Report** is structured around the **Sustainable Development Goals (SDGs)** established by the UN. Among other things, the report highlights the significant actions in relation to our way of managing human rights, employment standards, the environment and the fight against corruption throughout the 2015 financial year, and how these efforts and initiatives of the organisation help to achieve the SDGs. The Report, drawn up in accordance with the "comprehensive" option of the GRI G4 Guidelines, was based on a materiality criterion and, therefore, although it deals with a wide range of issues to give an account of our performance regarding sustainability, focus is placed on issues that are important for the organisation and its main stakeholders.

This is a time of great change. It is a year in which our company has begun a major transformation in the areas of operation, finance and governance, aiming to strengthen our ability to provide improved and more sustainable solutions so as to better and more consistently rise to the challenge of contributing to the wellbeing and development of people.

The current and future internationalisation and development of our company in markets with high growth potential is a challenge that we are undertaking with the best tools and with training for our professionals, helping us to develop in multicultural and complex environments. With revenues of 1.993 billion euros in 2015, and with a stable presence in 16 countries, over 78% of our backlog is located outside of Spain. A gross operating profit (EBITDA) of 98 million euros signals a recovery in profitability. This situation confirms the need to continue bolstering the Principles of the Global Compact, particularly in new geographical areas, just as we have been doing here at FCC Construcción for over ten years.

The fact that our international activity already accounts for 55% of revenue proves that the organisation can successfully adapt its processes to the different circumstances in the international arena. In this context of change, now more than ever, we need to be aware of the needs and expectations of our stakeholders and continue to strengthen risk management in the different work phases. In this regard, in 2015 the "Procurement" application was developed and implemented, which is used to manage all the areas involved in the preliminary risk assessment in a coordinated way. Moreover, the company actively participates in over 45 work groups related to sustainable construction and innovation, a field in which over 7.2 million euros were invested in 2015. Other noteworthy milestones in the year include active participation in the

KPESIC platform to promote environmentally sustainable construction in Latin America and the Caribbean, and the development of the internal SAMCEW method used to evaluate sustainability in civil engineering works.

The situation in the sector in Spain has required a series of restructuring and organisation measures, which include the third downsizing process in the company, set to finish at the end of 2016. This difficult process, necessary to adapt the workforce to the business volume, has been undertaken in a context of open and transparent dialogue. Despite the circumstances, the company remains convinced that employees are its greatest asset and that they should be prepared to take on new challenges in this context of change; to this effect, over 95,000 hours of training were given in 2015, which is more than the previous year, both in terms of hours and investment.

In relation to employees, we cannot overlook the issue of their safety at work and, for this reason, last year best practices were used in our works so as to ensure an improvement in active safety. Balanced scorecards were also implemented to monitor, on a four-monthly basis, the performance of health and safety at work.

Regarding diversity, an agreement was signed with the Ministry of Health, Social Services and Equality to boost the presence of women in executive positions and on Management Committees, and the company also took part in the International Campaign for the Elimination of Violence against Women. Additionally, in 2015, both FCC Industrial and FCC Construcción obtained the "Equality in the Workplace" hallmark, awarded by the abovementioned Ministry.

With regards to social dialogue, engagement with local communities and society as a whole, FCC Construcción has renewed its communication model and expanded its communication channels, now with its own page on social network LinkedIn. Furthermore, four successful cases of FCC Construcción works are included in the catalogue of best CSR practices in Ibero-America, drawn up by the Spanish Ministry of Foreign Affairs and Cooperation.

As we are aware of the importance of systematising our activities, throughout 2015 FCC Construcción extended the environmental management system certification to 97% of company operations. We also continue to extensively apply the Best Practice® methodology to works carried out in all countries in which we operate, which in turn improves our environmental performance. We gave a detailed account of this in last year's Environmental Report.

Regarding FCC Construcción's commitment to the fight against climate change, in 2015 over 22,000 tonnes of CO<sub>2</sub> emission were prevented thanks to implementing the Best Practices in our works and the certification on the greenhouse gas emissions inventory was renewed, along with the entry in the MAGRAMA "Register of Carbon Footprint, Offsetting and Carbon Dioxide Absorption Projects". FCC Construcción also participated in the "One million commitments for the climate" initiative by the Ministry of Agriculture, Food and Environment and the Ecology and Development Foundation (ECODES), carried out in the lead-up to COP21 in Paris.

We were awarded different prizes and acknowledgments in 2015 for our work in the different countries where we operate. Among these awards, the most noteworthy included the “Lieberman Award for the Best Works” for the viaduct by the engineer Gilberto Borja Navarrete in Mexico; “European Infrastructure Deal of the Year” and the IJGlobal “Roads Deal of the Year” award for the Mersey Gateway Project in the UK; “Best International Project” from the Professional Association of Civil Engineers in Madrid for the construction of line 1 of the Panama Metro; the “Risk Prevention Honours Table” prize from the Chilean Chamber of Construction awarded to FCC Construcción Chile for its prevention of risks at work management; the “Germán Ignacio Gómez Pinilla National Environmental” award for the environmental recovery project of the Bogotá river in Colombia; and the POTENCIA 2015 award in the land routes category awarded for the Carchuna-Castell de Ferro section of the A7 in Spain.

The analysis of the management undertaken and of the main results, along with the concerns of our main stakeholders, are the main elements considered when it comes to setting our new **aims and challenges**, working towards a more sustainable future.

Regarding our *economic* objectives, growth in turnover from international markets is inevitable, along with improved production processes and cost optimisation. Therefore, a clear company guideline concerns limiting our presence exclusively to the more profitable areas and projects that enable us to generate added value for the company. In our relationship with the supply chain, we aim to consolidate the centralised purchasing model on an international level and foster procurement of local suppliers, as was done traditionally; evidence of this is the fact that 98% of suppliers contracted in 2015 were local.

Becoming a company with multiple locations, new partners and employees of different nationalities, requires constant consolidation of our Sustainability Management System, which has been internationally certified since 2013. In addition, work is being done to adapt the Sustainability Management System to new ISO standards 14001, ISO 9001 and ISO 27001.

Regarding the company's *environmental challenges*, we believe that raising awareness is fundamental, both among our own employees and among suppliers and subcontractors, which is why we aim to expand our social and environmental experiences database and publicise it both internally and externally. As a result of the publication of new legal requirements, FCC Construcción will undertake energy audits in compliance with Royal Decree 56/2016 on energy efficiency. Another challenge that the organisation is considering entails establishing strategies to adapt to climate change, a field in which infrastructure could play a big role in the coming years.

In terms of continuing to support the innovation and development of sustainable construction, it is essential that we make progress with important R&D&I projects in international programmes, in all countries where FCC Construcción operates. Furthermore, FCC Construcción aspires to implement SAMCEW®, the internal method, across the board in order to assess sustainability in civil engineering works and publicise its existence in external forums.

From a *social* point of view, objectives include consolidating the scope of training programmes geared towards managers and young engineers, expanding the mechanism for formal complaints regarding social and environmental impacts, working practices and/or human rights, and keeping accident rates low.

Other challenges the company faces in this area include implementing Best Practices in the field of road safety, integrating persons with disabilities, raising awareness among employees regarding adopting healthy habits, and improving the digital presence of FCC Construcción.

Firmly convinced that our sustainability strategy must be tied in with fulfilling the SDGs and the Ten Principles of the United Nations Global Compact, we will continue working to implement initiatives relating to our activity that aim to reduce and eliminate the negative impacts and boost those that are positive for our stakeholders. We will continue working to ensure this strategy guides our future: a sustainable future within our reach.

Kind regards,

**Miguel Jurado Fernández**

Chairman of FCC Construcción