

Madrid, 5 October 2017

Subject: Communication on Progress and renewal of the commitment to the Ten Principles of the UN Global Compact.

Through this Communication on Progress, I am pleased to **repeat one year more the commitment** of FCC Construcción **to the Principles of the United Nations Global Compact** and to its implementation and promotion according to the terms defined in the 2015-2016 Sustainability Report and its 2016 updated version.

The **2016 update of the Sustainability Report** emphasises the significant facts related to our management of human rights, employment standards, the environment and the fight against corruption throughout 2016. Taking as a basis the 2015-2016 Sustainability Report, which was structured around the **Sustainable Development Goals (SDGs)** set by the United Nations and undertaken according to the exhaustive option of the GRI G4Guide, the update was undertaken based on a materiality principle, focusing on relevant issues for the organisation, that contribute to comply with the SDGs and that also influence the decision-taking of our main stakeholders.

After the capital increase of the FCC Group, 2016 was a year of transformation for FCC Construcción in which the management team was renewed and a commitment was made to enhance the synergies between the various business areas to be more efficient. Proof of this has been the creation of a new subsidiary company, "FCC Américas," formed 50% by Carso Infraestructura and FCC Construcción, which enhances the best of both companies and has been awarded a first contract, the Samalayuca-Sasabe gas pipeline in Mexico. The consolidation of these changes will only be possible from a sustainability perspective, for which the 2030 United Nations Agenda offers us a framework of opportunity in which we can align our business strategy, which has been started with the approval of the FCC Corporate Social Responsibility policy.

The internationalisation and present and future development of our company in markets with high growth potential is a challenge that we are tackling with the best tools and with the training of our professionals that allow us to develop in multi-cultural and complex environments. With a turnover of €1,653 million in 2016 and a being present in 23 countries, 77% of our portfolio lies outside Spain. This situation reaffirms the need to continue with the subscription to the Principles of the UN Global Compact, especially in the new geographical areas, as we have been doing in FCC Construcción for more than 10 years.

The fact that our international activity already provides 65% of income means that the adaptation of the organisation's processes to the various circumstances of the international ambit is a reality. More than ever, this changing reality makes it necessary to suitably define the organisation's context and to know the needs and expectations of our groups of interest as well as to define the risks and opportunities associated with both concepts. In this sense, we have

worked in 2016 in order to adapt the management and sustainability system to the new versions of the ISO 9001 and 14001 standards with a clear risk-based focus. We have also actively participated in more than 45 working groups related to sustainable construction, the environment and innovation, a field in which more than €4.2 million were invested in 2016. Other notable goals in the year were the participation in various working groups driven by the BIM Committee of the Ministry for Development, seeking to know and implement this integral working method in construction, and the obtaining of the highest BREEAM® classification in Spain for the EUIPO project, undertaken by FCC Construcción.

The situation of the sector in Spain has required a series of restructuring and organisational measures, including the organisation's third adjustment of employment which terminated at the end of 2016 with the release of 649 professionals. Despite the circumstances, the company continues to consider its employees as one of its best assets so that in 2016 the ratio of hours of training received per worker was increased and we continued the participation in the "Development by management – Women with high potential" programme.

Another important matter is the occupational health and safety of our employees; in this regard last year best practices were implemented in our projects to guarantee the improvement of active safety and dashboards were implemented for the four-monthly monitoring of the performance of occupational health and safety.

We continue to be committed to improving the practices for managing diversity in the company, having signed an agreement with the Ministry of Health, Social Services and Equality to increase the presence of women in management positions and having participated in the United Nations world campaign against gender violence. In addition, both FCC Industrial and FCC Construcción have been granted the "Equality in the company" award by that Ministry.

Regarding social dialogue and relations with local communities and society as a whole, FCC Construcción has renovated its digital channels to unify the company's image and has published the Web site using Liferay technology that guarantees access to the contents. It is also worth mentioning the undertaking of multiple social projects and the high satisfaction of the clients with the professional capacity of our project teams.

Aware of the importance of systemising our activities, in FCC Construcción we continue to apply the Best Practices® methodology in the projects undertaken in the various countries in which we are present, which improves our environmental behaviour. Indeed, the environmental performance of the organisation in 2016 is shown in the Environmental Report, published in 2017.

Regarding FCC Construcción's commitment to the fight against climate change, in 2016 we obtained the "calculate and reduce" seal of the "Carbon footprint and CO₂ offsetting and absorption projects register" awarded by the Ministry of Agriculture and Fisheries, Food and the Environment of Spain and we have joined the "#PorElClima Community", set up following the Paris Agreement with the aim of setting up commitments for reducing emissions. We have also applied the European Energy Efficiency Directive with energy audits in 28 of the work centres of FCC Construcción, FCC Industrial and Matinsa in Spain.

The performance of FCC Construcción was acknowledged in 2016 with various prizes and awards in the different countries in which we operate. Notable among these awards for its importance was the “Americas Deal of The Year 2015” prize from the publication *Project Finance International* in the “public-private association” category for the Lima metro line 2 concessionaire by FCC Construcción, the “Faro Portcastelló 2016 Innovation” prize for the “low reflection caissons” R&D project developed in the work to extend the eastern dock in the Port of Castellón, the recognition as the “best overall tunnels team of the year” in the “New Civil Engineer Tunnelling Awards 2016” for the FAST consortium, led by FCC Construcción, which is building three metro lines in Riyadh, the “Responsibility and Sustainability” prize from the Civil Engineers’ Professional Association in Madrid for the SAMCEW® initiative of FCC Construcción, the award to FCC Industrial in Spain in the “European Business Awards” in the Environmental and Corporate Sustainability category and the “World Architecture Festival” prize in the best design category for the new German School in Madrid.

The analysis of our management and of the main results, together with the concerns of our main stakeholders, are the main elements considered in the definition of the new **objectives and challenges** that we propose for a more sustainable future.

From the *economic* perspective, the intention is to continue with the international expansion of FCC Industrial and bid in markets where our experience and capacity can allow us to obtain greater profitability. In this sense, the company is committed to focusing the business in known and geographically stable markets and to choose symbolic projects in which FCC Construcción can provide a differential value.

Likewise, in other management areas, the idea is to integrate the SDGs in FCC Construcción’s CSR policy and strategies, analyse all the materialisable risks to increase the economic margins and reduce losses, update the FCC Group’s Code of Ethics and develops a responsible purchasing policy for the Group.

Within the organisation’s *environmental context*, the main challenges arising are to strengthen the awareness of both in-house workers and of suppliers and sub-contractors, extend the scope of the greenhouse gases emissions inventory internationally and verify the emissions of the entire company, set strategies for adapting to climate change and incorporate circular economy criteria in the company’s processes.

To continue with the commitment to innovation and the encouraging of sustainable construction, it is vital to progress in relevant R&D projects in international programmes in all the countries in which FCC Construcción is present and align also these projects to priority lines such as the BIM or Industry 4.0. Likewise, FCC Construcción aims to strengthen relationships with universities and technology centres and organisations in the innovation field.

Our *employment and social* objectives include enhancing the technical training of workers and their geographical mobility, improving the internationalisation of training, undertaking campaigns to integrate the handicapped and enlarging the mechanism of formal claims to include social and environmental impacts, employment practices and/or human rights considering all the organisation’s groups of interest.

Other challenges facing us in this area are the implementation of best practices related to road safety and the promotion of health, the development of an information campaign and practical training in work with computer screens, the increased presence of FCC Construcción in social networks, the greater internationalising of “FCC One,” our internal communication channel, the setting up of a system for monitoring unforeseen circumstances that could lead to claims from clients and the definition of the organisation’s knowledge management process.

Thus, with our renewed commitment to the Ten Principles of the United Nations Global Compact and with the conviction that the Sustainable Development Goals of 2030 Agenda must catalyse our business strategy, we wish to be responsible and demonstrate with our actions that we can positively influence the forming of a more sustainable future for the generations that follow us.

Sincerely,

Pablo Colio Abril
General Director of FCC Construcción
CEO of FCC Group