

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

End of relevant fiscal year: 31/12/2014

TAX ID NO. (CIF): A-28037224

Company name:
Fomento de Construcciones y Contratas, S.A.

Registered Office:
c/Balmes, 36. 08007 Barcelona



Alcollarín Dam, Cáceres (Spain)



ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

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 right
19-12-2014	260,572,379	260,572,379	260,572,379

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

		Yes	No [X]		
Class	Number of shares	Unit nominal value	Number of voting rights	Different rights	
-	-	-	-	-	

A.2. Indicate 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		Pct. of total voting rights
		Direct holder of staken	Number of voting rights	
Gates III, William H.	-	Cascade Investment, Llc.	10,422,895	4.00%
Gates III, William H.	-	Bill & Melinda Gates Foundation Trust	4,429,730	1.70%
Inmobiliaria Carso, S.A. de C.V.	-	Control Empresarial de Capitales, S.A. de C.V.	66,798,648	25.635%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the transaction
Inmobiliaria Carso, S.A. de C.V.	19-12-2014	Exceeds 25%
Esther Koplowitz Romero de Juseu	19-12-2014	Drops below 25%

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

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Pct. of total voting rights
		Direct owner of stake	Number of voting rights	
B-1998, S.A.	55,334,260	AZATE, S.A.	8,353,815	24.442%
Juan Béjar Ochoa	35,688	-	-	0.014%
Dominum Desga, S.A.	4,132	-	-	0.002%
Dominum Dirección y Gestión, S.A.	10	-	-	0.000%
E.A.C. Inversiones Corporativas, S.L.	32	-	-	0.000%
E.A.C. Medio Ambiente, S.L.	122	-	-	0.000%
Fernando Falcó Fernández de Córdova	39,977	-	-	0.015%
Felipe Bernabé García Pérez	7,098	-	-	0.003%
Larranza XXI, S.L.	10	-	-	0.000%
Rafael Montes Sánchez	98,903	Josefa Fernández Mayo	20,697	0.046%
Marcelino Oreja Aguirre	28,629	-	-	0.011%
Olivier Orsini	100	-	-	0.000%
Gonzalo Rodríguez Mourullo	100	-	-	0.000%
Gustavo Villapalos Salas	100	-	-	0.000%
Total pct. of voting rights held by the Board of Directors:				24.534%

Note:

As of 13 January 2015 the following directors left the Board: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office on the Board: Inmobiliaria AEG, S.A. de C.V., Inmuebles Inseo, S.A. de C.V., Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

On 27 November 2014 the company B-1998, S.L. became a public Limited company (S.A.), by means of a deed authorised by the Notary Public of Madrid, Jaime Recarte Casanova, under number 3244 of the records.

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

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	Pct. of total voting rights
		Direct owner of stake	Number of voting rights		
-	-	-	-	-	-

A.4. Indicate, 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. Indicate, 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. Indicate 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 Capital Companies Act. If so, list the shareholders involved and briefly describe the agreements:

	Yes [X]	No
Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu and Financing Entities (Financing Agreement)	50.156	Relevant events of 8-7-2014 www.cnmv.es (See note)
Esther Koplowitz Romero de Juseu and Control Empresarial de Capitales S.A. de C.V.	50.156	Relevant event of 27-11-2014 www.cnmv.es (See note)

Note:

Relevant event of 08/07/2014: By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of Fomento de Construcciones y Contratas, S.A. (hereinafter, FCC) they might receive should they exercise the Warrants after the conversion of Tranche B ("Pact of Orderly Sale"). Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC), therefore hereby such pacts are disclosed and the corresponding clauses are published, in conformity with Articles 531.1 and 531.3 of LSC.

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales S.A. de C.V., a company fully owned by Inmobiliaria Carso S.A. de C.V., were successfully completed. A copy of the agreement was enclosed.

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

Yes	No [X]
Participants in the concerted action	Pct. of share capital affected
-	-

B-1998, S.A. communicated to the CNMV, by means of a relevant event of 2/12/2014, the agreement whereby the minority shareholders Larranza XXI, S.L. and CaixaBank, S.A. exited the capital, which was executed on 15 January 2015. This divestment was carried out by means of the acquisition of its own shares by B-1998, S.A., and in exchange it delivered 2,700,000 and 2,533,146 shares of FCC respectively to Larranza XXI, S.L. and CaixaBank, S.A. Thus B-1998, S.A. is now the direct holder of 50,101,114 shares of FCC, which added to the 8,353,815 shares indirectly held by B-1998, S.A. through Azate, S.A.U., and represent 22.433% of FCC's capital.

As a consequence, the shareholders' agreements regulating the corporate relations between Larranza XXI, S.L. and CaixaBank, S.A., individually, on the one hand, and Dominum Dirección y Gestión, S.L., on the other hand, in relation to B-1998, S.A., were no longer in force as of 15 January 2015. (Relevant event of 19/01/2015).

A.7. Indicate if 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	No [X]
Name or company name	
-	
Comments	
-	

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

At year end:

Number of direct shares	Number of indirect shares (*)	Pct. of share capital
232,747	0	0.089%

(*) Through:

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

Detail the conditions and term of the current authorisation that the Shareholders' 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	Pct. of share capital
7-2-2014	1,309,419	0	1.030%
1-4-2014	1,289,845	0	1.013%
23-5-2014	1,276,359	0	1.002%
9-7-2014	1,283,224	0	1.007%
29-8-2014	1,136,496	0	0.892%
10-10-2014	1,326,629	0	1.041%
12-11-2014	1,275,373	0	1.001%

A.9. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back 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 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 availing of such shares, 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 of delivering own shares deriving from the issuance of exchangeable bonds for the 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 Commission 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 maximum period of five years 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 convenient that the Board of Directors have an authorisation for the derivative acquisition of treasury stock in the future, and for such purpose FCC, 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 Steering 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 Steering 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 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 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 maximum period of five years 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 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 obligations to deliver existing shares in connection with the securities issue or to reduce the Company's capital so as to limit the dilution of existing shares if the 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 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 trading liquidity and regularity. 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 (CNMV).

On 18 November 2014, the Company sent the CNMV relevant event no. 214288, communicating the temporary suspension of operations pursuant to the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A., dated 26 July 2013 [Register 191238] involving company shares in the operativity conditions established by the applicable regulations.

On 21 January 2015, the Company informed the CNMV, by means of relevant event no. 217446, of the renewal, as from 22 January 2015, of the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A.

A.10. Indicate whether there are any legal restrictions on the transfer of securities and/ or the exercise of voting rights. In particular, any types of restrictions which might hinder the control of the company by acquiring shares on the market shall be communicated.

Yes [X]	No
Description of the restrictions	
By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer	

of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of FCC they might receive should they exercise the Warrants after the conversion of Tranche B ("Pact of Orderly Sale").

Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC)

For further information consult the Relevant Event of 08/07/2014, number 208276.

Also, according to the agreement to invest in FCC between B-1998, S.L. and Control Empresarial de Capitales, S.A. de C.V. (see relevant event filed with the CNMV no. 214618), the parties undertake, in pact no. 6.1, not to sell or transfer under any title, or negotiate a transaction of that nature with any third parties, 85% of the shares held by the current shareholders and the investor, until the fourth anniversary of the date of the subscription and payment of the shares by the investor within the capital increase (the "Lock-up Period"), with the exceptions described in said agreement.

On the other hand, in the **Note on Shares registered at the CNMV, section 7.3. (Lock-up agreements)** (page 69), contains the following restrictions in relation to the capital increase:

• **FCC**

By virtue of the Insurance Contract*, FCC has undertaken vis-à-vis the Global Coordinating Entities*, during a period running from the date of the Insurance Contract until the 180 next days starting from next trading day after the date of the public deed documenting the execution of the Capital Increase, mainly not to do the following without the consent of those Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or register a prospectus with any regulating entity in relation to the above-mentioned transactions, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects. The above operations shall not apply to the transactions carried out by the Company in relation to the Capital Increase, the grant of share options or rights in relation to employee bonus plans, dividend payments, transactions involving treasury shares or the conversion of warrants or other instruments already scheduled to be issued as of the date of this note on Securities.

• **B-1998, S.L. and Azate, S.A.U.**

– B-1998, S.L. and Azate, S.A.U. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

– By virtue of the investment agreement described under 5.2.2 above, B-1998, S.L. and Azate, S.A.U. have undertaken, for a period of 4 years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the holding of B-1998, S.L. and Azate, S.A.U. drops below 85% of their holding at the time when the Capital Increase is executed.

• **CaixaBank, S.A.**

CaixaBank, S.A. has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

• **Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A.**

Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in

the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

• **Strategic Investor**

– The Strategic Investor has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

– By virtue of the investment agreement described under 5.2.2 above, the Strategic Investor has undertaken, for a period of four years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the Strategic Investor's holding drops below 85% of its holding at the time when the Capital Increase is executed.

*On 27 November 2014 an Insurance Contract was signed between FCC, as the issuer, and the Insurance Entities (which act as insurers and also place securities). Banco Santander, S.A. J.P. Morgan Securities, plc, Morgan Stanley & Co. International plc, CaixaBank, S.A., Société Générale and Fidentiis Equities Sociedad de Valores, S.A. act as insurance entities in relation to the Capital Increase (the "Insurance Entities"). These Insurance Entities insure the entirety of the New Shares except the Locked-up Shares.

A.11. Has the General Meeting of Shareholders resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007?

Yes	No [X]
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Detail, if appropriate, any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A.12. Indicate if the company has issued securities that are not negotiated on a regulated market in the European Community.

Yes	No [X]
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Detail, if appropriate, the different classes of shares and, for each class of shares, the rights and obligations they confer.

B. GENERAL MEETING

B.1. State whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required for a General Meeting to be held.

	Yes [X]	No
	Quorum percentage other than that established in art. 193 of LSC for general cases	Quorum percentage other than that established in art. 194 of LSC for special cases mentioned in art. 194 of LSC
Quorum required at first call	50%	-
Quorum required at second call	45%	45%

Description of differences

The annual and extraordinary General Meetings are quorate:

Generally, when 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 Meeting is quorate

when the shareholders present or represented possess at least forty-five per cent of the share capital with voting rights.

Specifically, in order for the 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.

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.

B.2. State whether there are differences in respect of the system established in the Capital Companies Act (LSC) for the adoption of corporate resolutions.

Yes	No [X]
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Describe the differences in respect of the system provided in LSC.

	Special majority other than that established in article 201.2 of LSC for the cases mentioned in art. 194.1 of LSC	Other cases requiring a special majority
Pct. 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 rights set out in the Capital Companies Act.

Note:

By virtue of the Agreement undersigned between the companies B-1998, S.L., Azate, S.A.U. Dominum Dirección y Gestión, S.L. and Control Empresarial de Capitales, S.A. de C.V. on 27 November 2014, the parties have undertaken (clause 5), in relation to the corporate governance of FCC, to call an extraordinary general meeting of shareholders of FCC, attend the meeting and vote for the following decisions:

To amend the bylaws of FCC such that the vote for of at least 50% of the share capital be required for the Meeting of Shareholders to adopt decisions on the following matters:

- Amendment of the corporate purpose.
- Transfer of the registered office abroad.
- The issuance of shares or bonds or convertible securities which exclude pre-emptive rights for shareholders of FCC.
- The issuance or creation of share classes or share series other than those currently outstanding.
- Any remuneration or bonus system for directors or senior executives consisting of the delivery of shares, share options or which in any way are linked to the share price.
- The winding-up, liquidation, merger, spin-off, transfer en bloc of assets or liabilities, change of corporate form or filing for bankruptcy.
- The amendment of the articles of the bylaws regulating the above matters.

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

Date of General Meeting	Pct. in attendance			
	Pct. present	Pct. represented	Pct. of distance vote: Electronic voting Others	Total
23-6-2014	51.072%	10.587%	0.107%	61.659%
20-11-2014	50.745%	13.600%	0.050%	64.345%

Note:

The final attendance list for the Meeting of Shareholders of 23 June 2014 was as follows:

- 149 shareholders in attendance controlling 65,016,796 shares accounting for 51.072% of the share capital.
- 897 shareholders represented controlling 13,477,288 shares accounting for 10.587% of the share capital.

As established in the Capital Companies Act, the 38 shareholders controlling 136,438 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 78,494,084, accounting for 61.659% of the subscribed share capital and valued at EUR 78,494,084.00.

The Company held 218,747 shares of treasury stock, equivalent to 0.172% of the share capital. The final attendance list for the Meeting of Shareholders of 20 November 2014 was as follows:

- 100 shareholders in attendance controlling 64,600,006 shares accounting for 50.745% of the share capital.
- 654 shareholders represented controlling 17,312,845 shares accounting for 13.600% of the share capital.

As established in the Capital Companies Act, the 26 shareholders controlling 63,320 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 81,912,851, accounting for 64.345% of the subscribed share capital and valued at EUR 81,912,851.00.

The Company held 232,747 shares of treasury stock, equivalent to 0.183% 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 [X]
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 essential 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 in the Mercantile Laws.

Yes [X]	No
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Article 8.6 of the Board Rules 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 original firm, 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. Give 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.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under 'Information for shareholders and investors' and 'Corporate responsibility'. This page includes the information on the Company's Corporate Governance regulations, government bodies, annual reports on corporate governance and remunerations, meetings of shareholders and shareholders' agreements. These sections provide a specific access for electronic voting and for the electronic shareholder forum, pursuant to the provisions in article 539.2 of the consolidated text of the Capital Companies Act.

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 under 'Information for shareholders and investors' to the data reported by FCC 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 provided 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:

Name or company name of Director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A.	Esther Alcocer Koplowitz	Chairwoman	27-9-2000	1-6-2011	Voted at Shareholder Meeting
B-1998, S.A.	Esther Koplowitz Romero de Juseu	First Vice-President	17-12-1996	31-5-2012	Voted at Shareholder Meeting
Juan Béjar Ochoa		CEO	31-1-2013	23-5-2013	Voted at Shareholder Meeting
E.A.C. Inversiones Corporativas, S.L.	Alicia Alcocer Koplowitz	Director	30-3-1999	23-6-2014	Voted at Shareholder Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Director	26-10-2004	27-5-2010	Voted at Shareholder Meeting
Fernando Falcó y Fernández de Córdoba		Director	18-12-2003	27-5-2010	Voted at Shareholder Meeting
Marcelino Oreja Aguirre		Director	21-12-1999	27-5-2010	Voted at Shareholder Meeting
Rafael Montes Sánchez		Director	6-3-1992	23-6-2014	Voted at Shareholder Meeting
Felipe Bernabé García Pérez		Director	30-3-1999	27-5-2010	Voted at Shareholder Meeting
Larranza XXI, S.L.	Lourdes Martínez Zabala	Director	13-1-2005	27-5-2010	Voted at Shareholder Meeting
E.A.C. Medio Ambiente, S.L.	Henri Proglio	Director	25-9-2014	20-11-2014	Voted at Shareholder Meeting
Olivier Orsini		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Gustavo Villapalos Salas		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Gonzalo Rodríguez Mourullo		Director	18-7-2013	23-6-2014	Voted at Shareholder Meeting
Total number of Directors		14			

Note:

On 13 January 2015 the following directors left their position on the Board of Directors: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office: Inmobiliaria AEG, S.A. de C.V., Inmuebles Inseo, S.A. de C.V., Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

State any removals from the Board of Directors in the period:

Name or company name of Director	Status of Director at time of removal	Date removed
César Ortega	External Independent Director	4-12-2014
Cartera Deva, S.A.	External Nominee Director	31-3-2014
Gonzalo Anes y Álvarez de Castrillón	External Independent Director	31-3-2014
Henri Proglio	External Independent Director	22-9-2014
Claude Serra	External Nominee Director	23-6-2014

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

EXECUTIVE DIRECTORS

Name of Director	Committee that proposed the appointment	Position in the Company
Juan Béjar Ochoa	Appointments and Remunerations Committee	CEO
Felipe B. García Pérez	Appointments and Remunerations Committee	Company Secretary
Total number of executive Directors		2
Pct. of the Board		14.29%

EXTERNAL NOMINEE DIRECTORS

Name or company name of Director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
B-1998, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
E.A.C. Inversiones Corporativas, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
Dominum Dirección y Gestión, S.A.	Appointments and Remunerations Committee	B-1998, S.A.
Fernando Falcó y Fernández de Córdova	Appointments and Remunerations Committee	B-1998, S.A.
Marcelino Oreja Aguirre	Appointments and Remunerations Committee	B-1998, S.A.
Rafael Montes Sánchez	Appointments and Remunerations Committee	B-1998, S.A.
Larranza XXI, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
E.A.C. Medio Ambiente, S.L.	Appointments and Remunerations Committee	B-1998, S.A.
Total number of nominee Directors		9
Pct. of the Board		64.29

EXTERNAL INDEPENDENT DIRECTORS

Name of Director	Profile	
Olivier Orsini	He has a degree in Applied Economics and a diploma from the Ecole Supérieure de Commerce of Paris, and is widely experienced internationally in the environmental services and infrastructure management sectors. He was the Chairman of Proactiva from December 2002 to 2013, and the company secretary of Veolia Environnement, the first environmental services group in the world, where he developed almost all his career up until April 2012.	
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 Castela Medal, the highest distinction of the Xunta De Galicia, for his contribution to law. He has been a member of the Madrid Bar Association since 1962.	
Gustavo Villapalos Salas	Ph.D. in law and professor of the history of law at the Complutense University of Madrid, of which he was the Dean from 1987 to 1995. In 1995 he was appointed Regional Minister of Education, Culture and Sports of 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 OSCE Human Rights subcommittee, a member of the advisory committee on the UNESCO World Heritage sites, of the Royal Academy of Case Law and Legislation, and of the Royal Academy of Moral and Political Sciences.	
Total number of Independent Directors		3
Pct. of total Board members		21.43%

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 own name or as a significant shareholder, director or senior executive of a company maintaining or that maintained 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.

Name of Director	Description of the relationship	Statement
-	-	-

OTHER EXTERNAL DIRECTORS

Name of Director	Committee that proposed the appointment
-	-

Total number of other external Directors	-
Pct. 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:

Name of Director	Reasons	Company, executive or shareholder with which he/she is related
-	-	-

Indicate any changes in Directors' status in the period:

Name of Director	Date of change	Former status	Current status
-	-	-	-

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

	Number of female Directors				Pct. 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	5	55.555	50.000	45.454	45.454
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0
Total:	5	5	5	5	35.71	27.78	27.78	27.78

C.1.5. State the measures adopted, as the case may be, in order to include a number of women on the Board of Directors such as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures

Article 42.3.h of the Board Rules 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 Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation."

On 18 November 2014 FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Servicios Ciudadanos, for the promotion of the balanced participation of men and women on Boards of Directors). According to said agreement the Board of Directors of FCC undertakes to: advance in the fulfilment of the recommendation of art. 75 of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women; publicly disclose and keep duly updated the data on the directors in conformity with recommendation 28 of the Unified Code of Corporate Governance; include in the internal regulations specific references to the promotion of the balanced participation of men and women on the Board; as well as trying to incorporate members of the least represented gender to the Board.

Also, FCC has signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6. Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the Company deliberately seeks women candidates with the appropriate professional profile.

Explanation of the measures

Article 42.3.h of the Board Rules 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 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:

Explanation of the reasons

-

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

The shareholder B-1998, S.A. is a director of FCC. Also, eight other directors have been designated at the proposal of B-1998, S.A.: 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; Larranza XXI, S.L.; and E.A.C. Medio Ambiente, S.L.

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 [X]
Name or company name of shareholder	Explanation
-	-

C.1.9. State whether any directors have been removed 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
Cartera Deva, S.A.	Transfer of its holding in the share capital of B-1998, S.A. to Caixabank.
Gonzalo Anes y Álvarez de Castrillón	Died
Henri Proglio	Personal reasons
César Ortega	Personal reasons

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

Name of Director	Brief description
Juan Béjar Ochoa	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. 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. The CEO is responsible for representing and directing 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 authority. The effective representation and direction of the Company’s business affairs includes but is not limited to: • Supporting the Board of Directors in defining the Group’s strategy. • Drafting the Business Plan and Annual Budget to be submitted to the Board of Directors for approval. • Preparing, and submitting to the Board of Directors or the Steering 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.

Name of Director	Brief description
	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. Once per year, at the first Board meeting of the year, the CEO will inform the members of the Steering Committee of the actual level of compliance with the forecasts contained in the investment proposals submitted to the Committee and to the Board of Directors for approval.” 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: a) Appointment and removal of the Chairman, Vice-President, CEOs, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the CEO, the 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 Management Committee and, in general, the Company’s Senior Executives.

Name of Director	Brief description
	b) Propose to respective Boards of Directors, at the initiative of the CEO and through the Company’s representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and CEOs of the parent companies of FCC Group FCC in this respect shall act in pursuit of the corporate interest of each of them. 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. d) Appointment and removal of Directors who are to make up the various Committees envisaged in these Rules. e) Supervising the Board’s Delegated Committees. f) The appointment of Directors by co-optation if vacancies arise, up until the next General Meeting. g) The acceptance of resignations tendered by Directors. h) Drawing up the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends, as the case may be.

Name of Director	Brief description
	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. 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. k) In general, the Board's organisation powers and especially the power to amend the Regulations herein. 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." Also, article 8 ("General Functions – Equilibrium in the development of functions "), establishes in section 1:

Name of Director	Brief description
	"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." 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.

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
E.A.C. Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Director
	FCC Construcción, S.A.	Director
Juan Béjar Ochoa	Cementos Portland Valderrivas, S.A.	Director
Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A.	Director

Name or company name of Director	Name of group entity	Position
Felipe B. García Pérez	FCC Construcción, S.A.	Director-Secretary
	FCC Power Generation, S.L. Unipersonal	Director-Secretary
E.A.C. Medio Ambiente, S.L.	Cementos Portland Valderrivas, S.A.	Director
Olivier Orsini	Cementos Portland Valderrivas, S.A.	Director
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 or company name of Director	Name of listed company	Position
Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director
E.A.C. Inversiones Corporativas, S.L.	Realia Business, S.A.	Director
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 [X]	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 Regulations 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, following 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
X	
X	
X	
X	
X	
X	
X	
X	
X	

Yes	No
X	
X	
X	
X	
X	
X	
X	
X	
X	

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

Remuneration of the Board of Directors (in thousand euros)	5,659.2
Amount of the overall remuneration corresponding to pension rights accrued by the Directors (in thousand euros)	3,242.6
Overall remuneration of the Board of Directors (in thousand euros)	8,901.8

Note:

Juan Béjar accrued in 2014 a variable triennial remuneration of 1,600,000 euros corresponding to the year 2013, the payment being subject to his contract conditions.

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)
Agustín García Gila	Chairman of Environmental Services
Eduardo González Gómez	Chairman of FCC Aqualia and Director of FCC's Institutional Relations
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Miguel Jurado Fernández	Chairman of FCC Construcción
Juan José Drago Masiá	General Manager of Administration
Miguel Hernanz Sanjuan	General Manager of Internal Audits
Víctor Pastor Fernández	General Manager of Finance
José Manuel Velasco Guardado	General Manager of Communication and Corporate Responsibility
Ana Villacañas Beades	General Manager of Organisation
Total remuneration of senior management (in thousand euros)	4,130.93

Note:

During the year senior executive positions in FCC were also held by: Fernando Moreno (Chairman of FCC Construcción) and Antonio Gómez Ciria (General Manager of Administration).

C.1.17. Indicate, as the case may be, 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
Dominum Desga, S.A.	B-1998, S.A.	Director
Dominum Dirección y Gestión, S.L.	B-1998, S.A.	Director
E.A.C. Inversiones Corporativas, S.L.	B-1998, S.A.	Director
Rafael Montes Sánchez	B-1998, S.A.	Director

Identify 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 or company name of shareholder	Description of relationship
Larranza XXI, S.L.	B-1998, S.A.	B-1998, S.A. shareholder agreements.
B-1998, S.A.	Control Empresarial de Capitales, S.A. de C.V.	Agreement for investment in FCC, S.A. (Relevant event of 27/11/2014 filed with CNMV).

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

Yes	No [X]
Description of the amendments	

C.1.19. State the procedure for appointing, re-appointment, assessing and removing directors. State 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.

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, fitness, 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 of 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 that evaluates the quality of work and dedication of the proposed Directors during their previous mandate."

Assessment:

Article 38. "Meetings of the Board of Directors"

"6. The plenary 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, if necessary, correcting any aspects which have been shown to be dysfunctional. At that meeting, in 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 so decides 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 dismissal may not participate in the debates or vote on these issues."

Regarding corporate governance in FCC, see the Agreement for Investment in FCC S.A. (relevant event no. 214618 filed with the CNMV of 27 November 2014) undersigned by B-1998, S.A. and Control Empresarial de Capitales, S.A. de C.V., 5th shareholders' Agreement, on undertakings by the parties in terms of the "Corporate Governance of FCC."

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

Yes [X]	No
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As the case may be, 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 FCC issued, on 19 May 2014, a report evaluating the quality and efficiency of its performance and of its Committees in respect of the year 2013, in order to comply with the duty imposed by Article 38.6 of the Rules of the Board of Directors.

The Board considered it convenient to again seek advice from the consultancy firm Spencer Stuart, as it had done in the year 2012 (in respect of the year 2011), to help improve the evaluation of the functioning of the administration bodies and thereby achieve a more transparent and effective corporate governance.

Spencer Stuart started by drawing up a checklist for the self-assessment of the Board and for the assessment of the CEO and the Chairwoman. The self-assessment matters consisted of the composition, organisation and functioning of the Board, the knowledge and involvement of the Board, relations with senior management and the organisation and functioning of the committees. The two partners of Spencer Stuart had individual meetings with each of the directors and, after the corresponding analysis and the drawing up of their conclusions, they presented a document to the Appointments and Remuneration Committee and then to the Board.

The study conducted by Spencer Stuart concluded with a number of recommendations and suggestions to improve aspects of the current Board practise:

- Reducing the number of Board members.
- Increasing the number of directors with CEO experience in complex global companies.
- Increasing the permanent training for directors.
- Dedicating at least one Board meeting per year to strategic aspects.
- Creating a Global Succession Plan or Protocol.

The Appointments and Remuneration Committee also made a positive assessment of the conclusions of the Spencer Stuart report and made sure to oversee the effective implementation of the recommendations. Additionally, the Committee also drew up a report on the scores of the directors and the performance of the Chairwoman and the CEO during the year 2013.

Fulfilling the above mandate, at the meeting of the Board of Directors held on 19 May 2014 a resolution was passed (Resolution 32/2014) whereby the document submitted by that Committee was approved.

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 [X]
-----	----------

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; of any such rules:

Yes [X]	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 CEO or top 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 [X]
-----	----------

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 [X]
-----	----------

Description of requirements

-

C.1.25. State whether the Chairman has a casting vote:

Yes	No [X]
-----	----------

Issues in respect of 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 [X]
-----	----------

Age limit for Chairman	☐
Age limit for CEO	☐
Age limit for Directors	☐

C.1.27. State whether the Bylaws or the Rules of the Board establish a term limit for independent directors, other than that established in the regulations:

Yes	No [X]
-----	----------

Maximum number of years in office	-
-----------------------------------	---

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 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 not counted as absences:

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 Steering Committee meetings	9
Number of Audit or Control Committee meetings	7
Number of Appointments and Remuneration Committee meetings	9

C.1.30. State the number of Board of Directors meetings held in the year that were attended by all of its members. Proxies granted with specific instructions are not counted as absences:

Attendance by Board members	184
Pct. of attendance over the total votes during the year	88.88%

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

Yes [X]	No
-----------	----

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Juan Béjar Ochoa	CEO
Juan José Drago Masiá	General Manager of Administration
Víctor Pastor Fernández	General Manager of Finance

C.1.32. Detail whether the Board of Directors has established any mechanisms to avoid that the individual and consolidated financial statements authorised by it be presented to the General Meeting with audit qualifications.

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' drawing up of the annual financial statements, the Audit and Control Committee thoroughly examines those statements and requests that the external auditor explain the conclusions of its review so that, once the statements are approved by the Board, the external auditor's report contains no qualifications.

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

Yes No [X]

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 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) establishes that the Secretary of the Board does not have to be a Director. The 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 prior to 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 unanimously resolved.

Is the Appointments Committee consulted on the appointment?
Is the Appointments Committee consulted on the removal?
Does the full Board approve the appointment?
Does the full Board approve the removal?

Yes	No
X	
X	
X	
X	

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

Yes [X] No

Comments

Article 36.2 of the Rules of the Board establishes that the Secretary shall especially see to it that the Board's actions:

- (i) are adjusted to the letter and spirit of the Laws and regulations, including those approved by regulatory bodies;
- (ii) are in conformity 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 governance included in the Bylaws and Rules of the Company.

C.1.35. State the mechanisms, if there are 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 basic 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:

- a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- b) Liaising between the Board of Directors and the Company's external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor:
 - (i) 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 management 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 request and 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 the Auditors, as provided for in the Auditing Act; and
 - 2) the Company issues a relevant event to the CNMV as regards 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 risk events identified, 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 information released periodically to the markets, checking for compliance with legal provisions 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 shares 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 provisions, the accurate demarcation 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 management 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 so, identify the incoming and outgoing auditor:

Yes	No [X]
Outgoing auditor	Incoming auditor
-	-

If there was a disagreement with the outgoing auditor, describe it:

Yes	No
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 [X]	No			
			Company	Group	Total
Amount of other non-audit jobs (in thousand euros)			263	98	361
Amount of non-audit jobs / total amount billed by audit firm (in pct.)			15.315%	3.054%	7.343%

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 [X]
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	13	13
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	52%	52%

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

Yes [X]	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:

- it is necessary for the proper performance by independent directors of their assigned duties,
- the cost is reasonable, in view of the importance of the problem and the assets and revenues of FCC, and
- 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 [X]	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 agendas 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 telephone multi-conference, 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 telephone conference, 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 those represented by another director, those who attended via telephone multi-conference, 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 organisation's name or reputation, and describe any that exist:

Yes [X] No

Explain the rules:

According to Article 29 of the Rules of the Board on 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, governmental, 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 itself requests it 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 [X]
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 as the case may be, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

Yes	No
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.

A change of control of FCC as a consequence of a takeover bid could represent an event of obligatory full early repayment of the Syndicated Financing Agreement amounting to €4,511,644,219.02, undersigned on 24 March 2014, which entered into force on 26 June 2014 (Clause 8.4.1(a)), unless:

- (A) The loss of control does not entail the acquisition of control by a third party;
 (B) The acquisition of control is done by:
 (a) An industrial company of renowned solvency, experience and the management

capacity of a group of the size and characteristics of FCC Group (or by a consortium led by such a company);

- (b) By credit entities, whether Spanish or foreign, provided that they are of renowned solvency, experience and the management capacity of a group of the size and characteristics of FCC Group.

C.1.45. State in aggregate 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 summary dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	Description of the resolution
Second Vice-President and CEO, and Company Secretary.	Notwithstanding their director status, the two Executive Directors (the Second Vice-President and CEO, as well as the Company Secretary) have contractual arrangements with the company that regulate the performance of their managerial or executive functions. In both cases they are permanent contracts to which there generally apply the regulations on: (i) agreements for the provision of services, in the case of the second Vice-President and CEO, and (ii) senior management employment agreements, in the case of the Company Secretary. These contracts may be extinguished by either party, and said officers shall have the right to severance provided that the extinguishment of the contractual relationship is not a consequence of non-performance of their functions, nor of his/her own free will, under the following terms:

Type of beneficiary	Description of the resolution	Type of beneficiary	Description of the resolution
	• Second Vice-President and CEO: There having been a change of control in the company (understood as a loss of B-1998, S.A.'s majority in FCC or the loss of Esther Koplowitz's majority in B-1998, S.A.) within the scope of FCC's capital increase agreed to on 19 December 2014, the CEO may exercise the right to terminate the contract (within a term of one (1) month that shall commence once 1 year has elapsed since the completion of said capital increase) with the right to collect, in such event, an amount equal to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. Extinguishment of the contract decided by the company: a) If the contract is extinguished before 13 months have elapsed following the completion date of the FCC capital increase (19/12/2014): The senior executive shall be entitled to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. b) After the above period has elapsed and before 30 June 2019: the senior executive will be entitled to the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. c) As from 30/06/2019: the senior executive shall be entitled to what is established in Royal Decree 1382/85 for events of termination of contract.		• Company Secretary: The Company, with the authorisation of the Executive Commission, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent occupational disability and to retirement bonuses and pensions and other concepts, for some of the executive directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the extinction of the employment relationship for any of the following reasons: a) Unilateral decision by the Company. b) Winding up or disappearance of the parent company for any reason, including merger or spin-off. c) Death or permanent disability. d) Declaration of physical disability or legal incompetence for any other reason. e) A substantial change in professional conditions. f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent. g) Resignation at age 65, by unilateral decision of the executive. As of 31 December 2014, the Company Secretary has accumulated under said insurance a net amount equal to 3.5 times his gross annual remuneration.

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	X	
	Yes	No
Is the General Meeting informed of the clauses?	X	

C.2. Board of Director Committees

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

Executive Commission		
Name	Position	Type
Juan Béjar Ochoa	Chairman	Executive
Fernando Falcó y Fernández de Córdova	Director	Nominee
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Francisco Vicent Chuliá	Non-voting Secretary	Executive
Felipe B. García Pérez	Non-voting Vice-secretary	Executive
Pct. of Executive Directors	25%	
Pct. of Nominee Directors	75%	
Pct. of Independent Directors	0%	
Pct. of other External Directors	0%	

Audit and Control Committee		
Name	Position	Type
Gustavo Villapalos Salas	Chairman	Independent
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Felipe B. García Pérez	Non-voting Secretary	Executive
Pct. of Executive Directors	0%	
Pct. of Nominee Directors	75%	
Pct. of Independent Directors	25%	
Pct. of other External Directors	0%	

Appointments and Remuneration Committee		
Name	Position	Type
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Chairman	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz en representación de Dominum Dirección y Gestión, S.L.	Director	Nominee

Appointments and Remuneration Committee		
Name	Position	Type
Rafael Montes Sánchez	Director	Nominee
Gustavo Villapalos Salas	Director	Independent
Olivier Orsini	Director	Independent
Gonzalo Rodríguez Mourullo	Director	Independent
Felipe Bernabé García Pérez	Non-voting Secretary	Executive
Pct. of Executive Directors	0%	
Pct. of Nominee Directors	62.5%	
Pct. of Independent Directors	37.5%	
Pct. of other External Directors	0%	

Strategy Committee		
Name	Position	Type
Esther Koplowitz Romero de Juseu en representación de B-1998, S.A.	Chairwoman	Nominee
Esther Alcocer Koplowitz en representación de Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz en representación de E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz en representación de Dominum Dirección y Gestión, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee

Name	Position	Type
Lourdes Martínez Zabala en representación de Larranza XXI, S.L.	Director	Nominee
Rafael Montes Sánchez	Director / Secretary	Nominee
Gustavo Villapalos Salas	Director	Independent
Pct. of Executive Directors	0%	
Pct. of Nominee Directors	87.5%	
Pct. of Independent Directors	12.5%	
Pct. 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:

	Number of Female Directors			
	FY t Number Pct.	FY t-1 Number Pct.	FY t-2 Number Pct.	FY t-3 Number Pct.
Executive Commission	2 50%	2 29%	2 33%	2 33%
Audit Committee	2 50%	2 40%	2 40%	2 40%
Appointments and Remuneration Committee	3 37%	3 30%	3 33%	3 33%
Strategy Committee	5 62%	5 62%	5 50%	5 50%

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

Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

Periodically check the systems of internal control and risk management, in order that the principal risks are identified, managed and announced adequately

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 management 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.

Make recommendations to the Board for the selection, appointment, re- appointment and removal of the external auditor, and the terms and conditions of his engagement.

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.

Monitor the independence of the external auditor

Yes	No
X	
X	
X	
X	
X	
X	
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 Commission

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

"The Executive Commission 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. The Executive Commission 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 announcement.

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

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

The deliberations will be directed by the Chairman, who shall give the floor to the attendants wishing to speak.

If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired 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 Commission 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 Commission, ensuring 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 Commission.
3. The Executive Commission will be composed of a minimum of five and a maximum of ten members.
4. The members of the Executive Commission 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. If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.
7. The Executive Commission 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 Commission will be provided with the pertinent information they need to form an opinion and vote.
8. The Executive Commission will be convened by the Chairman, on his 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 in under ten days. The Executive Commission 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 Commission will be provided with the pertinent information they need to form an opinion and to vote [...].
9. The Executive Commission will be quorate when the majority of its members are present or represented at the meeting.

10. The Executive Commission, 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 Commission 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 not more than four years; it may also appoint a Vice-President. 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 basic 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.

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 risk management policy.
- Supervising the process of drafting the separate and consolidated financial statements and management reports and the regular financial disclosures to the market.
- 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 Board of Directors of FCC 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 provide for 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 balance of skills, knowledge and experience 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 may suggest Directorship candidates to the Appointments and Remuneration Committee for its consideration to cover vacant positions.
 - 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 managers 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 managers, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior managers, advising and proposing on multi-year incentive plans for the Company's senior management, 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, as the case may be, 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 keeping in custody 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 Managers, 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 to the extent that they are not regulated 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 of 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/her functions will be performed by the Director 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 Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations 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 motions 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 functions will be performed by the Director 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 the Company'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 of the documentation and information needed to perform its functions.
13. The Strategy Committee will regulate its own operations to the extent that they are not regulated in these Rules and in the Bylaws, whose provisions relating to the operations of the Board of Directors will apply specifically insofar 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 if 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 Commission (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 Steering Committee's composition reflects the composition of the Board in terms of director type:

Yes	No [X]
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If not, detail the composition of the Delegated or Executive Commission

The Executive Commission is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors.

The Board of Directors has six Independent Directors, of which none are members of the Executive Commission.

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 of companies or their related companies.

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:

- 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

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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 involving a transfer of funds or liabilities between the Company or subsidiaries in its group and significant shareholders of the Company:

Name or company name of significant shareholder	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euros)
-	-	-	-	-

D.3. Detail any transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and directors or executives of the Company:

Name or company name of the directors or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
-	-	-	-	-

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)
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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.

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.

According to Article 25.3, "the prior express authorisation of the Board of FCC will be required without this being delegable, following a favourable report by the Appointments and Remuneration Committee, for the following cases:

- 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.

- 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.

According to articles 25.4 and 25.5:

- “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.”

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

Yes [X] 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 [X]

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

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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

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E. RISK CONTROL SYSTEMS

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

FCC Group is currently in the midst of an improvement and evolution process of its comprehensive risk management policy, which is gradually being extended, that will enable it in the near future to significantly enhance the mitigation of impacts that might lead to deviations and non-compliance with its financial and business strategy. This new model will allow the Group to anticipate the materialisation of the possible risks to which its business is exposed, by operating in different geographic areas, activities and legal environments which in turn entail different risk levels suited to the activities in which it develops its operations. During the year 2015, significant progress in the implementation of said Model is expected.

As of today and during the year 2014, the new Model that has been partially implemented to date, allows the development of a high level Risk Map, using the Enterprise Risk Management (Coso II) methodology which provides management with valuable information and contributes to the definition of FCC Group's strategy.

FCC Group's risk management approach 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 the Group's operations, so that ultimately the risk policy is appropriately integrated within the Group's organisation.

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

By way of this model, partially during 2014, 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 a proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.

The identification of a proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.

The results of the Continuous Risk Management are communicated to the Audit and Control 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.

During 2014, with the goal of ensuring compliance with the best practice available in the field (COSO II ERM), FCC Group's Internal Audit and Risk Management Department has supervised the work performed by the different business areas in the stages of the implementation process of the model related to risk identification and evaluation, as well as to the suitable identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, progressing in the implementation process of the model, for the risks exceeding the accepted risk level for each of the sectors of activity the necessary action plans will be established, with the required corrective measures, to make sure their critical levels are within the Accepted Risk values. These action plans will include the necessary measures to reinforce existing controls and may even incorporate new risk controls.

Additionally, work will be done to update the specific procedures to carry out the risk management in each of the business areas, so as to ensure both their compliance with the model and their active involvement in any decision-making process within the organisation.

In this way, once all the expected improvements of the model are completed, 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 where internal control may be enhanced is identified.
- 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 suitable to ensure the reliability and integrity of said information.
- The safeguarding of assets.

In keeping with 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 key 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 financial 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 resource 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 code of ethics of the FCC Group, compliance with applicable laws regarding legal (since 2010 the criminal code includes articles whereby criminal liabilities may arise for legal persons), fiscal, ICFR, data protection, quality, environmental, information 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, the access to financial markets, exchange rates and interest rates.

During 2014 reporting risks were included within the operating and strategic risks category. However, given their singularity and how important it is for FCC Group to adequately control this kind of risks, during the year 2015 reporting risks will be identified as an independent category in the Risk Maps. They shall refer to the risks associated to the reliability of the financial reports generated in the businesses and consolidated by FCC Group's parent company, and they include both the risks related to the generation of information and those related to the management thereof throughout the organisation.

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

• Steering Committee

The Board may permanently delegate in the Steering Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its regulations for the Board. Like the plenary Board, the Committee ensures that FCC Group's organisation structure, planning systems and 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 Rules of the Board and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit and Control 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 lastly 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. Accordingly, it is responsible for

ensuring that the objectives of the strategic 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.

• **Management Committee**

During 2014 the Management Committee has been chaired by the Second vice-President and CEO of FCC Group and made up by all the members assigned to the Committee by the plenary Board of Directors. Its functions regarding the financial reporting internal control systems include, among others, reviewing FCC Group's consolidated financial reports on a monthly basis, especially when the information must be reported to the CNMV. The Group's Management Committee was replaced as from 13 January 2015 by business area management committees and by a central services coordination committee.

• **Response Committee**

El Comité de Dirección ha estado presidido durante 2014 por el vicepresidente This committee is in charge of supervising the adequate 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 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.

• **Risk Committee of each one of the business areas**

Currently, the risk committees are included in the committees held by each of the business areas, and it will become fully operational when the implementation of the Comprehensive Risk Management Model process finishes.

E.3. Point out the main risks that may affect the attainment of the business goals.

Strategic risks

- a) FCC Group's substantial borrowing could negatively affect its financial situation.

(i) FCC Group's borrowings.

FCC Group has substantial borrowings, fundamentally as a result of the refinancing agreements and other additional financing arrangements. Said borrowings could increase due to a number of reasons, including fluctuations in operating profit or loss, capital expenditure, working capital requirements and potential acquisitions or temporary trade associations.

FCC Group's financing agreements include financial ratios and other restrictive covenants that limit its capacity to carry out activities that might benefit its long-term interests, to pay dividends or to invest in new projects. If FCC Group does not comply with those covenants or does not service its debt (including compliance with the financial ratios as defined in the agreements), it could breach its financing agreements. Said breach, if it is not remedied or dispensed, could lead to an accelerated repayment of all the debt under the corresponding financing agreement. Under certain circumstances, should an event of breach occur, the debt under the financing agreement that entered into force in June 2014 may partially be converted into new FCC shares.

On the other hand, FCC Group's financing agreements include obligatory clauses establishing the full early repayment that might be triggered by certain events, for instance, among others, a change of control. They also include obligatory clauses establishing partial early repayment. Pursuant to said clauses, the funds originating from certain capital increases and insurance indemnity, as well as from cash flow surpluses, must be used for the early repayment of FCC Group's financial debt.

It should also be noted that the refinancing agreement that entered into force in June 2014 includes restrictions on certain types of fund transfers for the parties to that agreement. The project finance agreements likewise establish limitations on the use and transfer of funds as long as the debt service has not been fulfilled and as long as certain undertakings under those agreements have not been met.

(ii) Peculiarities of Cementos Portland Valderrivas Group's borrowings.

As part of FCC Group's debt mentioned above, Cementos Portland Valderrivas, S.A. must comply with a number of financial ratios by virtue of the syndicated refinancing agreement entered into on 31 July 2012. These ratios are based on the costs of the

consolidated Cementos Portland Valderrivas subgroup (excluding the Giant Cement Holding, Inc. subgroup) and they are co-related to its net financial debt level and its net financial expenditure in respect of EBITDA, as well as to its CAPEX ceiling.

Notwithstanding the 'without recourse to FCC' nature of Cementos Portland Valderrivas subgroup's debt, as party to Cementos Portland Valderrivas, S.A.'s syndicated refinancing agreement, FCC entered into an Agreement called "CPV Support Agreement," whereby it was agreed to contribute up to a maximum of 200 million euros if certain events occurred in relation to Cementos Portland Valderrivas, S.A.'s minimum EBITDA obligations.

Since Cementos Portland Valderrivas, S.A. has not complied with the EBITDA levels provided in the "CPV Support Agreement," FCC is liable since 10 October 2014 for the payment of up to 200 million euros pursuant to the above-mentioned "CPV Support Agreement", although said payment has been deferred and it is governed by the same terms and conditions of FCC Group's refinancing agreement which entered into force on 26 June 2014.

Additionally, in the event of non-compliance with certain financial ratios, the lender entities of Cementos Portland Valderrivas, S.A. (which hold a 66.66% majority stake) may demand the early repayment of the financing that was granted.

(iii) Lenders may seek the early repayment of the debt.

Some of FCC's lenders could interpret that the terms of the New Restructuring Framework Agreement or that FCC has been subject to an event of obligatory winding-up, give rise to a breach of contract or to an early repayment according to the terms and conditions of some of the agreements regulating part of FCC's existing debt. As a consequence, they could seek the early maturity of the debt involved or threaten to do so. FCC was recently notified by the advisors of a small group of lenders, including holders of the FCC convertible bond, stating that they might take legal action to declare non-compliance in relation to the debt of which they are holders. Any attempt to declare the early maturity of some of FCC's debt could generate negative publicity for FCC Group, regardless of the outcome. If all or a material part of FCC's debt is declared to be due early, FCC might not obtain the necessary liquidity to meet the required payments.

b) Adjustments due to impairment and provisions could have a significant negative effect on FCC Group's business and finances.

A significant impairment of the cash flows supporting FCC Group's goodwill would have a negative impact on FCC Group's income statement, by recognising impairment adjustments in the corresponding goodwill, and on its balance sheet and equity, due to the subsequent reduction of the corresponding book values. This in turn could have other indirect negative effects, such as the difficulty in complying with the existing commitments under the financing agreements, or the non-renewal thereof or the non-obtainment of new financing.

c) FCC Group is exposed to risks in relation to deferred tax assets.

In principle, the cumulative losses incurred by FCC Group in prior years may be used to offset future profits subject to taxation. These deferred tax assets show the amount of the tax losses that FCC Group expects to be able to use, as well as the deferred tax assets that it expects to recover in the future. A change of FCC's expectations on its capacity to use deferred tax assets in the future (whether because of a change in the rule such as to eliminate or limit the right to offset deferred tax assets or a change in FCC Group's strategic plans or in its expected future profits) may cause an impairment of the value of those assets, which could negatively affect the results of FCC's operations.

d) FCC Group's working capital requirements are highly seasonal and require it to maintain high liquidity levels.

FCC Group's cash requirements are very seasonal. Its cash requirements are higher in the summer and they are lower in the fourth quarter, when FCC Group receives payments from many of its public sector clients, particularly in November and December.

The only bilateral credit facilities available under the Financing Agreement that could be used to provide FCC Group with working capital are factoring, leasing and confirming, and these will be available only throughout the term of the Financing Agreement.

As long as the Financing Agreement is in force, FCC Group will be subject to limitations for further borrowing. Thus, under certain circumstances, FCC Group may open up new credit facilities provided that the new aggregate debt does not exceed a ceiling of 50 million euros.

On the other hand, the increase of seasonality in FCC Group's business which cannot be managed by extending the credit facilities or other sources of liquidity could have a negative impact on FCC Group's liquidity and on its capacity to meet its working capital requirements.

e) FCC Group is required to furnish performance bonds or similar instruments.

In project-related business, FCC Group is required to furnish performance bonds or other similar instruments to ensure the timely compliance with its contractual obligations. If FCC Group does not manage to have those bonds granted by financial institutions under terms acceptable for its clients, it cannot submit its bid to take part in a project or, as the case may be, it may have to incur larger financial costs to obtain the necessary guarantees or bonds.

f) FCC Group cannot ensure that its cost control programme will yield the expected results.

The cost control programme implemented by FCC Group as from 1 March 2013 affects each and every one of its business areas and it is based on the compliance with a number of objectives including

- (i) staff cuts (both in operations and ancillary services personnel) that significantly affect the Construction and Cement areas, with the object of adapting said personnel to the current conditions of the Spanish market;
- (ii) reorganisation of the Environmental Services area (mainly outside Spain) and the Water area with the purpose of simplifying the staff structure;
- (iii) implementation of new operating procedures to improve the efficiency of the contracts in the Environmental Services and Water areas;
- (iv) elimination of non-profitable business in the Cement area;
- (v) reduction of the cost of facilities as a result of staff relocation and less space used;
- (vi) other ad hoc measures.

These measures have led and may lead in the future to substantial cost restructuring. FCC Group, however, cannot ensure that its cost savings programme will yield the expected profits and returns.

g) The staff cuts that FCC Group has carried out to adapt to market demands may negatively affect its business development.

FCC Group has reduced its headcount as a result of the cost restructuring plan. Since 2013, FCC Group has gradually reduced the number of its employees in order to meet current market demands, adopting for such purpose several types of restructuring measures including the redundancy measures in the Construction area that will end in 2015.

However, the layoff or early retirement of staff could negatively affect the future development of FCC Group's business, including its capacity to take advantage of new opportunities and maintaining sufficient professional expertise to develop planned activities.

In this regard, FCC Group has developed, in the Spanish territory, a project for the modernisation of the information and human resources management system, integrating all the information in a single, unique global database for the whole Group, with the purpose of supporting and facilitating that human resources management.

That project also includes an IT tool running under SAP, to design and implement the payrolls of all FCC Group's companies in Spain, thereby improving the security, quality and homogenisation thereof.

h) FCC Group could come across difficulties for the implementation of its international growth strategy.

In spite of FCC Group's growing international presence, it continues to carry out most of its activities in Spain. Since at present FCC Group generates over half of its revenues in Spain, it remains exposed to a certain degree of concentration risk in respect of the Spanish economy. One of the goals of FCC Group's international diversification strategy, contemplated in its Strategic Plan, is to mitigate that risk by reducing the scope of its exposure to one national economy. Insofar as FCC Group is

not capable of implementing its diversification strategy it will not be able to reduce its exposure to the Spanish economy.

i) FCC Group's international operations imply additional risks; the exposure to said risks will rise as its international operations grow.

FCC Group expects to continue facing current and additional risks in international operations in the various jurisdictions where it operates. These risks may include difficulties in terms of managing personnel and the operations involved due to distance, time zones, language and cultural differences, difficulty finding local partners, hiring and training new personnel speaking the local language and with knowledge of the market, and difficulties for the correct implementation of our internal control policy and procedures in all the countries in which we operate. If FCC Group is unable to effectively mitigate or eliminate those risks, the results of its operations could be materially and negatively affected.

j) The impairment of Spanish and global economic conditions could negatively affect FCC Group's business.

FCC Group's business returns have been closely linked in the past, and are expected to continue to be so to a certain extent in the future, to the economic cycle of the countries, regions and cities in which it operates. Normally, sound economic growth in the areas where FCC Group operates leads to greater demand for its services and products, whereas slower growth or a contraction of the economy reduces demand.

The global economy has been significantly impaired over the last few years as a result of a severe financial and liquidity crisis. Said crisis has had a global impact, affecting both emerging and western economies. The crisis has affected several markets in which FCC Group develops a substantial part of its operations, including the Spanish market.

If the Spanish economy and that of other markets in which FCC Group operates stagnates or even contracts, FCC Group's business could be negatively affected as a consequence of the delay or even abandonment of potential projects on the part of FCC Group's clients, both in the private and public sectors, as well as due

to a reduction of construction activities and a fall in the demand of construction materials. Also, for projects in which the infrastructures are owned by public administrations but are administrated and exploited by FCC Group, the Group's operating costs could increase if said administrations do not make the necessary investments for the adequate maintenance and renewal of the facilities. In periods of economic contraction, the authorities are more than likely to be reluctant to incur these types of expenses.

k) FCC Group's international operations could be affected due to economic, social and political uncertainty.

FCC Group carries out its activities in various jurisdictions and in the future it might expand its activities to new countries.

If FCC Group decides to enter new markets, it could be difficult to identify and adequately evaluate the risks present in each one of them until it gathers sufficient experience in each of these new markets. The revenues and fair value of FCC Group's international affiliates, as well as the dividends that may be generated through said affiliates, are exposed to the risks inherent to the countries where they operate. The economies of these countries are in different stages of political and socio-economic development. As a consequence, just like many other companies with a significant number of international operations, FCC Group is exposed to various risks in relation to business and activities outside its own jurisdiction. These risks may include:

- The influence of national governments on the economy;
- Fluctuations in the growth of the local economy;
- High inflation;
- Devaluation, depreciation or excess revaluation of local currencies;
- Foreign exchange controls or restrictions for repatriating profits;
- A changing interest rate environment;
- Changes in financial, economic and fiscal policies;
- Political, legal, regulatory and macroeconomic instability; and
- In some regions, the possibility of social unrest, terrorist acts and war.

Operating risks

- a) Public administrations may unilaterally modify or terminate certain contracts before they are fully executed. The compensation for FCC Group in such cases might not be sufficient to cover the damage caused, aside from the fact that it might be hard to collect that compensation.**

In Spain, as a general rule, if a public administration that has granted a concession linked to FCC Group's main activity, decides to terminate the concession or recover the control over it prior to the end of the concession period, said public administration would be obliged to compensate FCC Group for all the profits that FCC Group should have received until the end of the corresponding concession period. However, in most of the concession agreements to which FCC Group is party, in the above-mentioned cases it is only entitled to recover the costs actually incurred or committed, the administration costs and the profits from the work completed up until the termination of the concession agreement.

Depending on the jurisdiction and specific circumstances, the public administration may unilaterally terminate its concession agreement with FCC Group without paying any compensation and, particularly in Spain, FCC Group's capacity to recover the profits is conditional upon whether the event of termination may be attributed to FCC Group or otherwise. Even when compensation is requested, it may be insufficient to cover the damages caused to FCC and, in particular, the loss of profit as a result of the termination of the concession agreement. If FCC Group is not capable of replacing the terminated agreements with others, it could suffer a decline of its revenues.

Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession agreement terminated by the corresponding public administration, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay the collection of the amounts the group is owed.

Additionally, during the life of a concession, the relevant public administration could unilaterally impose restrictions or amendments of the rate agreed and imposed upon end users.

- b) The economic situation has entailed a decline of public administration tax revenues, generating a reduction of the investment in sectors such as concessions or infrastructures.**

The context of economic instability and financial crisis in Spain and in other countries has entailed a decline in the fiscal revenues of public administrations, which in turn has entailed a reduction of public expenditure in certain areas of activity, including in this respect the concession, infrastructure and construction projects in which FCC Group operates.

Aside from general budgetary considerations, many of FCC Group's clients, including the public administrations, are continuously seeking cost savings and efficiency improvements. These and other factors could lead to our clients reducing their budgets for expenditure in FCC Group products and services, which would negatively affect FCC Group's results and financial position.

- c) Certain municipalities could decide to manage the services currently provided by FCC Group.**

Urban services are affected by the decisions of current or future local governments. In certain cases, said decisions could lead to the municipal management of the services that are currently provided by private companies. In particular in the case of FCC Group, municipal management could affect the Environmental Services and Water business areas, depriving them of future business.

- d) FCC Group's design and construction activities expose it to certain risks, including economic loss and liability for third-party actions.**

In the Environmental Services, Water and Construction business areas, FCC Group develops 'turnkey' design-construction contracts that are remunerated based on a fixed price. The fact that the price of a 'turnkey' contract may be revised can vary depending on the jurisdiction. For instance, internationally the price of 'turnkey' contracts is not revised. On the other hand, in Spain historically it has been possible to revise the terms of that type of contracts, although over recent years, there is increased resistance to review the terms of contracts. In many cases, profits are

conditional upon the compliance with the execution goals, such that the non-attainment of those goals entails the imposition of contractual penalties.

These kinds of contracts expose FCC Group to technical, operating and economic risks, and FCC Group cannot ensure that the contractual measures adopted to mitigate these risks will be effective. Also, FCC Group could have to face difficulties that are fully beyond its control, for instance, the complexity of certain infrastructure, weather or economic risks or contingencies in the construction, acquisition and orders of equipment and supplies of goods, or changes in execution deadlines.

In some cases, FCC Group has to integrate existing information or studies provided by the client into its project planning, even though they may be inexact or incorrect. Also, sometimes the project requires the use of existing infrastructure with deficient operating characteristics. These difficulties and risks may lead to non-compliance with the contractual performance indicators, added expenses, loss of revenue or contractual penalties.

On the other hand, to execute its projects in all of its business areas, particularly in the Water and Construction areas, FCC Group relies on subcontractors and suppliers that FCC Group is generally entitled to make claims if they do not comply with their contracts. However, if a subcontractor or supplier files for bankruptcy or unexpectedly ceases its activity, that non-compliance could cause delays and subject FCC Group to relevant additional costs, which in many cases could not be fully or partially recovered. The evaluation and selection process to which FCC Group submits its potential subcontractors and suppliers might be inadequate for identifying those with unacceptable risk levels.

All of the foregoing could negatively affect FCC Group's results and financial position.

- e) FCC Group carries out its activities via long-term contracts that may diminish its capacity to react rapidly and satisfactorily to new unfavourable financial situations.**

The initial circumstances or conditions in which FCC Group signs a contract may vary over time, and said change may have a negative impact on FCC Group's results and

financial situation. These changes vary in nature and they might not be easy to predict. FCC Group cannot ensure the effectivity of certain contractual measures, such as price-indexing clauses, which may be used to face those changes and restore the initial economic balance of the contract. As a consequence, FCC Group may be unable to adapt the remuneration to be collected from those contracts so that it may offset the changes in terms of costs or demand, regardless of whether that remuneration consists of a price paid by the client or a fee imposed upon end users based on an agreed scale.

Said limitations are worsened by the long-term nature of many of FCC Group's contracts. In this type of contracts, particularly in the case of public service management contracts, FCC Group is obliged to ensure the continuation of service, without being able to unilaterally terminate a contract even if considers that it yields no profits, and neither may it change its characteristics, except in certain circumstances, in the event of a visible infringement or breach by the client. Additionally, the new Bill for the De-indexation of the Spanish Economy, which establishes that the prices of public service management contracts are to be updated according to the evolution of costs instead of according to the Consumer Price Index (CPI), could have a negative impact on FCC Group's business, especially in the Environmental Services area, if each Town Council is free to decide how to apply it.

- f) FCC Group's payment capacity is related to the payment capacity of its clients.**

FCC Group's liquidity risk is mainly attributed to its receivables and it is therefore related to the Group's exposure to its clients' credit risk. In this connection, the most relevant risk is that not enough income is generated to be able to meet its payments. This collection risk may in turn be divided into two classes, according to client type:

- (i) collections from public administrations, mainly in the Environmental Services business area; and
- (ii) collections from industrial and commercial clients. The risk in relation to public administration clients is mainly that of delayed payments, which may hamper the Group's liquidity. FCC Group cannot ensure that public administrations will continue or increase any type of stimulus packages or that the Spanish

government will eliminate or reduce any measures currently in force. However, if the Spanish economy contracts again, there could be a new increase of the payment period for public administrations. On the other hand, the risk with commercial clients is that of delayed payments and, in extreme cases, that they may become insolvent before FCC Group has been able to collect all the amounts owed by that client at the time. Also, expense reductions carried out by FCC Group client, the fact that fewer construction projects are performed and an increased risk of clients' insolvency, are other examples of general risks that FCC Group may experience.

To manage said risk, FCC Group has adopted a number of measures, but it cannot ensure that the measures adopted are the most adequate to protect itself against the possible risks related to trade debts, or that said measures will be able to effectively mitigate the adverse effects of those risks. If clients do not pay the amounts that FCC Group is counting on to meet its financial obligations, or is the payment thereof is delayed, FCC Group would have to find an alternative source of financing. And if it cannot find it, FCC Group would be exposed to the risk of not meeting its payment obligations, which could affect its financial situation.

g) The decline in the acquisition of goods and services or the delay of projects, both in the public and the private sector, may negatively affect FCC Group's results.

Current economic conditions have led to a decline in acquisitions of goods and services by public administrations and companies in the private sector. Some of the latter could decide to halt the projects that are currently under development due to the lack of funds, or delay or abandon studies of potential projects until more favourable investment conditions arrive. Although the normal procedure in the private sector is for payment to take place gradually as the work is executed, FCC Group is exposed to losing revenue if the work is delayed.

On the other hand, the financial limitations of public administrations could force some municipalities to reduce their budgets, which in turn could reduce the funds earmarked for the maintenance or renewal of existing infrastructures or it could affect the scope and calendar of projects that are pending. Any resulting public expenditure deficits could have a significant effect on FCC Group's Environmental

Services, Water and Construction business areas. Also, the Cement area could be affected indirectly by the reduction of the construction budgets of public administrations. Public expenditure reductions could cause FCC Group to have to assume additional investments to maintain its business operations in the way it had planned (for instance, water treatment facilities might not be renewed in satisfactory terms, i.e., with sufficient funds for the maintenance of those facilities) or suspend or shut down certain business projects (for instance, if a municipal authority decides to shut down a facility for which FCC Group has the concession, for example a landfill).

h) FCC Group relies on technology to develop its business areas and maintain its competitiveness. If FCC Group does not manage to adapt to technological developments or industry trends, its business could be affected negatively.

For the development of its various business areas, FCC Group relies on technology, including, among other aspects, communication systems, infrastructure management systems and systems for material and human resources control.

In particular, for the development of certain activities FCC Group may rely on software or other custom-made technologies for which it may be difficult or even impossible to find an alternative supplier. As the number and scope of FCC Group's operations grow, it will be necessary to improve, update and integrate FCC Group's business areas, systems and infrastructures. Accordingly, FCC Group's future success will depend on its capacity to adapt its services and infrastructures to the rapidly evolving trends of its clients and to technology demands. On the other hand, the success that FCC Group has traditionally enjoyed in the development of technological platforms does not guarantee the continuation of that success. If FCC Group is not capable of continuing to develop the technologies it requires to compete and to execute its projects, it could lose market share and revenues compared to its competitors or to new market operators that are capable of implementing the necessary technologies.

Competitiveness in FCC Group's business areas is high and technology advances rapidly. If it is to succeed, FCC Group must develop and continuously improve its technology platforms. If FCC Group does not achieve this, any competitive advantages provided by its technology will most likely decrease in the short or

medium term, leaving FCC Group at a disadvantage compared to competitors that are able to advance and improve their technology platforms. Furthermore, even if FCC Group's technological developments are superior to those of its competitors, this still doesn't ensure that it will maintain its competitive advantage.

FCC Group also faces the risk of technological developments arising that could dramatically alter the industry. If FCC Group is unable to adopt those new technologies or to adapt existing technologies to compete in an effective manner, it will be hard or impossible for FCC Group to maintain or improve its position in the markets in which it operates.

In this respect, FCC Group has an active presence in the field of technological research and innovation and dedicates substantial efforts to the continuous training of its staff. Additionally, it has outsourced the management of its IT and telecommunication infrastructures. Also, FCC Group has implemented a common reporting system, with which it seeks to cover the reporting needs of its individual financial statements, as well as standardising on a systematic basis the process of consolidating the Group's economic and financial reporting.

i) The entities in which FCC Group participates alongside third parties could expose it to risks.

FCC Group may develop its business activities in joint ventures with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). These types of structures are sometimes a requirement stated in the bidding conditions.

Participants in these entities share the operational, economic and financial risks associated to certain very large projects or activities. In some of these associations FCC Group does not have a controlling stake, although it tries to manage the situation through contracts. However, adverse effects for the project, the business, the underlying economic and political situation or in the economic situation of the partners could lead to conflict, and this could negatively affect the performance and, in some cases, could end up in a breakup of the association. Also, if any of the members of the Association files for bankruptcy or if its financial capacity is jeopardised or limited in any other way, FCC Group could be liable for the payments

owed by the association or by another partner, on the basis of any related obligation nor guarantee, and it might not be able to obtain compensation from the other partner.

To mitigate these risks, the Group selects the partners with which it participates in the different business areas, applying the procedures included in the FCC Group General Rules Manual.

Regarding the risks arising from outsourcing, the outsourcing model established by FCC Group is applied homogeneously, according to that General Rules Manual, where an action protocol is established stating the minimum requirements for Group companies to be able to outsource work under public or private contracts.

Also, the Human Resources Manual defines the work liabilities assumed by FCC Group in cases where it outsources staff for works or services.

j) Some of FCC Group's subsidiaries are controlled by third parties over whom FCC Group exercises no control.

FCC Group carries out operations in a number of jurisdictions in which the local regulations restrict or may restrict:

- (i) foreign shareholders from acquiring a majority stake in companies registered locally or in companies operating in certain sectors, for instance construction; or
- (ii) the possibility of foreign companies participating in public tenders.

In keeping with the strategy followed by many foreign companies operating in these jurisdictions, FCC Group in some cases has tackled this restriction to foreign ownership by using structures that are commonly used in practise, where the majority of the shares in FCC Group's local business are held by a company registered locally or nationally (depending on the requirements of each jurisdiction), by virtue of a management or similar agreement in the name or on behalf of FCC Group. The remaining minority stake in the capital of the local entity is held by FCC Group via one of its affiliates incorporated locally. Notwithstanding the foregoing,

these management agreements may be less effective in terms of controlling and managing local businesses than in cases where FCC Group has a controlling stake.

Also, any ownership structure may be unilaterally questioned in Court in one or more jurisdictions. If such an objection is made regarding the ownership structure of any of the FCC Group affiliates in jurisdictions where restrictions to foreign ownership are applied, it cannot be ensured what criterion will be followed by the Courts when it comes to applying the local laws and policies to said ownership structure. A Court decision against the ownership structure in question could entail the nullity or non-enforceability of the contracts entered into, the amendment of the ownership structure of the businesses in that jurisdiction and penalties being imposed, which could negatively affect FCC Group's results and its financial situation.

k) FCC Group's order-book is subject to adjustments and cancellations of projects, therefore it is not an accurate indication of future revenues.

In the Environmental Services and Construction business areas, FCC Group calculates that the order-book as of a given date, as the sum of the contractual values less the amounts of the contracts it has recognised as income. Also, FCC Group calculates the order-book in the Water area based on long-term estimates throughout the duration of the contract, which serve as a basis for contracts with clients and with the rates established in said contracts.

Certain events or unexpected circumstances may negatively affect the amount and calendar of future income generated by the projects, based upon which FCC Group's order-book is calculated. These factors may include project cancellations; reductions or other amendments of terms of projects; more time requirements to complete works; interruptions of the works; and termination of a contract by the client if FCC Group's performance is inadequate.

On the other hand, FCC Group cannot predict the impact that future economic conditions may have on its order-book. In this regard, negative economic conditions may hinder FCC Group's capacity to secure new orders once projects are completed; these circumstances may also lead to the termination, modification or suspension of projects currently included in said order-book. Last of all, in the Water area, the differences between the original estimates and actual billing of water consumption

throughout long-term contracts could make the actual income differ from the amounts forecast in the order-book.

FCC Group cannot ensure that its order-book will generate the expected income or cash flows, or that it will generate them in future financial periods. As a consequence, the Group's order-book should be analysed cautiously and should not be taken as a true forecast of future income.

l) FCC Group participates in tender procedures and in regulatory authorisation procedures that may generate significant expenditure with no guarantee of success.

FCC Group is awarded a significant number of its contracts in competitive tenders. The tender or negotiation processes prior to the awards of these contracts are often lengthy, costly and complex, and the outcome is uncertain and hard to predict. FCC Group may invest significant resources in a project or tender in which it may not ultimately win the award, meaning that it misses growth opportunities.

The risks and opportunities that arise in the tender and contracting process constitute one of the major challenges that FCC Group must face. Accordingly, the Group is currently in the process of redefining the specific processes related to risk management in the bidding and contracting stages. The company has formally established policies and procedures that focus on technical quality, technological capacity, economic feasibility and competitiveness of the bids. The process of drawing up, submitting and monitoring bids is subject to different levels of authorisation within the organisation, and the main tasks in this field are allocated to specific departments made up by highly qualified technical staff.

Also, on some occasions FCC Group needs to obtain or renew various legal permits or authorisations. On the other hand, the authorisation processes for environmental activities come up against similar difficulties, and they are often, increasingly over recent years, preceded by complex studies and public consultation. FCC Group might have to abandon certain projects in which, having been awarded the works, it is not capable of generating enough compensation to cover the investment costs, if it does not manage to obtain the necessary permits to develop the activity or if it does not manage to obtain the necessary authorisation from the competition authorities.

All of these aspects may increase the cost of the Group's activities and in some cases it may lead to its abandoning certain projects, which may negatively affect FCC Group's results and financial situation.

m) FCC Group develops its activities in competitive markets.

There is intense competition in many of the business areas developed by FCC Group. When seeking new business, FCC Group competes with a number of groups and companies, including large construction groups and engineering companies, which may have more experience or a stronger local presence in the corresponding market than FCC Group. Additionally, these groups and companies may have greater resources, both material and technical or financial resources, and they may require lower returns on their investment and be able to present better technical and economic offers compared to those of FCC Group.

In the Environmental Services, Water and Construction areas, FCC Group competes mainly in domestic and international markets in the areas of large, complex civil works, water infrastructures and distribution and municipal services for urban waste collection and street cleaning. Competition in these markets is based mainly on the price, technical experience, delivery time and local presence. In this respect, FCC Group faces the risk that, for certain public tenders related to these areas of activity, competitors may present prices that are technically and economically unrealistic, so that it is not feasible for FCC Group to compete in certain specific scenarios.

In the Cement area, FCC Group competes in the market with cement, concrete and other construction materials. Competition in these markets is based firstly on price and then, to a lesser extent, on quality and service. Also, local presence is an important factor because transport costs are significant. The prices that FCC Group can charge its clients are not substantially different from the prices charged by its competitors in the same markets.

As a consequence, returns in this business area general depend on the level of demand, which is subject to changes as a consequence of market conditions del market that are beyond the control of FCC Group and of its capacity to control efficiency and operating costs.

n) Public opinion may react negatively to certain FCC Group facilities.

FCC Group may have to face adverse public opinion because of its business activities, the growth of existing facilities or the construction of new facilities near towns or inhabited areas. In response to public pressure, governments or the relevant authorities may restrict, amend or rescind FCC Group's current activities, or its future growth plans, reducing FCC Group's capacity to implement its growth strategy.

o) FCC Group uses large volumes of energy in its business, therefore it is exposed to the risk of fluctuations in energy prices.

FCC Group, particularly in the Environmental Services, Water and Cement areas, consumes large volumes of energy. The main items of the Group's energy costs are electric power, fuel and the acquisition of raw materials. This means that FCC Group's results are significantly affected by fluctuations in energy prices.

In some of the jurisdictions in which the Group operates, energy prices have risen significantly over recent years and they could vary substantially in the future. Fluctuations in energy prices are mainly caused by market forces and other factors that are beyond the control of FCC Group.

FCC Group cannot ensure that the measures adopted to mitigate inflation risk in the price of energy, which include diversifying fuel sources, using alternative fuels, including provisions in contracts that pass cost increases on to clients and negotiating fixed prices for long-term supply contracts, will be effective to protect itself from variations in energy costs. High energy prices during prolonged periods could substantially increase FCC Group's costs and reduce its margins to the extent that it is not able to adjust the prices of its products to compensate increases in energy prices.

p) Key technical and management staff leaving the company could affect the success of business operations.

The success of FCC Group business operations largely depends on key staff with technical and management expertise. Competition with other companies over

qualified technical and management staff in the sectors where FCC Group operates is intense. Some of these companies may be able to dedicate greater financial and other resources to hire key staff.

If FCC Group loses part or all of its key staff it might be hard to replace them. If the Group cannot hire and maintain the key staff it needs, it will be more difficult, or maybe impossible, for it to successfully manage its business.

Also, some of the Group's employees have degrees, licences, special certificates and other professional expertise recognised by the public administration. FCC Group may need to employ staff with these qualifications and experience to be a candidate in certain public projects. If FCC Group does not manage to hire and maintain staff with the necessary professional experience and credentials, its capacity to successfully complete current projects and to compete for new ones would be negatively affected.

In relation to the human resources management carried out by FCC Group, it has implemented in Spain and in some of its affiliates training processes, consisting of training plans structured on the basis of programmed periodic training, whether basic or for updating knowledge, or specific training to address concrete needs at any given time. In particular, FCC Group develops training plans for all the staff involved in drawing up the Group's financial statements. This Plan includes permanent updating of the evolution of the business and regulatory environment of the activities developed by the different companies in the Group, as well as updating knowledge of the International Financial Reporting Standards and the regulations and evolution of the financial reporting internal control principles.

q) FCC Group increasingly depends on IT systems.

FCC Group increasingly depends on highly sophisticated information technology or IT systems. These IT systems are vulnerable to several issues, such as software or hardware malfunction, piracy, physical damage to vital IT centres and computer viruses. IT systems require regular updates and the Group may not be able to implement the necessary updates at the right time, or said updates may not work as was planned. On the other hand, if FCC Group does not protect its operations from cyberattacks it could lose data on clients or projects or any other information

that is important for its business development. Threats are increasingly more sophisticated and FCC Group cannot guarantee that it will be protected from all of them. FCC Group may have to incur significant expenses as a result of failures in its IT systems. FCC Group cannot guarantee that the backup systems to provide high service quality and ensure the continuation of business will be capable of preventing all the threats. If these systems fail or are inadequate, FCC Group might experience important business interruptions and might lose or jeopardise important data.

r) FCC Group is subject to litigation risk.

FCC Group is, and may be in the future, a party in civil, criminal, arbitration, administrative, regulatory and other proceedings that may arise in the ordinary course of its business. These proceedings may have to do with claims because of defects in construction projects executed or in services provided, labour, environmental or tax claims. Unfavourable outcomes of such proceedings could represent significant liabilities for FCC Group, such as damages, the cost of cleaning and penalties in the event of spills, dumps or environmental pollution, non-compliance with comprehensive environmental authorisation requirements at its facilities or plants, and they could also interfere in the management of FCC Group's business. Even in the event of a favourable decision for FCC Group, said proceedings may be costly, time-consuming and require lots of attention from management. Also, the liability insurance taken out by FCC Group may not be sufficient, or it may not apply to the claims to which it is exposed. Notwithstanding the foregoing, FCC Group records contingent liability provisions, acting in conformity with applicable law.

In particular, the Group currently has certain ongoing litigation plus the formal announcement of claims that will be filed against FCC Group or against companies belonging thereto in relation with the bankruptcy proceedings of Alpine Bau GmbH ("Alpine Bau") and Alpine Holding GmbH ("Alpine Holding"). If the outcome of such litigation is unfavourable, the Group might have to face considerable liabilities. And there is also uncertainty regarding whether other claims will be filed directly against FCC Group, against Alpine Bau or against Alpine Holding, and, if they are filed and the outcome is unfavourable, whether they will negatively affect FCC Group.

s) The industries in which FCC Group operates are closely scrutinised by the competition authorities.

In recent years, in various jurisdictions the competition authorities have submitted the business areas in which FCC Group operates, particularly the Cement and Environmental Services areas, to close scrutiny and they have imposed fines on companies because of their involvement in illegal cartels and other anti-competitive practices.

t) If FCC Group does not obtain government approval for its projects, or if it is delayed in obtaining them, its financial situation and results could be affected negatively.

FCC Group operates in jurisdictions where its activities may be regulated and subject to authorisations by public authorities. Although FCC Group is subject to these requirements in many of its activities, they especially affect the Environmental Services and Construction areas and, in particular, the activities related to public services. With the purpose of developing and completing a project, the developer may need to obtain permits, licences, certificated and other approvals from the corresponding administrative authorities throughout several stages of the project. The process for obtaining these approvals is often long and complex. FCC Group cannot guarantee that it will obtain the necessary government approvals or the compliance with the conditions required to obtain the approvals or that it is adapted to the new laws, regulations and policies that may enter into force at any given time. If FCC Group does not manage to obtain the corresponding approvals or comply with the conditions for those approvals in certain projects, they could be delayed, FCC Group's reputation among its clients could suffer and its capacity to generate income would be in jeopardy.

u) FCC Group's activities are subject to laws and regulations against bribery and corruption, which affects where and how FCC Group carries out its activities.

FCC Group's activities are subject to a number of laws and regulations, such as the Foreign Corrupt Practices Act of 1977 (FCPA) in USA, the Bribery Act 2010 in the UK, the rules enacted by the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, the Spanish Criminal Code, which was amended

in 2010 so as to include the criminal liability of legal persons, along with the anticorruption laws of other jurisdictions.

FCC Group has established systems to facilitate compliance with the applicable laws and regulations and has provided its employees with training programmes to facilitate compliance with those rules. As of the date of this Registry Document, FCC Group has not been sanctioned for any breaches of anti-corruption or anti-bribery laws. It cannot be assured, however, that FCC Group policies and procedures are followed at all times, or that they are able to effectively detect and prevent all breaches of the applicable laws and regulations, always identifying every instance of fraud, bribery or corruption in all the jurisdictions where one or more of its employees, advisors, agents, trade partners, contractors, subcontractors or joint venture partners are. As a consequence, FCC Group could suffer sanctions or reputational damage if its employees, consultants, agents, suppliers or partners do not comply with the corresponding anti-corruption or anti-bribery laws.

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

- The first part corresponds to the prevention stage and it consists of identifying and updating the behaviours entailing the risk of committing the offences that might occur in the Group, as well as planning and implementing the controls to mitigate them. To do so, the Group has set up certain oversight bodies and mandatory procedures.
- 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.

v) FCC Group may be affected by accidents at its works.

FCC Group may be affected in the event there are accidents at the worksites of FCC Group projects, particularly in the Construction Area. These accidents may interfere in the operations and cause delays in project completions, which might in turn entail subsequent delays in payments by clients, as well as potential client

claims, who would seek compensation and possibly terminate the contracts. Besides this, FCC Group could be liable for the damages caused in the accidents and it cannot guarantee that its insurance policies will be sufficient to cover these claims.

w) Risks associated to the Environmental Services Area.

(i) The landfill business in the UK has been and continues to be exposed to a highly adverse market situation, and things could worsen in the future, with a negative impact on FCC Group.

The main cause of the impairment of FCC's landfill business in the UK is the application of the European regulations that drastically reduce the waste to be eliminated at landfills, with the introduction and subsequent gradual increase of the Landfill Tax, as well as the institutional support for alternative recycling, treatment and elimination means (mainly incineration) to the detriment of landfills. Also, there has been a reduction of the total volumes of waste generated as a result of the economic crisis.

If the circumstances that generated the current situation remain or worsen and the decline continues, there would be an additional negative impact on FCC's business and accounts.

(ii) Reductions in waste gathering volumes would cause a reduction of the fees collected.

The fees collected by FCC Group under waste gathering service contracts are calculated based on the weight in tonnes of the waste that is gathered. As a consequence, a decrease in waste gathering would necessarily cause a reduction of those fees. The cause of the decrease in the production of waste is the reduction of consumption by individuals, which in turn is caused mainly by general macroeconomic developments.

x) Risks associated to the Water Area.

(i) Activities in the Water business are sensitive to changes in consumption models.

There has been a decline in the volume of drinking water that is supplied in some developed countries, mainly due to the water saving programmes established by public authorities and the industry and due to the extended idea that water is a resource that must be preserved. In Spain, FCC Group estimates that the volume of water bills has declined by approximately 1% per year over the last 15 years. Thus far FCC Group has managed to offset the effect of these reduced volumes by means of production benefits and negotiating contracts where part of FCC Group's revenues are independent of volumes. If the volume reduction increases those efforts might not be sufficient to fully offset said reduction.

(ii) The Water business is sensitive to weather conditions.

FCC Group's results in the water business may be affected by significant changes in weather conditions. Thus exceptional rainfall levels could have a negative impact on FCC Group's results. For instance, in Spain during the 2003-2005 three year period rainfall was lower than the average for the previous ten years, and 2005 was the driest year since 1947, leading, among other things, to water saving campaigns among consumers and plans to optimise water use in farming. Also, exceptional rainfall levels were the cause of the reduction of water consumption in France in 2007, whereas certain episodes of hot weather generated greater water consumption in 2003 in that country; in 2012, seven water authorities in southern and eastern England imposed the hose pipe ban due to severe drought, which affected 20 million consumers.

(iii) When supplying drinking water FCC Group must ensure that the water is fit for human consumption.

The most significant risk associated to the management of drinking water facilities is the supply of water that might cause health issues among end consumers. For instance, if there are any errors in the water treatment process affecting water quality, or if there are any acts of sabotage altering the nature or quality of drinking water, FCC Group could suffer loss of business and revenues, reputational risk, and incur liability and have to pay damages or cleaning costs.

(iv) Contaminated water spills could have a negative impact on FCC Group.

FCC Group manages waste water treatment plants and the main risk related to this activity is that of spilling contaminated water due to errors in the management of the facilities. Besides being caused by errors or negligence in facilities management, contaminated water spills may take place as a result of acts beyond the control of FCC Group, including third-party acts, such as those of industrial users of sewage systems. In the latter case, FCC Group might be liable for damages and have to bear cleaning costs and suffer reputational damage.

y) Risks related to the Construction Area.

(i) FCC Group is subject to risks relate to construction.

The time and the costs involved in the execution of FCC Group's construction projects may be affected negatively by several factors, including fluctuations in the costs of construction materials, equipment or labour, accidents, delays in obtaining approval by the relevant authorities, for project management, adverse weather conditions and land in poor condition, construction limitations and other unforeseen circumstances. Any of these factors might delay the complete execution of projects and lead to additional costs and subsequent losses. Delays in project completions could in turn lead to a loss of revenues or termination of contracts, as well as potential claims by clients, who would seek compensation or termination of contracts, and this could negatively affect the results and the financial situation of FCC Group.

(ii) The construction industry is highly cyclical.

The construction industry is of a cyclical nature and is significantly dependent on public and private investment. Investment levels in the public and private sectors are in turn related to the general economic conditions. Investment generally increases in times of economic growth and it declines in times of recession. In Spain, in particular, the construction industry has been seriously affected by tough economic conditions over the last few years.

Current economic conditions have led to a sharp reduction in tenders for civil engineering works, including public sector projects in Spain and other OECD

countries. Civil engineering investments included in the annual budget of countries where FCC Group is or intends to be present depend mainly on two factors: the budget policies of the corresponding governments and the existing economic conditions at the time.

(iii) FCC Group's construction projects may be delayed or the budget may be exceeded, generating lower profits than expected or even losses.

Large-scale construction projects entail certain risks, for instance shortage of materials, machinery and labour or an increase of their costs. If contractors or subcontractors do not comply with the agreed deadlines and budgets and if there are any interruptions due to adverse weather conditions or unexpected technical or environmental difficulties, there could be delays and increases in the construction costs. The contractual liability clauses to which FCC Group might resort in these situations in respect of contractors and subcontractors might not fully or partially cover the losses, especially in cases of contractor or subcontractor insolvency. If there are delays in the construction, FCC Group may receive the income later than expected and may face penalties and even the termination of the corresponding contract. These factors could increase FCC Group's expenses and reduce its revenues, in particular if FCC Group does not manage to recover those expenses through the operation of its concessions. Delays and cost increases may cause the projects to be less profitable than what FCC Group expects and even generate losses that could be significant. Several factors may prevent FCC Group from withdrawing from those projects, for instance performance bonds or other financial guarantees it may have granted; long-term contracts with local suppliers; local clients and partners that are not willing to withdraw from the project or joint venture, or employment contracts with local personnel. In this regard, on certain occasions it could be more costly for FCC Group to abandon non-profitable projects or projects generating long-term losses than seeing them through to completion.

(iv) The construction materials market depends to a great extent on the cyclical nature of the construction industry.

The construction material industry depends on the level of activity in the construction sector. The industry goes through cyclical trends and depends on the Regulatory or Compliance risks are those arising from the breach of requirements and

expenditure level in relation to construction in the residential, commercial premises and infrastructure sectors. Political instability or changes in government policies may also influence the construction industry, which is sensitive to factors such as GDP growth, population increase, interest rates and inflation. The worsening of the Economy could lead to recession in the construction industry.

z) Risks associated to the Cement Area.

(i) Operations in the cement business are subject to emissions control rules.

Cement production requires extremely high temperatures and it consumes important amounts of energy derived from fossil fuels, which in turn increase emissions of greenhouse gases. FCC Group's operations in the cement business in Spain are subject to the Kyoto Protocol. According to Kyoto, companies have a limited number of emission rights at their disposal and must acquire additional rights from other companies that do not use all of the ones they were granted. Considering that the emissions created by cement production cannot be reduced, emission rights must be managed carefully. If FCC Group does not properly monitor its emissions and emission rights it could face penalties and other liabilities.

FCC Group is exposed to the risks inherent to the emissions trading system (ETS) introduced by the European Union in 2005. Phase III of this system, which covers the period from 2013 to 2020, particularly stresses the elimination of the allocation free of charge of emission rights in respect of the generation of electricity, effective as from 1 January 2013, with exceptions for certain European countries, which significantly reduces the free allocation for heat generation. The overall goal is to achieve, by 2020, a 20% reduction of greenhouse gas emissions (compared to 1990 levels).

Regulations on emissions control and the obligation of operating within an ETS expose FCC Group to two risk categories. On the one hand, it might occur that FCC Group produces a higher level of emissions than expected, both for technical reasons and for business related reasons, and this might entail additional costs for the Group. On the other hand, FCC Group might not be able to adjust its price policies so as to pass on the overall impact of the extra cost of acquiring emission rights.

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.

a) The industries in which FCC Group operates are subject to comprehensive regulations which are in turn susceptible of being amended.

In the execution of its business operations, FCC Group must respect several laws and local, province, national and international regulations. The laws and regulations applicable to the Group's business vary from one jurisdiction to the next and even between different towns and they may be subject to amendments, which may or may not be favourable. A change in the legal framework could lead to different or more restrictive regulations, and this could be the cause of changes in FCC Group's operating conditions; this could increase FCC Group's capital expenditure (for instance, the requirements for amending the configuration of existing facilities) or its operating expenses (for instance, the implementation of additional inspections and monitoring procedures), affect its results and financial situation or in any other way hinder the Group's development plans. Among these possible new regulations, new tax regulations, such as the one applicable to waste dumping and treatment services, could affect FCC Group's revenues if it is not capable to passing on those increases to end users.

Also, and as an example of regulations that have required FCC Group to adapt its activities, the Landfill Tax in the UK imposes charges according to the type and amount of waste deposited at landfills in an attempt to promote recycling, composting and extraction of value from waste.

FCC Group has implemented procedures that guarantee compliance with the laws regulating each one of the different economic activities developed in 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.

b) Past and present activities may expose FCC Group to cost increases and to liability risk, particularly regarding health and environmental risks.

The increasingly comprehensive laws and regulations under which FCC Group operates expose it to higher liability risks, particularly in environmental matters. The local, regional, national and EU entities of the countries where the Group operates regulate their activities and establish the applicable environmental regulations. The technical requirements imposed by the environmental regulations are increasingly costly, complex and strict.

These laws may impose a strict liability in the event of damages to natural resources or threats to public health and safety. This means that FCC Group may even be liable for the assets it no longer owns and for activities it no longer carries out.

Besides this, FCC Group may be obliged to pay penalties, repair damages and perform improvement works even if has carried out its activities with due care and fully complying with operating permits. FCC Group may be considered jointly and severally liable together with other parties. The relevant authorities may impose sanctions and penalties or they may revoke and reject the grant of authorisations and permits based on non-compliance with current regulations.

Some of FCC Group's activities could cause disease, damages and even deaths, the interruption of the business or damages to the assets or to the environment. The measures established by FCC Group to mitigate these risks, including contractual limitations to the liability of FCC Group, the preventive and protective measures and the insurance policies covering what FCC Group considers its critical operational risks may be insufficient, which could lead to it incurring substantial costs. A stricter application of the existing regulations, the entry into force of new laws, the discovery of previously unknown sources of contamination or the imposition of new, more demanding requirements may increase costs or impose new liabilities on FCC Group, leading to lower revenues and reducing the liquidity available for their activities.

In addition, by means of contracts for the outsourcing of environmental services, FCC Group companies may develop activities in certain places that are environmentally sensitive and qualifying as 'Seveso sites' with a high or low threshold (or their equivalent abroad) operated by industrial clients, particularly petrochemical industrial facilities. In these cases, the dangerous natures of the products, waste, spillage and emissions treated by FCC Group, as well as the nearness of the facilities that are managed to other potentially dangerous sites require that FCC Group manage the performance of services with utmost care and expose it to significant potential costs and liabilities in the event of an accident. The regulatory regime governing 'Seveso sites' applies only in the European Union, but FCC Group can also operate at sites outside the EU, for instance USA, which are subject to comparably strict regulations.

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

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

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

c) FCC Group is subject to significant environmental and hygiene regulations that may be potentially costly.

FCC Group incurs, and shall continue to incur significant costs and other expenses in order to meet its obligations in the field of the environment, safety and healthcare and to manage its risks regarding hygiene. In particular, these risks are related to water spillages, drinking water quality, waste processing, the contamination of the soil and ground waters and the quality of smoke and gas emissions. FCC Group may be unable to recover this expenditure via higher prices. Environmental laws

and regulations are frequently amended, often leaning towards greater strictness. These changes in the laws and regulations may oblige FCC Group to incur expenses or make investments in order to comply.

Legal requirements, including specific precaution and prevention measures, may oblige FCC Group to make investments and incur other expenses to guarantee that the facilities in which it operates comply with the applicable regulations. In cases where there is no investment obligation, FCC Group may have to notify its clients of their obligation to carry out the necessary works. If a client does not comply with these obligations it could be detrimental for FCC Group as operators and it could negatively affect its reputation and growth capacity. Furthermore, regulatory entities have the power of filing procedures that could lead to the suspension or cancellation of the permits or authorisations that FCC Group has, or to the adoption of preventive measures requiring it to suspend or discontinue certain activities.

These measures may be accompanied by penalties and civil or criminal sanctions that could have a significant negative impact on FCC Group's results and on its financial situation.

d) Tax 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 Tax Division, the functions of this Division include: proposing criteria relative to the Group's tax policies as well as to advise on and coordinate their application, with fiscal efficiency, in corporate acquisitions and reorganisation operations and for those presented by the different business areas in connection with their activities.

Additionally, with the purpose of minimising and ensuring the reasonable control and adequate information on tax risks, FCC has adhered to the Code of Good Tax Practice (a body with the participation of big Spanish companies and the central tax administration), approved at the Big 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.

On the other hand, in September 2014 the Fiscal Code of Conduct was approved by FCC Group, which is applicable to all the employees of FCC Group and has the goal of establishing the policies, principles and values that should guide tax behaviour within FCC Group.

Said code shows the obligations that are to be met by employees with responsibilities in FCC Group's tax area:

- a. Follow the applicable tax regulations in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently verified facts.
 - b. Respect FCC Group's "Framework Rule for the Control of the Tax Area", as well as the specific communication, action and revision procedures for the tax area.
 - c. Ensure that the relevant decisions in the field of taxation are supervised by the Group's senior management and are duly supported, based on a global, integrating approach that takes into account the various business variables and the possible risks that are assumed.
 - d. Develop and foster a relationship of transparency and mutual trust with the tax authorities of each country.
 - e. Participate actively in the tax forums of the employer associations and international organisations to which FCC Group belongs, in order to propose specific tax measures geared to attaining a fairer and more harmonised tax system, both for the interests of the Group and for those of society at large.
- e) 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, and it is obligatory for all the individuals in the Group and for third parties that voluntarily accept its application.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental and ethical issues of particular importance. The Group offers an online training tool for the Code of Ethics.

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 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 and Risk Management, the General Legal Consultancy 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, punishing 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 prepared a Crime Prevention and Response Manual which defines the response protocols when an offence or crime is committed.

Additionally, in light of the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working, since the approval of the Criminal Code Reform Bill in September 2013, on strictly monitoring the evolution of the amendments contemplated in said Project and its repercussions for legal persons, with the purpose of adapting FCC Group's Prevention and Response System and its control environment.

Among others, the following aspects have been analysed:

- The changes it represents in respect of the liabilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.
- The growing importance of Crime Response Prevention Systems and the integration thereof in the Corporate Compliance programmes.
- Requirements on the monitoring of the functioning of those programmes by an independent body within the organisation, entrusted with the function of supervising the control environment.
- The new types of offence or crime from which liability arises for the legal person.
- The extraterritorial nature of some types of offence or crime.

Additionally, FCC Group's international nature has made it necessary to analyse the requirements in the field of corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Also, during 2014 a review commenced of the Crime Prevention and Response Manual, with a triple goal:

- The incorporation of the novelties considered in the draft Criminal Code Reform.
- The adaptation to the new organisational model and the redefinition of functions.
- The incorporation of the changes arising from the forthcoming implementation of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, which allows it to guarantee that the claims received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in said manual, guaranteeing the confidentiality and traceability of the information, as well as the documentation of all the actions performed, in turn guaranteeing the different legal requirements in terms of Data Protection (LOPD).

f) Internal Control over Financial Reporting (ICFR).

Listed companies have the obligation of including, in their Annual Corporate Governance Report (IACG), information on the description of its Financial Reporting Internal Control System (FRICS). 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 (Spanish securities market commission), FCC Group has prepared an ICFR Report for 2014 which is part of this Annual Corporate Governance Report and it has been subject to an external audit.

g) Personal data protection systems.

The processing of personal data, mainly in order to comply with the Data Protection Law (LOPD), is specifically regulated in the environments 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 controls. This programme defines the legal, organisational and technical controls in each case.

h) Quality assurance systems.

FCC Group has, in all of its business areas, quality management systems that are formally implemented and deeply rooted in the organisation, which has allowed it to obtain the organisation's Certificate of the Quality Management System, according to the UNE-EN ISO 9001 standard, and successfully pass the auditing appraisals done from time to time 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.

i) 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 implying decisive changes in FCC Group's reporting systems, an analysis is carried out of the existing risks in order to identify the specific threats and define the adequate countermeasures. 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 the above-mentioned Policy, the Company has a Code on the use of technology means and different action protocols for the management of incidents related to the use thereof. 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 stated above, FCC Group has outsourced the services for the management of its IT infrastructures. 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).

j) Occupational risks.

UA priority goal for FCC Group is to carry out its activities with a high level of health and safety for its entire staff, as well as strictly complying with the legal regulations in the field, as shown 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.

As a guarantee of homogeneity and as an instrument of global management and adaptation to the organisation's standards in this field, FCC Group has a Corporate Manual on Occupational Health and Safety that entered into force in 2012, the guidelines of which are being incorporated to the management systems that are implemented. 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.

Financial risks

The concept of financial risk refers to the variations, due to political, market and other factors, in the financial instruments contracted by FCC Group and their repercussion 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:

a) 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 Management, which is responsible for managing financial risks, reviews from time to time the financial debt ratio and the compliance with the financing covenants, as well as the capital structure of the affiliates.

b) FCC Group is exposed to foreign exchange 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.

Although the basic currency in which FCC Group fundamentally operates is the euro, FCC Group also has financial assets and liabilities booked in other currencies besides the euro. Foreign exchange risk lies mainly in debt denominated in foreign currency, in investments in international markets and in collections taking place in currencies other than the euro.

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.

c) FCC Group is exposed to interest rate risk.

FCC Group is exposed to the risk arising from variations in interest rates because the Group's financial policy seeks to guarantee that its current financial assets and its debt are partially linked to variable interest rates. The reference interest rate of FCC Group's debt with credit entities contracted in euros is basically the Euribor.

A hike in interest rates could cause an increase of FCC Group's finance costs linked to its borrowing associated to variable interest rates and it could also increase the cost of refinancing FCC Group's borrowing and the issuance of new debt.

With the purpose of being in the most suitable 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.

d) Solvency risk.

The most representative ratio to measure the solvency and capacity to pay back debt is Net debt/EBITDA.

e) FCC Group is exposed to liquidity risk.

FCC Group carries out its operations in industrial sectors requiring high levels of financing; to date it has obtained adequate financing to carry out its operations. However, FCC Group cannot guarantee that the circumstances regarding how it obtains financing will continue in the future.

FCC Group's capacity to obtain financing depends on many factors, many of which are beyond its reach, such as overall economic conditions, the availability of funds at financial institutions and the monetary policy of the markets where FCC Group operates. Adverse effects in debt and capital markets may hinder or prevent FCC Group from obtaining adequate financing to develop its activities.

Apart from looking for new sources of financing, FCC Group may need to refinance part of its existing debt via bank loans and debt issuances, due to the fact that a

substantial part of FCC Group's financing falls due in 2018. Historically, FCC Group has always been able to renew its credit contracts and expects to continue doing so over the next 12 months. However, the capacity to renew credit contracts depends on a number of factors, many of which do not depend on FCC Group, such as overall economic conditions, the availability of funds among private investors and financial institutions and the monetary policy of the markets in which FCC Group operates. Negative conditions in debt markets could hinder or prevent FCC Group from renewing its financing. FCC Group therefore cannot guarantee that it will be able to renew its credit contracts in economically attractive terms. The inability to renew those credits or to ensure that it has adequate financing under acceptable terms could have a negative impact on the liquidity of FCC Group and on its capacity to cover its working capital 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; as the case may be, it may study alternatives whenever conditions are not as favourable. FCC Group is present in various markets in order to facilitate obtaining financing and to mitigate liquidity risk.

In this respect, in June 2014 the Group's most important credit facility entered into force. It is a syndicated loan of 4,528 million euros, for four years, to which are added a number of agreements that significantly push back the maturity of the Group's debt. These include the obtainment and renewal of new working capital facilities (leasing, factoring, confirming...), international bond facilities, with 250 million euros extendable up to 450 million, and the renewal for six years (until October 2020) of the existing convertible bond totalling 450 million euros.

Both these operations are basic pillars for reaching the restructuring and profitability goals contemplated in the Strategic Plan.

f) 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/Territory (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.

FCC Group's strategic planning process identifies the goals for each of its business areas according to the improvements that are to be implemented, the market opportunities and the risk level considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position across activities related to construction and infrastructure management, provision of environmental services, energy and others. In the field of geographic diversification, in 2014 foreign activity accounted for 44% of total sales, and it was particularly important in the Group's most significant areas, infrastructure construction and environmental services.

g) 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.

The Group takes care of requesting trade reports and evaluating the financial soundness of clients before entering into contracts with them; it also monitors them on a permanent basis, and has a procedure prepared for 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.

h) Risk-hedging financial derivatives.

In general, the financial derivatives contracted by FCC Group are accounted for according to the regulations on accounting hedges established in the notes to the annual 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 FCC 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.

Reporting risks

a) Organisational and corporate complexity.

Given FCC Group's organisational and corporate complexity, there could be a risk of inadequate comprehensive information reporting within the organisation.

The fact of not reporting adequately on the achievement of strategic goals by identifying critical risks that have materialised, regarding which Management could still carry out specific action plans to correct negative deviations to achieve such goals could entail significant deviation in terms of compliance with the FCC Group strategy.

Also, the identification of key performance indicators for business, in relation to compliance with the goals of each business unit, would make it possible to make decisions before there are any deviations in relation to the quality of the financial information that is reported.

Accordingly, and as part of the implementation process of the Integrated Risk Management Model, the Group is working on improving the existing information flow in respect of Compliance with the Group's strategy according to the identification and evaluation of the risks hindering the achievement of the goals of each of the business units in FCC Group and the identification of the adequate KPIs for those goals.

b) 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.

E.4. Identify whether the company has a risk tolerance level.

As the basis for the implementation process of the Integrated Risk Management Model that the Group is currently working on, the Accepted Risk levels shall be established for each Business Unit.

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 necessary actions to reinforce existing controls and they may even incorporate new controls.

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

- **Risk 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 to 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 and 2014 with the major financial suppliers; it ended successfully in June 2014, 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 2015.

- **Risk 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 caused a decline in the Group's turnover, which has equally affected other operators in the market. This circumstance has led to a loss of efficiency per production unit, which has been shown on the Group's financial statements over the last few years.

How the control systems operated and response plans:

Over the last few years FCC Group has carried out adjustments of its structure to current demand in the market, via several staff restructuring measures, and it managed to effectively adjust the headcount to the expected production requirements, which has led to production efficiency improvements in 2014, and additional improvements are expected as from 2015.

- **Risk 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 to a maximum at each of the facilities, in an effort to adapt to the new deadline commitments, claiming whatever was required from each one of the clients in every case. On the other hand, our trade relationship with our clients made it possible to reach an understanding.

- **Risk 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 Law 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, effective in the first quarter of 2014, 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 of this has allowed a substantial reduction of the average payment period by those clients in Spain throughout 2014 that will continue in 2015.

- **Risk 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 new restructuring plan was implemented in 2014 in the cement area that is managing to adjust the operating and production capacity.

- **Risk 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 the last few years FCC Group has 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 that started 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.

- **Risk 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 light of this situation, FCC Group took several measures to adapt its production capacity to the market situation, getting ahead of possible greater adverse effects on its financial statements. These measures had to do with personnel and with the restructuring of assets and divestments.

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

Underlying circumstances:

FCC Group in the United Kingdom carries out landfill management business through its subsidiary FCC Environment, and this investment was impaired in 2014. The main cause of the impairment is the application of the European regulation on the dramatic reduction of waste to be eliminated through landfills, with the introduction and gradual increase of a Landfill Tax, as well as institutional support for alternative recycling, processing and elimination means (mainly incineration) to the detriment of landfills. There has also been a reduction of the total volume of waste generated as a consequence of the economic crisis.

How the control systems operated and response plans:

FCC Group has reflected the impact of this situation on its financial statements, recording write-offs in the value of the assets affected in September 2014. Additionally, from time to time it appraises the assets that still have value, in order to be able to identify future fluctuations in their value, and consequently adopt measures to maximise the value of those assets.

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

One of the major risks for FCC Group over recent years is 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:

- Domestic construction: 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.

- International construction: Returns are boosted by focusing on specific territories, selecting the most profitable works and markets, as well as building up 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.

Regarding the risks affecting the Environmental business unit:

- Headcount for the contracts have been fully adapted to the new service requirements.
- With the completion of the last supplier payment plan in the first quarter of 2014, low and stable trade debt levels have been attained and it is even expected that they may be improved with the entry into operation of the electronic invoice and the entry into force of Royal Decree RD 635/2014, developing the method for calculating the average payment term of public administrations and the conditions and procedure for retaining funds from financing systems.
- Local administration and town council budgets have stabilised, which will undoubtedly enhance the stability of the contracted services. Further cuts are no longer expected.
- Improvements are expected in terms of the decline in consumption due to the slight recovery of the economy, which will prevent loss of business in waste collection contracts where the fee is established according to the volume of waste that is generated—this is directly linked to consumption.
- In relation to the risk of delays in the approval of dossiers and successive regulatory changes in respect of price revisions, the Group is permanently monitoring the dossiers and contacting each client to solve any doubts that may arise.

In relation to the risks that have affected the Water business unit:

- In order to mitigate the potential stagnation of the domestic market, steps have been taken in order to intensify our presence in the international market, to which end the target markets have been identified and human resources have been restructured (support, sales development and production staff) according to the needs of the identified markets. The selected target markets try to mitigate the problems that have arisen in connection with social opposition to

the privatisation of the management of municipal water services, aside from valuing the competitive advantages, basically as a result of FCC Aqualia's capacity to cover all the activities included in the integrated water cycle (design, construction, maintenance and operation).

In addition, technology development lines have been strengthened through the R&D+innovation Department in the areas of sustainability, quality and smart management, with the goal of improving the Company's competitiveness in the local and international markets.

At the same time, the presence in Spain of (domestic and international) employers' organisations and media has been strengthened in order to communicate the (technical and economic) advantages of having a private-sector company take part in water management.

- With the goal of not worsening the returns on our projects, in terms of sales, the new offer criteria require greater safety margins in terms of guaranteeing the project's IRR. In this respect, projections on annual demand, both in terms of provisions and population serviced are considered as having a flat growth rate.

As far as costs are concerned, the following initiatives have been implemented, among others:

- Cost-reduction programme in the supply of electric power, including a revision of contracting conditions, implementation of a new software application and of new developments generated by the R&D+i Department.
- Programme to reduce absenteeism by implementing a software application and developing preventive culture projects and the workplace Health Charter. At the same time there will be a revision of hiring methods and of the production structure domestically.
- Programme to optimise operations by establishing central warehouses, reducing materials left in deposit and costly parts with low turnover rates.
- Programme to reduce the cost of managing the fleet of vehicles by implementing a software solution contemplating geolocation and control of the associated maintenance costs.

- With the goal of mitigating possible risks in the operation of water supplies for human consumption, work has commenced to identify critical infrastructures according to the criteria established by the Public Administration, in collaboration with the Spanish Water Operators Business Association.

Programme to restructure the activity of accredited and certified laboratories in quality control of water, adapting their performance to the new demands of EU directives, optimising the equipment replacement investments and increasing the capacity to conduct analyses.

Additionally, and with a bearing on all the areas in FCC Group:

- Since early 2014, the Management Control Department prepares a monthly monitoring report detailing the major relevant events by business area and at Group level, explaining the most significant variations in the month. This monthly report is sent to the CEO and the members of the Management Committee. Also, twice a year the Management Control Department coordinates the update of the annual budget to anticipate any deviations in terms of returns, cash generation, debt and identified risks. This Department focuses on planning and control alike.
- FCC Group is in the midst of a process to improve the Integrated Risk Management Model that will allow it, once it is fully operative, to react in anticipation of the materialisation of major risks, mitigating their effect. This model will make it possible to establish specific response plans whenever there are foreseeable deviations in the compliance with the strategy, classified by risk materialised, studying the cause of the materialisation of each one of the risks and the existing control environment in each case. This process is being coordinated by the FCC Group's General Internal Auditing and Risk Management.

The remaining response plans carried out by FCC Group for each of the risks materialised in 2014 are set out in the preceding section 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 Rules 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 suitable 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 Rules 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 Rules 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 Rules 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, appointed 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 non-executive 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 monitoring 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:
 - The different types of risks that the Group faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks;
 - Establishing the risk level that the Company deems acceptable;
 - The measures provided to mitigate the impact of the identified risks in the event they materialise;
 - 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:
 - 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;
 - And the creation 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:
 - 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;

- 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 in 2014 has been presided over by the Second Vice Chairman and CEO of FCC Group and it is made up by all of the members appointed 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). As from 13 January 2015, the Group's Steering Committee was replaced by business area steering committees and by a Central Services Coordination Committee.

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 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 FCC Group's finances. 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, relations with investors, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of bonds, guarantees and insurance.

Management Control Department

As from June 2014, the Management Control Department, which until then depended on General Finance Management, reports directly to the CEO. This shift in terms of hierarchical dependence is due to the need to boost the Management Control systems.

This department includes the functions of Management Control, 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 and Risk Management

The purpose of the General Internal Auditing and Risk 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 supervision 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:

- Identifying the risks that the Company faces, according to their status as potential threats to achieve the organisation's goals.
- Proposing the procedure that is considered adequate for monitoring and controlling those risks and especially, those with preferential monitoring.
- Establishing the mechanisms for communicating from time to time the evolution and monitoring of the identified risks.

The results of Continuous Risk Management are communicated to the Auditing Committee, the highest body responsible for supervising the Group's Risk management, as set down in the Regulations of the Group's Board of Directors.

In this respect, during 2014, in order to ensure compliance with the best practices in this area (COSO), FCC Group's General Internal Auditing and Risk Management supervised the work performed by the different business areas in the process of developing and evolving the Integrated Risk Management Model that FCC Group is currently working on. Special attention has been used to supervise improvements related to the identification and evaluation of risks, the adequate identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, advancing in the improvement of that model, it is scheduled that, for risks exceeding the Accepted Risk [level] in each of the business areas, the General Internal Auditing and Risk Management shall supervise the establishment of the

necessary action plans with possible corrective measures to ensure that critical risks are within the Accepted Risk thresholds. These action plans shall include the necessary measures to reinforce existing controls or to incorporate new controls.

One of the goals sought by incorporating these improvement measures is to ensure the establishment of specific response plans in anticipation of the materialisation of critical risks, thereby ensuring compliance with the accepted risk level established in FCC Group's strategy.

Additionally, work will also be done to prepare a high level Risk Management Policy, as well as to update the specific procedures to carry out Risk Management in each of the business areas, to ensue both compliance with the Model and active participation in any decision-making process within the organisation.

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 Risks Management, and Aggregate Purchases Areas.

HR's mission in FCC 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. Its functions include establishing the policies, strategies, rules and general bases for selecting, hiring, training, employing, developing and empowering people in our organisation, all aligned with the company's general strategy and that of its different business areas. The basic goal of this function is to create the necessary environment to attract, manage, motivate and develop the best professionals, which requires:

- Developing and optimising key people management policies and processes.
- Achieving a high efficiency level in the HR function.
- Favouring and boosting the creation of a highly participative, attractive and competitive working environment.

The Information Technologies and Systems' Division, hereinafter the ITS, guarantees suitable technology support for the Group's management processes, optimising the management of the necessary resources and service level for users, ensuring the confidentiality and integrity of information systems. The action model is geared to FCC Group achieving its strategic goals via two lines:

- Operating efficiency in the performance of all of its activities.
- Support for FCC Group's internationalisation, deploying the necessary IT applications and services based on solid infrastructure, in the countries where FCC has a productive presence.

The main functions of ITS are:

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

Additionally Information Security and Technology Risk Management is responsible for Information security and for managing risks related to the processing of FCC Group's information assets.

The mission of this division, created in December 2005, is to foster Information Security, promoting corporate governance by means of adopting the most highly accredited international security standards. This goal will be sought by implementing an Information Security Management System (ISMS) according to ISO 27000. In this model, the Risk Analysis of the information assets administered by FCC Group assumes a relevant position, as an evaluation item prior to the deployment and management of risk mitigating measures.

Information Security and Technology Risks Management is integrated in the ITS organisation chart with the following functions:

- Preparing on a triennial basis FCC Group's Information Security Strategy Plan and to follow up on compliance thereof from time to time.
- Coordinating with the FCC Information Security Committee and supporting it in the performance of its functions, as well as setting the common strategies on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and checking from time to time that they are 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.
- 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 Aggregate Purchases 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. State 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 FCC's Board of Directors, 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 Rules of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each commission.

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.

In this respect, the Human Resources area is developing a project to modernise the reporting and human resources management system. The implementation

at a domestic level was completed in 2014 and a study has commenced for the implementation of the HR management and information system internationally. 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 Communication and Corporate Responsibility Department, which directly reports to the vice-president and CEO, groups together all the functions related to the Group's external and internal communication, both in Spain and in its international companies, institutional relations, brand and corporate image management, advertising and CSR policies, and it 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 of which 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. Compliance with the Code of Ethics is compulsory for all Group personnel and third parties who voluntarily accept its implementation.

FCC Group has currently set up a working group to update the Code of Ethics, with the goal of improving it and adapting it to the best practices in the market in this field.

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 fraud prevention, 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: "Manipulation of information", "Use and protection of assets", "Protection of Intellectual and Industrial Property", "Bribery and Corruption" and "Money laundering and irregular payments".

FCC Group communicates and disseminates the Code in the Company, so that all of the employees are aware of it. As part of the update and review of the Code of Ethics, work is being done to get all the employees in the Group to accept and be committed to compliance with the Code of Ethics in the development of their functions, as well as extending it to suppliers and clients. The Code of Ethics is also published on the Group's corporate website so that anyone can access it.

The welcome course for new employees, prepared by Human Resources, includes specific training on the Code of Ethics, among other matters.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Counsel Management and Risk 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.

As a result of this process, FCC Group has a Crime Prevention and Response Manual that defines the response protocols in the event of a criminal offence.

In addition, in light of the current reform of the Criminal Code in this same matter, the General Internal Auditing Management and Risk Management have been working during 2014 and since the approval in September 2013 of the Criminal Code Reform Bill, closely monitoring the evolution of the amendments contemplated in that Bill and the repercussions for legal persons, with the goal of adapting both FCC Group's Prevention and Response System and its control environment.

Among other aspects, the following has been analysed:

- The changes it represents in terms of the liability of senior executives, the administrators and directors, in keeping with the reform of the Capital Companies Act.

- The growing importance of the Crime Prevention and Response Systems and their integration in the Corporate Compliance programmes.
- Requirements regarding the supervision of the functioning of those programmes by an independent body within the organisation entrusted with overseeing the control environment.
- The new types of offence from which legal person liability arises.
- The extra-territorial nature of some types of offence.

In addition, the international nature of FCC Group has required the analysis of requirements regarding corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and update of the Crime Prevention and Response Manual is being studied, with a triple objective:

- The incorporation of the new developments in the draft Criminal Code Reform.
- Adapting it to the new organisation model and the redefinition of functions.
- The incorporation of the changes arising from the implementation in the near future of a tool to support the Whistleblowing System.

In respect of the last item, during 2014 progress has been made in the definition, development and implementation of a tool to support the Whistleblowing System, which makes it possible to guarantee that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in the manual, guaranteeing confidentiality and the traceability of information and that all actions carried out are documented, in turn guaranteeing that the legal requirements established in the Data Protection Act (LOPD) are met.

The Audit and Control Committee, pursuant to article 41 of the Rules 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 and 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 suitable 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 measures and, if it considers it necessary, penalties. This Committee reports to the Chairman of the Audit and Control Committee.

On the other hand and in a supplementary manner, in September 2014 FCC Group’s Fiscal Code of Conduct was approved, with the goal of clarifying the policies, principles and values that must guide actions in the field of taxation within FCC Group.

This code states that employees with responsibilities in FCC Group’s tax area must comply with the following obligations:

- Abide by the tax regulations applicable in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently proven facts.
- Respect FCC Group’s “Tax Area Control Framework rule”, as well as the specific procedures for communication, action and review in the tax area.
- Ensure that the relevant tax decisions are overseen by the Group’s senior management and that they are duly supported, based on a global and integrating approach that takes into account the various business figures and the possible risks that are assumed.

- Develop and foster a relationship of transparency and mutual trust with the tax authorities in each country.
- Actively participate in the tax forums of employers' associations and international organisations of which FCC Group is a member, with a view to proposing specific tax measures focused on achieving a fairer and more harmonised tax system, both for the Group and for society at large.
- **Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as possible breaches of the code of conduct and irregular activities within the organisation, stating, as the case may be, 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 own name, any observed actions that are contrary to the Code of Ethics. The communication routes forming the basis of the Whistleblowing Channel are:

- An html page in the Group's Intranet: internal communication channel.
- A postal address: Apdo. de Correos 19312, 28080-Madrid, managed by the Chairman of the Response Committee.
- Email addressed to comitederespuesta@fcc.es, managed by the Response Committee.

In order to guarantee the confidentiality of the whistleblowing channel, communications are received centrally by the General Manager of Internal Auditing

and Risk Management, the General Manager of Organisation, the General Manager of Legal Consultancy and the Director of CSR, who are the members of the Response Committee, the body in charge of this procedure. As mentioned in the preceding paragraph, a tool is under development that will improve the Whistleblowing System.

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 shall be filed, pursuant to both the internal regulations for its functioning and the Data Protection Act, and if the case is accepted, a file will be opened, the contents of which will be included in 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 social 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).

FCC's General Administration Management and the Human Resources area 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 2014, as part of the Crosscutting Training Plan, the Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Business Law, Sales and Marketing Management, Financial Management, Analytical Accounting, Technology and Innovation, Human Resources Management, Operations Management, Planning and Control Management, Taxation, Business Strategy, International Management, Mergers and Acquisitions, Business Protocol for Senior Executives, International Business Protocol for Senior Executives, Senior Management Scorecards.

Also the Corporate Processes School includes training for middle managers, technical staff and qualified workers, mainly in Business Assessment, Valuation, monitoring and financial control of investment projects, Payment means for international trade and the accounting treatment, Foreign Trade Finance, Corporate Income Tax, Value Added Tax (VAT), International Taxation, Financial Derivatives, Accounting, Consolidation of Financial Statements, International Financial Reporting Standards (IFRS), Management Control, Risk Management, Scorecards as a Management Tool, Risk management in international engineering and construction projects, Law for non-legal personnel, Project Finance, Public Sector Contracts Management, Practical use of FIDIC contracts, Managing claims and resolving disputes in FIDIC contracts, International Contracting for Lawyers, International engineering and consultancy contracts, Handling claims in the private contracting of international engineering and construction projects, New technologies Law, Innovation manager, Communication and CSR Management, HR Management, Remuneration and benefits in Human Resources, Promotion and Management of Equality and Non-discrimination, Managing cultural change in relation to international diversity and integrating people, etc.

During the year 2014, 375,826 training hours were provided, the majority externally, of which 16,754 hours (4.45%) 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 suitable preparation of the Group's financial reports, benefiting approximately 748 people.

F.2. Evaluation of financial information risks.

Report, at least, on:

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 is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. The evolved model will enable the development of an integrated Risk Map using Enterprise Risk Management (Coso II) methodology, which when running at full capacity provides senior executives with valuable information and contributes to the definition of the Group's strategy.

For this purpose the risk maps of each business area have been prepared. Given the uniqueness of the different business areas, each one is responsible for its risk management, and then the Group's consolidated risk map is drawn up using the information that is reported, integrating the specific risks of financial information into the Group's corporate map.

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 that are currently being adapted to the above-mentioned improvement processes.

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.
- From time to time, the management of each business area analyses, together with the General Internal Auditing and Risk Management, what risks have materialised in each of the Group areas, reporting it to the Audit and Control Committee.

Additionally, and once the model has been fully implemented, 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 ensure their critical levels fall within the accepted risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

Likewise, specific procedures shall be implemented to document risk management in business decision-making and the identification and reporting of internal control risks procedure will be specifically documented.

From time to time, the identified risks are monitored in each business area. 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.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Consultancy Management and Risk 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, including 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 prepared a Crime Prevention and Response Manual, which also defined the response protocols in the event of offences or crimes.

In addition, considering the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working since the Code was approved in September 2013 and throughout 2014 on the Criminal Code Reform Bill, strictly monitoring the evolution of the amendments contemplated in that Bill and their amendments on legal persons, with the purpose of adapting the FCC Group's Prevention and Response System and its control environment.

The following aspects have been analysed, among others:

- The changes it represents in respect of the responsibilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.

- The growing importance of Crime Prevention and Response Systems and how they are integrated within Corporate Compliance programmes.
- Requirements for overseeing the functioning of these programmes by an independent body in the organisation entrusted with the function of supervising the control environment.
- The new types of offence leading to liability of legal persons.
- The extraterritorial nature of some types of offence.

In addition, FCC Group's international nature has made it necessary to analyse the requirements regarding corruption, bribery and money laundering of international bodies and of some to the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and updating of the Crime Prevention and Response Manual was studied, with a triple goal:

- The incorporation of the new developments in the Criminal Code Reform Bill.
- Adapting it to the new organisation model and redefining functions.
- Incorporating the changes arising from the implementation in the near term of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, guaranteeing that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is provided in that manual, guaranteeing the confidentiality and traceability of information, as well as the documentation of all the actions carried out, in turn guaranteeing the various legal requirements under data protection (LOPD).

In summary, the main characteristics that will define the Integrated Risk Management Model in FCC Group, once it is fully implemented, will be the following:

- 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.

Given the singularity and importance for FCC Group to adequately control these types of risks, during the year 2015 reporting risks will be incorporated as an independent category in the risk maps, separately from operating risks, improving the documentation and traceability of the controls mitigating the risks associated to the reliability of the financial information generated in the different business areas, which is consolidated at the FCC Group parent. These include the risks related to the generation of information and those related to the management thereof throughout the organisation.

- **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 in relation to 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 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 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 (since 2010 the Criminal Code is incorporated to the extent that the criminal liability of legal persons is included, and before that risks regarding quality, the environment, information security, occupational risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.
- **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 markets, exchange rates and interest rates.

Applying FCC Group's Risk Management method, a Risk Materialisation Report (RMR) is drawn up for each Business Area. This report identifies the different types of risks that have materialised that the business area must face, the measures planned to mitigate the materialisation of the identified risks and the possible effect that such materialisation could have on the Group's financial statements, as well as the reporting and internal control systems used to control and manage those risks.

Every four months, these reports gather the information on the materialisation of risks, the consequences and the cost that they may represent for the Organisation if Management is unable to mitigate its impact. Among other aspects, it will include the following:

- Identification and description of the risk that has materialised.
- Reason and cause of the materialisation of risks.
- Economic impact that has materialised, been incurred or accrued, the effect of which has already been recorded on the organisation's financial statements and regarding which Management cannot do too much.
- Economic impact that has materialised and is yet to be incurred or accrued, the effect of which on the Group's financial statements may be mitigated by the business area Management or by establishing specific action plans. Said impacts are identified as deviations from the strategic plan in the planning tools of each one of the business areas.
- Control activities.

- Identification of failed controls.
- Risk materialisation indicators.
- Risk holders or people responsible for risks.

The Risk Materialisation Reports are received by the General Internal Auditing and Risk Management so that they may be analysed, and it issues the necessary guidelines in relation to the COSO II ERM method, so that Management may carry out the relevant actions.

At present, the Group's General Internal Auditing and Risk Management is guiding the business units to improve the process for the adequate identification of existing control activities under COSO, as well as to improve the most effective risk materialisation indicators.

- **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 and 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 Rules of the Board of Directors.

In the year 2014 the results of the overseeing of the Risk Materialisation Reports by the General Internal Auditing and Risk Management were reported to the Auditing and Control Committee.

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 is currently engaged in a process to improve the integrated risk management model, which allows it to appropriately face the financial 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 categories of objectives 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 executives review 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.

However, documentation for the whole Group on the activity flows and controls, and the different business areas are responsible for defining in the procedures the controls they have considered necessary to cover the risks existing in each one 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 and Risk 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 corporate 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 Rules 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 separate 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.
- Each 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.
- The approval of the Annual Report on Director Remunerations stated in article 61 ter of the Securities Market 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".

During 2014, with the purpose of ensuring compliance with the best practices existing in this field based on COSO, FCC Group's General Internal Auditing and Risk Management has supervised the work done by the different business areas in the adequate identification stage of the existing control activities.

When the improvements of the Integrated Risk Management Model are concluded, it will be possible to ensure the suitable development and allocation of all of the control activities to each of the critical risks affecting the business, with the goal of detecting internal control shortfalls in which specific action plans must be established for risks exceeding the Accepted Residual Risk. These action plans will include the measures

needed to reinforce existing controls and even incorporate new controls thereto.

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.

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 incidents.
- Job management
- Operations contingency plan.
- Infrastructure back-up policies.
- 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, Water and FCC Industrial 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, taking stock 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 the bodies 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 Personal Data Protection, every two years.
- Analysis of IT systems vulnerabilities.
- IT systems intrusion tests.

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

market practices regarding IT. This contract was amended in 2014 and a new supplier provides the service.

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, the performance of certain property appraisals from time to time, and technological infrastructure management.

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 Consultancy Management and the General Internal Auditing and Risk 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.

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

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 and Risk 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 and Risk 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 by 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, wherever 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, have experienced and are involved in the matter, and they are ultimately approved by the General Administration Manager. Throughout 2014 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 separate 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 most of the information corresponding to the accounting for the separate 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; the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A., on the other hand, which is to be furnished to the Administration Area by the Administration and Finance Departments of the business areas. These 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. As part of the improvement process of the Integrated Risk Management Model, there are plans to develop a system providing traceability of goals, risks, controls, action plans and compliance officers in relation to financial information reporting risks. This system will contribute a report by the owners of the controls regarding the efficient functioning of those controls and it will also provide a report of the risk owner in relation to maintaining the risk within the threshold accepted beforehand by the Board of Directors.

F.5. Supervision of the system's functioning.

Disclose, identifying the main characteristics, whether you have:

F.5.1. ICFRS 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 ICFRS. 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 section, state that "The purpose of the General Internal Auditing and Risk 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 and Risk Management, by delegation of the Audit and Control Committee, has as its objective, as stated in the Group's Internal

Auditing Basic Standards, under sections 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, section 9 of these standards establishes the functions and powers of the General Internal Auditing and Risk Management:

- "The General Internal Auditing and Risk 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 Rules of the Board of Directors in force."
- "The functions of the General Internal Auditing and Risk 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:
 - Examining 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 (separate 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 correctly. Suggesting internal control measures to enable compliance with standards for 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 Senior Management and recommending corrective measures.
- 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.
- Coordinating and managing the implementation process of the Integrated Risk Management Model in FCC Group, which will contribute to a significant improvement of the Group's internal control, aiming to comply with the strategy it defines from time to time. To reach this goal, work will focus on identifying goals, risks, control activities, indicators, defective control environments, and establishing specific action plans allowing the Group to ensure the accepted risk level. Because of this, the risk and control holders must be identified, allowing adequate assumption of responsibilities and the incorporation of specific procedures for Integrated Risk Management in the internal processes of each of the business units.

This model entails creating a scorecard, based on a reporting structure submitted by those responsible for each area to the General Internal Auditing and Risk Management, where they shall report both specific non-compliances and the relevant response plans.

At the same time, the General Internal Auditing and Risk Management will oversee the process, adequately informing the Board about the risk levels assumed by the Group from time to time.

- Any other functions entrusted by the Audit and Control Committee.

The General Internal Auditing and Risk 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 and Risk 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 and Risk Management perform their functions independently, without sharing their responsibilities with other management areas.

As commented in F.2.1 above, the Group is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. 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. One of the goals sought by the Model in relation to this topic is to define specific actions plans when there is an early identification of possible materialisations of reporting risks in relation to the preparation of financial reports.

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 and Risk 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 2014 Auditing Plan communicated to the Audit and Control Committee, the General Internal Auditing and Risk 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, Auditing according to ISO 27001 in the FCC CO and Aqualia areas, half-yearly reviews of SAP Integra (the FCC Group financial system) and reviews of the sick-leave 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.
- Risk Management in the business areas: review of the reports prepared on a four-monthly basis by each business area on the materialisation of risks. The results of the analyses are reported to the Auditing and Control Committee.
- 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 separate 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 and Risk Management, together with any incidents that were detected, have been communicated to the Audit and Control Committee during the year.

F.5.2. Discussion procedure whereby the auditor (in accordance with what is provided in the NTA), the Internal Auditing function and other experts may communicate to senior management 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 section seven, paragraph i), states that “The Audit and Control Committee will be informed, via the General Internal Auditing and Risk 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 and Risk 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 objectives 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, section 9 of the Group’s Internal Auditing Basic Standards establishes, among the functions and remits of Internal Auditing, 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 measures.” This same section explains the implementation process of the Integrated Risk Management Model and what it will represent in terms of improving FCC Group’s internal control.

At present, FCC Group’s General Internal Auditing and Risk 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 2014, 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 and Risk Management performs a number of processes for the review of the accounting information (both separate 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 2014, the external auditor attended three meetings of the Audit and Control Committee.

F.6. Other relevant information.

N/A

F.7. Report by the external auditor.

Report on:

F.7.1. If the ICFRS information disclosed to the markets has been reviewed by the external auditor, 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 Corporate 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 Bylaws 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 sections: A.10, B.1, B.2, C.1.23 and C.1.24.

Compliant	[X]	Explain
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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 sections: D.4 and D.7.

Compliant	Complies partially	Explain [X]	Not applicable
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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 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.”

3. Even when not expressly required under Commercial Law, 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 section: [B.6.](#)

Compliant [X]	Complies partially	Explain
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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 [X]	Explain
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5. Separate votes should be taken at the General Meeting of Shareholders on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of Directors, with separate voting on each candidate;
- b) Amendments to the Bylaws, with votes taken on all articles or groups of articles that are materially different.

Compliant [X]	Complies partially	Explain
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6. Companies should allow split votes, so that financial intermediaries representing different clients may issue their votes according to instructions.

Compliant [X]	Explain
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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 [X]	Complies partially	Explain
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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:

- a) The Company's general policies and strategies, and, in particular:
 - i) The strategic or business plan, management targets and annual budgets;
 - ii) The investment and financing policy;
 - iii) The definition of the corporate Group structure;
 - iv) The corporate governance policy;
 - v) The corporate social responsibility policy;
 - vi) The remuneration and evaluation of senior officers performance policy;

- vii) The risk control and management policy, and the regular monitoring of internal information and control systems.
- viii) 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.

b) The following decisions:

- i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their severance clauses.
- ii) Directors' remuneration and, in the case of executive directors, the additional remuneration for their management duties and other contract conditions.
- iii) The financial information that all listed companies must disclose from time to time.
- iv) All types of investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting.
- v) The creation or acquisition of holdings 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.

c) 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::

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are arranged at market rates, generally set by the person supplying the goods or services;
3. 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 Steering Committee in urgent cases and later ratified by the full Board.

See sections: D.1 and D.6.

Compliant [X] Complies partially 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 sections: C.1.2.

Compliant [X] Explain

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 [X] Complies partially Explain

11. Among external Directors, the ratio between nominee and independent members 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 [X] Explain

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

See sections: C.1.3.

Compliant Explain [X]

During 2014 three independent directors left the Board of Directors of FCC: Gonzalo Anes y Álvarez de Castrillón owing to death and Henri Proglío and César Ortega for personal reasons. Thus, as of 31 December 2014 the number of independent directors represented 21.4% of the total members.

13. The nature of each Director should be explained to the General Meeting of Shareholders, which will make effective 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 [X] Complies partially Explain

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 [X] 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.

Compliant [X] Complies partially Explain

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 sections: C.1.22.

Compliant Complies partially Explain Not applicable [X]

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 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 sections: C.1.34.

Compliant [X] Complies partially Explain

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, to which each Director may propose the addition of other items not considered initially.

See sections: C.1.29.

Compliant [X] Complies partially Explain

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.

Compliant [X] Complies partially Explain

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.

Compliant [X] Complies partially Explain Not applicable

21. The Board in full should evaluate the following items on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) Based on the 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 [X] 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 Bylaws or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary of the Board.

See sections: C.1.41.

Compliant [X] 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 it in special circumstances to external assistance at the Company's expense.

See sections: C.1.40.

Compliant [X] Explain

24. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant [X] Complies partially Explain

25. Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as a consequence:

- a) Directors should inform the Appointments Committee of any other professional obligations, in case they might interfere with the necessary dedication;
- b) The Company must establish rules on the number of Directorships its Board members can hold.

See sections: C.1.12, C.1.13 and C.1.17.

Compliant [X] 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:

- a) When proposed by the Appointments Committee, in the case of independent Directors.
- b) Subject to a report from the Appointments Committee, in the case of all other Directors.

See sections: C.1.3.

Compliant [X] Complies partially Explain

27. Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) 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;
- d) The date of their first and subsequent appointments as a Company Director, and;
- e) Shares held in the Company and any options thereon.

Compliant [X] 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 [X] Complies partially 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 transaction leads to 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 [X] 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 [X] 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, and if he or she decides to resign, the reasons must be explained in a letter as regards the following 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 [X] Complies partially Explain Not applicable

32. Directors who resign from office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all

the members of the Board. Irrespective of whether such resignation is filed as a relevant event, the reason for the same must be explained in the Annual Corporate Governance Report.

See sections: C.1.9.

Compliant [X] 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 [X] 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 [X] 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 [X] Explain Not applicable

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 [X] Explain Not applicable

37. When there is a Delegated or Steering 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.2.6.

Compliant	Complies partially	[X]	Explain	Not applicable
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The Steering Committee is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors.

The Secretary of the Board is the secretary of the Steering 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	[X]	Explain	Not applicable
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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:

- The Board of Directors shall 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.
- 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.

- Committee Chairmen must be independent directors.
- These Committees may engage external advisors when they feel this is necessary to carry out their duties.
- 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	[X]	Explain
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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 [X] 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 [X] Explain

42. Listed companies should have an internal auditing function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See sections: C.2.3.

Compliant [X] Explain

43. The head of internal auditing 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 [X] Complies partially Explain

44. The Control and risk management policy should specify at least

- a) 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;
- b) The determination of the risk level the Company considers as acceptable;
- c) Measures in place to mitigate the impact of identified risks should they occur;
- d) 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 sections: E.

Compliant [X] Complies partially Explain

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) 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.
- b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal auditing; 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.
- c) 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:

- a) 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.
- b) Ensure the independence of the external auditor, to which end:
 - i) 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, should there be any, and the reasons for same.
 - ii) 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 [X]	Complies partially	Explain
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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 [X]	Explain
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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 similar 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 [X]	Complies partially	Explain
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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 sections: C.1.38.

Compliant [X]	Complies partially	Explain
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49. The majority of Appointments Committee members, or Appointments and Remuneration Committee members, as the case may be, should be Independent Directors.

See sections: C.2.1.

Compliant	Explain [X]	Not applicable
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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 37.5% 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 sections: C.2.4.

Compliant [X]	Complies partially	Explain	Not applicable
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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 [X]	Complies partially	Explain	Not applicable
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52. 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 [X]	Complies partially	Explain	No aplicable
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53. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and Senior Officers.

Compliant [X]	Explain	Not applicable
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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 have not been assessed in this report but which are 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 governance, 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. The Group has provided employees with a Whistleblowing Channel in respect of that Code.

FCC adhered to the United Nations Global Pact on 7 May 2007.

This Annual Corporate Governance report was approved by the Board of Directors of the Company at its meeting held on 27 February 2014.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

Yes	No [X]	
Name or company name of the Director who has not voted in favour of this report	Reasons (against, abstention, not attended)	Explain the reasons
-	-	-

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INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (SCIIF)" DE FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. CORRESPONDIENTE AL EJERCICIO 2014

A los Administradores de
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

De acuerdo con la solicitud del Consejo de Administración de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 1 de octubre de 2014, hemos aplicado determinados procedimientos sobre la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto de FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. correspondiente al ejercicio 2014, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2014 que se describe en la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28002, Madrid.

Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013.
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la entidad.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprende, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte al Comité de Auditoría y Control.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del Consejo de Administración, Comité de Auditoría y Control y otras comisiones de la entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por la Ley 24/1988, de 28 de julio del Mercado de Valores, modificada por la Ley 2/2011, de 4 de marzo de Economía Sostenible y por la Circular nº 5/2013 de la CNMV de fecha 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.

Javier Parada Pardo
27 de febrero de 2015

CORPORATE SOCIAL RESPONSIBILITY REPORT

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- Ready for growth
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- Maximum transparency in economic activity

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I. FCC GROUP PROFILE

FCC Group is one of the leading European Citizen Services companies, present in the sectors of environmental services, water and infrastructure. FCC focuses its activity on the design and delivery of smart services to citizens. To do so, it has developed an extensive range of services whose common denominator is the pursuit of eco-efficiency.

Each day around 60,000 employees around the world interact with citizens looking for greater daily sustainability.

1. MAIN FIGURES

FCC MAIN FINANCIAL FIGURES 2014				
	2014	2013 ¹	Var. (%)	2012
Turnover (million EUR)	6,334.1	6,750.0	-6.2%	7,429.3
EBITDA (million EUR)	804.0	717.3	12.1%	820.3
Margin (%)	12.7%	10.6%	2.1 p.p	11.0%
EBIT (million EUR)	(345.6)	(307.7)	12.3%	147.4
Margin (%)	-5.5%	-4.6%	-0.3 p.p	-4.5%
Business order book (million EUR)	32,996.5	33,359.5	-1.1%	32,865.1
Net debt (million EUR)	5,016.0	5,964.5	(948.5)	5,975.5

(1) Data restated to reflect the impact of the application of IFRS 11 "Joint Arrangements".

REVENUE AND EBITDA BY BUSINESS				
	Revenue in 2014 (million EUR)	Var./2013 (%)	EBITDA 2014 (million EUR)	Var./2013 (%)
Environmental services	2,805.0	+1.2%	418.3	-1.5%
Water	954.0	+0.9%	208.4	+7.6%
Construction	2,076.1	-20.1%	98.2	+4.1%
Cement	542.9	+0.4%	50.4	+107.9%
Corporation and adjustments	(43.9)	-57.9%	(25.7)	+43.8%
Total	6,334.1	-6.2%	804.0	+12.1%

% INCOME BY GEOGRAPHICAL AREA



- Spain 55.9%
- UK 14.7%
- Latin America 10.6%
- Central & Eastern Europe 8.2%
- Middle E. & N. Africa 5.4%
- US & Canada 3.2%
- Others 2.0%

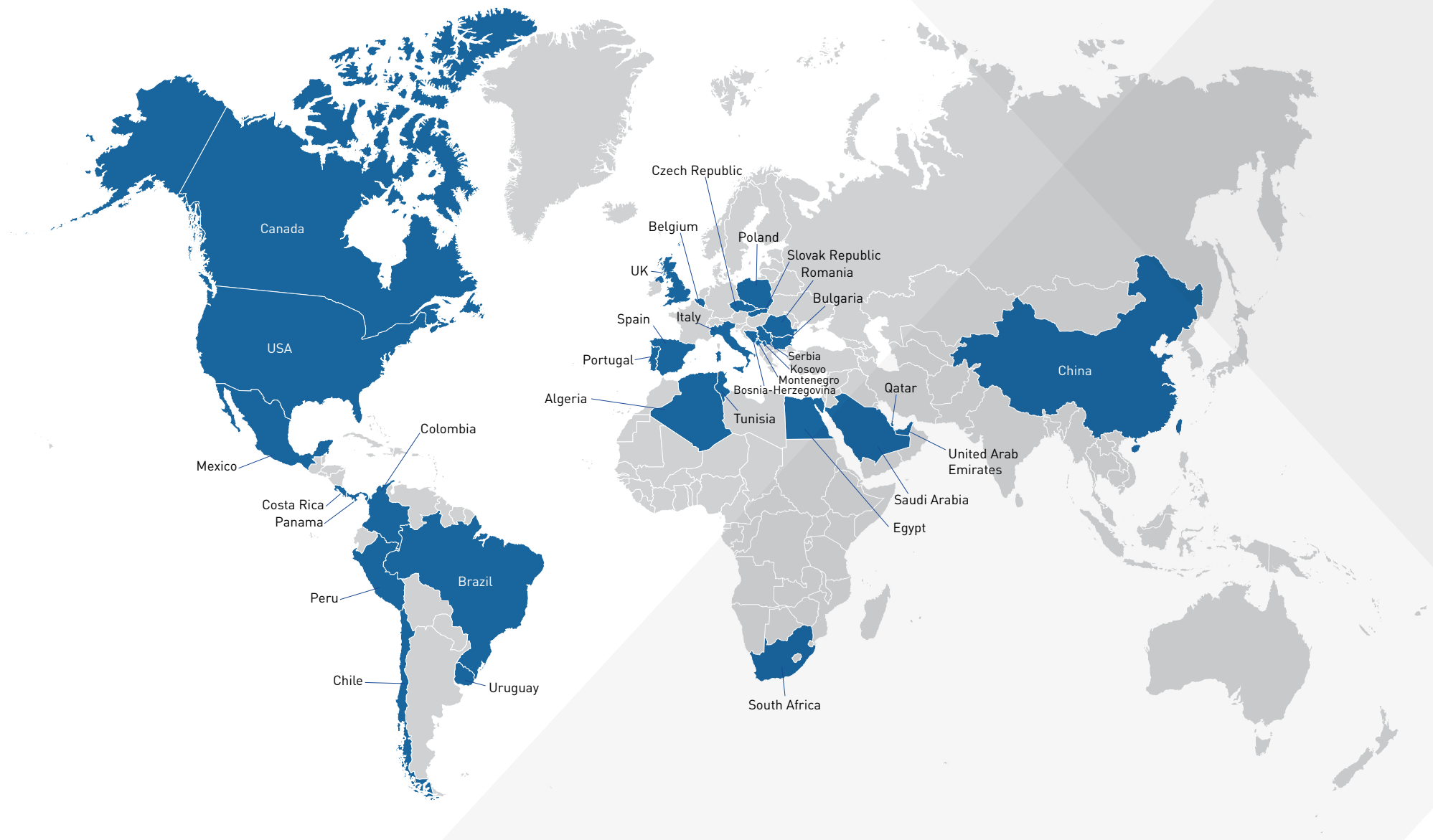
% EBITDA BY BUSINESS AREA*



- Environmental Services 50.4%
- Water 25.1%
- Construction 11.9%
- Cement 12.6%

*Adjusted by Corporate Services.

2. FCC GROUP'S FOOTPRINT



3. READY FOR GROWTH

3.1. 2014 results and outlook for 2015

In 2014 FCC Group successfully completed the restructuring phase undertaken over recent years. The strategy of FCC Group is now to focus on strengthening its position as a global leader in Environmental Services and Water, maintaining a selective presence in the most profitable projects in the construction area.

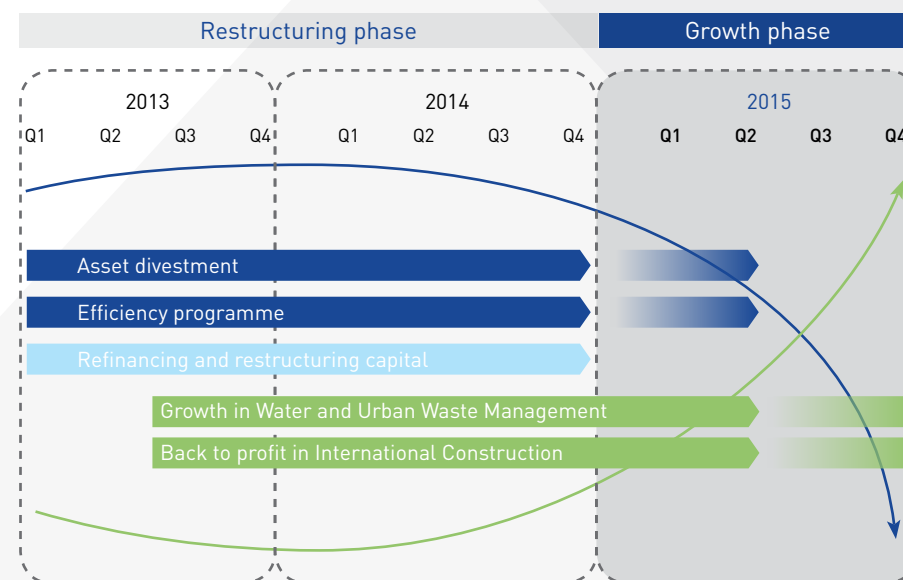
FCC Group addresses 2015 with prospects of standardisation and growth after successfully carrying out the debt restructuring and a reorganisation process of 3,576 million euros. During 2014, FCC Group has renegotiated its entire financial debt, by extending the maturity to 2018, in addition to reducing its losses by more than half compared with 2013. On the other hand, it has managed to reduce the debt by almost 1,000 million euros and achieved an EBITDA of 804 million.

In 2015 FCC Group aims to reduce its debt by 1,500 million euros, achieving an operating profit exceeding 750 million euros with a debt ratio on gross operating profit (EBITDA) four times lower than the current one. Cash generation remains a clear objective, together with the divestment of some non-strategic assets.

3.2. Next steps

- Maintain a leadership position in environmental “Utilities” in mature markets in which FCC Group operates.
- Growth in waste management supported by regulatory demands (recycling and treatment) in mature and growing markets. Seize opportunities in waste recovery (EfW) in pre-selected markets across all geographic regions.
- Expansion in the water sector through new opportunities in the management of the integrated cycle with related maintenance services and “turnkey” projects. Main focus on Latin America, Middle East and North Africa.

- Selective presence in specialized projects in the area of construction by prioritising returns and cash generation over size.
- Continue to reduce financial leverage and improve operational efficiency, as well as review the divestment programme in order to maximize its value and cash generation.



4. THE KEYS FOR RETURNING TO THE PATH OF GROWTH

4.1. Strengthening equity and financial and operational stability

The Extraordinary General Meeting held on November 20, 2014, approved a capital increase with preferential subscription rights amounting to 1,000 million euros, which was launched by the Board of Directors on 27 of the same month, equivalent to 133,269,083 new shares at a subscription price of 7.5 euros per share. On December 19, 2014 it was completed with the full subscription of the new shares with a demand exceeding 9.2 times the share offer.

This capital increase represents the completion of the Group's financial and operational stability process and the beginning of a new phase of concentration on the profitability of operations and return to growth. The funds raised will enable FCC to strengthen its equity, reduce debt and improve the bottom line through a substantial reduction of the financial burden.

Of the 1,000 million euros from the capital increase, 765 million euros was earmarked to repay and amortize 900 million euros of tranche B of the corporate banking debt, with a reduction of 15%, and another 200 million euros were used to reduce the debt of the subsidiaries Cementos Portland Valderrivas and FCC Environment UK, and the remaining 35 million euros will be used to cover the cost of the whole transaction.

Thus, the Group has managed to considerably reduce its debt during the year, significantly increasing its maturities and strengthening its capital structure.

4.1.1. Debt reduction and refinancing

The net financial debt was reduced in 2014 by 15.9 %, after the capital increase carried out in December last year, standing at 5,016 million euros at the end of 2014. In addition, the Group has achieved the refinancing of all the financial debt with the creditor banks and it has taken a large step in improving the financial structure of the Company, reducing financial costs and incorporating relevant and prestigious national and international investors into its shareholders, which will allow the opening of new contracts for the Group.

Prior to summer FCC closed a refinancing initiative through a syndicated loan of 4,512 million euros. National and international banking entities participated in the syndicate. Among the large national banks, are Banco Santander, BBVA, Bankia and La Caixa.

4.2. Confidence of international investors in the business project represented by FCC

In November 2014 negotiations between the controlling shareholder (B-1998) and Control Empresarial de Capitales S.A. de C.V. (CEC), controlled by the Slim family, were successfully concluded. Subsequently, during the period of preferential subscription of the capital increase carried out by FCC Group, CEC subscribed a total of 66,794,810 newly issued FCC shares, which represent 25.6% of the share capital of FCC after the capital increase. After the transaction and the recent capital reduction in B-1998 the relevant shareholder structure of FCC is now 25.6% CEC, 22.4% B-1998 and 5.7% in the hands of BGI (funds linked to Bill Gates).

4.3. Presence in strategic projects in all geographic regions

4.3.1. Construction project for the Riyadh Metro (Saudi Arabia)

During the month of April 2014 FCC began works on the Riyadh metro, to date the world's largest global metro project, with a total length of 176 kilometres and a total budget of 16,300 million euros, of which around 6,000 million euros correspond to works on lines 4, 5 and 6, which were awarded to the FAST consortium led by FCC.

In particular, the construction of these three lines will consist of 25 stations, for which a total of 65 kilometres of metro track, 24 viaducts, 28 underground lines and 13 over-ground routes will be needed. 69 automatic driverless trains will also be manufactured to serve the three lines.



Since the project was awarded in July 2013 around 250 people have already been incorporated into the consortium team in Riyadh. In addition, another 300 people have been distributed between Madrid, Paris, London, New Delhi and Dubai to support the project. In total FAST will employ more than 15,000 people, of over 15 different nationalities. The contract establishes a five-year period for the completion of the project.

4.3.2. Construction project for the Lima Metro (Peru)

In April 2014, FCC Group signed an agreement for the construction of the Metro in the Peruvian capital under a consortium led by ACS and FCC, which also comprises the Peruvian construction company Cosapi. The contract includes the design, construction, financing, operation and maintenance of line 2 and a branch line of line 4, which will run as far as the airport.

The awarded project consists of the construction of 35 underground metro stations connected by 35 kilometres of tunnels. More than 3,000 professionals will participate in the works.

The scheduled period for the construction phase is five years, after which it will start operating, planned for 30 years.

4.3.3. Management of the sanitation system of the city of Al Dhakira (Qatar)

The subsidiary FCC Aqualia will manage the sanitation system of the city of Al Dhakira over the next 10 years, amounting to 300 million euros.

Through its subsidiary Aqualia MACE, in consortium with Hyundai Group, the Company will be responsible for the design, construction, operation and maintenance of wastewater treatment facilities, wastewater pumping stations, a transfer pumping station and collectors associated with the city of Al Dhakira.

The new treatment plant will handle an average flow of 56,200 cubic metres and will serve a population of over 200,000. The network will have more than 35 kilometres of pipes, a peak flow of 168,000 cubic metres, and a wastewater holding tank of 84,000 cubic metres.

4.3.4. Waste management in Edinburgh and Midlothian (United Kingdom)

Through its subsidiary in the UK and FCC Medio Ambiente, the Company will manage up to 135,000 tonnes of waste per year, as part of a 25-year contract.

The contract includes the construction, financing, operation and maintenance of a waste plant, which is the sixth such facility owned by the Company in the UK. The approximate cost of the project amounts to 600 million euros.

This contract is expected to help local authorities in Scotland to reach a recycling rate of 70% and reduce the amount of waste sent to landfills to less than 5% before 2025.

THE TEN LARGEST CONTRACTS BEING EXECUTED BY FCC GROUP

Project	Country	Value of the project <i>Million euros</i>
Riyadh Metro	Saudi Arabia	6,070
Lima Metro	Peru	3,800
Line 1 of the Panama Metro	Panama	1,112
Relizane - Tissemsilt railway line	Algeria	934
Three Transylvanian railway line projects	Romania	830
Mersey Bridge	United Kingdom	700
Waste Management in Edinburgh and Midlothian	United Kingdom	600
Gerald Desmond Bridge	USA	540
Doha Metro	Qatar	500
Panama Hospital Complex	Panama	440

PFI AWARD "EUROPEAN INFRASTRUCTURE 2014" FOR THE MERSEY BRIDGE

FCC Group received the award from the Project Finance International publication in London, which recognises the best international financial projects. The award is in recognition of the overall work carried out by the Company.

The Mersey Bridge in Liverpool (UK) represents a total investment of 700 million euros. It is estimated that the project will bring huge economic, transport and social benefits to the area. Among the most noteworthy is the creation of 4,640 direct and indirect jobs.

Through a consortium, in June 2013, FCC was awarded both the concession and the construction. FCC's proposal involves the construction of a new crossing over the river of a total length of around two kilometres, located east of the Silver Jubilee Bridge. The bridge will provide service to approximately 80,000 vehicles per day. Furthermore, significant urban re-development will be carried out, including dual carriage ways for accessing the bridge, with seven kilometres of roads. Of these, about one kilometre corresponds to newly built viaducts.



5. MAXIMUM TRANSPARENCY IN ECONOMIC ACTIVITY

5.1. Market capitalization

FCC Group ended the year with a significant increase in its capitalization, amounting to 3,062 million euros, because of the strengthening of its capital generated by the capital increase at the end of 2014.

5.2. Trading and shareholding

The volume traded this year exceeded 338 million shares, with a daily average of 1,331,501 shares, 66.8% more than the daily average of 2013. Over the whole year, a volume of 130% of the total share capital has switched hands.

No impact is estimated on performance obtained for the shareholder of the liquidity contract in treasury stock, since their nature and purpose is contrary to the existence of same, nor equally in earnings per share of FCC Group.

The share capital of FCC Group is composed of 260,572,379 ordinary shares with a nominal value of 1 Euro each. All shares in FCC have full political and economic rights. The shares belong to the same class and series, there are no preferential shares, and they are free of encumbrances and charges.

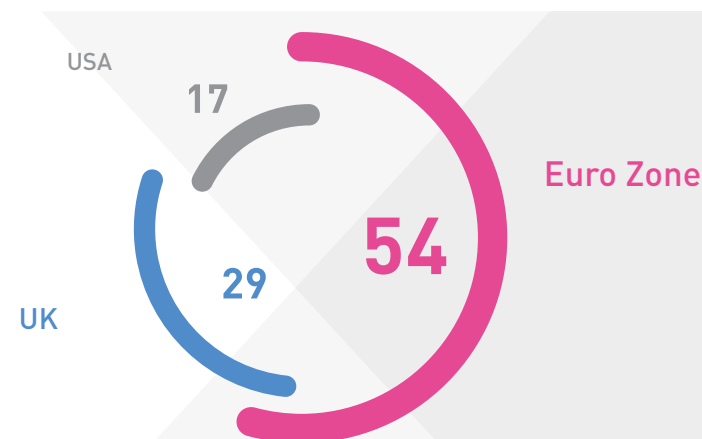
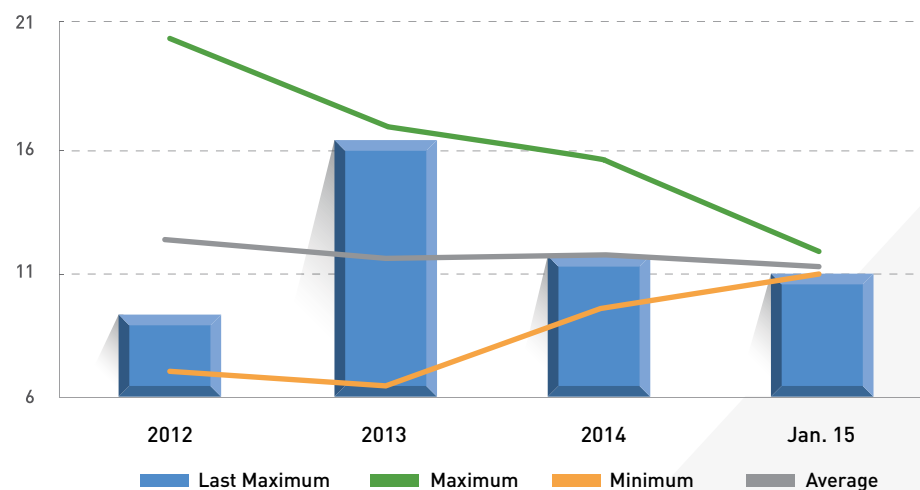
The shares of the Company are listed on the four Spanish stock exchanges (Madrid, Barcelona, Valencia and Bilbao).

SHAREHOLDER STRUCTURE AFTER CAPITAL INCREASE

Slim Group	66,788,648	25.63%
B-1998	55,224,260	21.23%
Azate, S.A.U. [1]	8,353,815	3.21%
William H. Gates III	14,852,625	5.73%

[1] 100% subsidiary of B-1998 S.A.

Historical information on the share price of FCC Group, shows a rise in price in late 2013.



Source: prepared by FCC.

The free float capital of FCC Group is 44%. Its estimated distribution is as follows: 8.9% Spanish minority shareholders, 3.5% Spanish institutional investors, and the remaining 31.6% overseas institutional investors. The composition of the free float capital, according to the origin of the shareholders, is 17% from the United States, 29% from United Kingdom and 54% from the Euro zone.

The FCC Board of Directors decided on December 2012, according to prudent management principles and in the best interest of all shareholders of the Company, not to pay dividends. This agreement remained unchanged in the year 2014.

This decision, within the framework of the restructuring process which has been on-going for two years, and which aims to increase operational efficiency and strengthen of the balance sheet, will have to be ratified by the General Meeting of Shareholders which is to be held in the first half 2015.

THE CAPITAL STRUCTURE OF FCC GROUP

	2011	2012	2013	2014*
Total Volume (millions of shares)	150.88	113.90	203.56	338.46
Total Cash (M€)	2,997	1,395	2,378	5,197
Capital turnover (%)	119	89	160	130
Capitalization (M€)	2,551	1,193	2,059	3,062
Share capital (millions of shares)	127.30	127.30	127.30	260.57

(*) Data adjusted for the capital increase carried out in 2014 amounting to 133.26 million shares.

II. MAIN LINES OF BUSINESS

1. ENVIRONMENTAL SERVICES

Providing eco-efficient services to communities, backed by solid experience

Necessary services with a rising demand

Cities have become centres of consumption, representing 67% of world demand for primary energy and their transition to low carbon economies having enormous cost implications.

The International Energy Agency estimates that to limit the emission of greenhouse gases (GHGs) investment in renewable energy and energy efficiency will run into billions over time.

1.1. Environmental services' solutions for society

The Environmental Services division maintains a strong commitment to the society it serves, minimising its environmental impact and applying the latest collection and treatment technologies. The FCC Environmental Services division provides various services through its different subsidiaries: FCC Medio Ambiente, FCC Environment (UK), .A.S.A. and FCC Ámbito. Among the activities offered are the following:

- Waste collection.
- Street cleaning.
- Urban waste treatment.
- Conservation of green areas.
- Sewer maintenance.
- Integrated management of industrial waste.

The strategy focuses on maintaining market share in Spain and growth in international markets. The Company is seeking expansion in mature markets and growth in the waste management sector, supported by the new regulatory requirements that are derived from the European Union Directive on waste recycling and treatment, as well as the imminent State Waste Framework Directive, which increases the objectives of the Autonomous Regions in the collection and preparation of waste for reuse. It also aims to take advantage of global opportunities in the recovery of waste in pre-selected markets.

1.2. Certificates held within the activity of Environmental Services.

ENVIRONMENTAL SERVICES CERTIFICATES

Company	Management areas	Certification	Scope*
FCC Medio Ambiente Spain	Quality	ISO 9001	85.54%
	The environment	ISO 14001	85.55%
	PRL	OHSAS 18001	100%
FCC Ámbito	Quality	ISO 9001	85.05%
	The environment	ISO 14001	85.05%
	PRL	OHSAS 18001	55%
.A.S.A.	Quality	ISO 9001	99%
	The environment	ISO 14001	91%
	PRL	OHSAS 18001	
FCC Environment (UK)	Quality	ISO 9001	40%
	The environment	Carbon Trust Standard	100%
	PRL	ISO 14001	89%
		OHSAS 18001	

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.



Milestones in 2014

- Initiation of the contract for the management of municipal solid waste in Barcelona.
- Start of the waste management contract in the English town of Wigan for 25 years.
- Award of the project for the management and treatment of waste in the city of Edinburgh and the Council of Midlothian, Scotland.
- Start of the project for the management of municipal solid waste -street cleaning and gardens- Ponferrada, Spain.
- Award of the project for the management of waste in the city of Houston, USA.

Challenges in 2015

- Continue with the climate change strategy and the reduction of GHG emissions.
- Optimize the recovery and recycling of waste.
- Improve energy efficiency.
- Protect the hybrid resources.
- Enhance biodiversity.
- Connect with local communities.
- Reduce CO₂ emissions produced by trucks and other FCC .A.S.A. machinery.
- Maximize the generation of energy from landfill gas by FCC .A.S.A.

Prizes and awards 2014

- Award for the electric truck for rubbish collection in the II Awards for Best Practice in Sustainable Mobility organised by Renault Spain, through its Renault Foundation for Sustainable Mobility, and the Club of Excellence in Sustainability.
- Award to FCC MA for the implementation of eco-management measures in Cartagena at the VII Sustainable Development Awards.
- Recognition from the Integra Foundation for commitment to its involvement with people at risk of social exclusion.
- "We Build Healthy Business" Award to the Catalonia II Regional Office.
- Award in the Atlante Prizes for the Catalonia II Regional Office.
- Recognition from the Equality Commission of the Spanish Red Cross for FCC's commitment to the implementation of measures for equal opportunities between men and women.
- 'Incorpora La Rioja' Prize, organised by la Caixa bank's social programme.

2. WATER MANAGEMENT

Efficient management for a resource that belongs to everyone

It is estimated that by 2030, if no progress is made in terms of efficiency, water requirements worldwide will require a 40% increase in the current supply capacity.

Waste management, for its part, is an underlying problem as a result of increasing urban growth and development. The use of digital technology, the use of waste as a source of energy or the increase in the efficiency of the elimination of waste will help to take on this challenge.

2.1. Comprehensive response throughout the water cycle

The corporate purpose of the FCC Aqualia division is to obtain water, make it suitable for human consumption according to strict quality controls, distribution and subsequent treatment, in order to return it to nature in terms of the right quantity

and quality, making efficient and sustainable use of resources and materials used in the process. FCC Aqualia's activities fall into two main types of services:

- Management of the integrated water cycle:
 - Public water services.
 - Control of water quality.
 - Municipal water-sports facilities.
 - Maintenance and operation of irrigation infrastructure.
 - Hydraulic infrastructure concessions.
- Design and construction of treatment, transport and storage systems of both urban and industrial water:
 - Wastewater treatment plants.
 - Purification plants.
 - Desalination plants.
 - Solutions for process water.
 - Hydraulic works.
 - Operation and maintenance services.

The strategy of FCC Aqualia seeks expansion through new opportunities for maintenance services and related turnkey projects. The Company is looking to expand internationally, with a clear focus on Latin America, North Africa and the Middle East.

Certifications held within the activity of integrated water management

INTEGRATED WATER MANAGEMENT CERTIFICATES		
Management areas	Certification	Scope*
Quality	ISO 9001	98%
The environment	ISO 14001	98.30%
PRL	OSHAS 18001	87%
R&D&i management	ISO 27001	Aqualia GIA and Aqualia Infraestructuras
Information security	ISO 27001	Aqualia Contact and the virtual office
Energy Management	ISO 50001	2.8 %
Management of testing laboratories	ISO 17025	Elite laboratories in Zone 5

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.



Milestones in 2014

- FCC Aqualia's entry into the US market.
- Consolidation of presence in North Africa, with projects such as the construction of the desalination plant in Djerba, Tunisia.
- Award of four projects in Latin America: two in Mexico and two in Chile.
- Initiation of the master plan and construction of the underwater drainage outlet in Punta Yeguas, Montevideo, Uruguay. This is the second phase of the IV Urban Sanitation Plan of the city.
- Award of the contract for the construction of the wastewater treatment plant in Pljevlja, Montenegro.
- Calculating of the carbon footprint of Aqualia Infraestructuras and entry into the register of the Climate Change Office at the Ministry of Agriculture, Food and Environment.
- Certification under ISO 9001 and ISO 14001 for contracts in Chile and Portugal.
- Development of the FP 7 Urban Water project with implementation of smart management in Almería and Czech Republic.
- Award of the project to build a Liquefied Natural Gas (LNG) storage tank in the port of Tahkoluoto, Pori, Finland.
- Award of the contract for the construction of an electrolytic zinc plant in Gazahouet, Algeria.
- Award of the conditioning contract for the central control station of the Medellín Metro in Valle de Aburrá, Colombia.
- Contract for the construction of the Marina Lugo gas pipeline, Lugo.

Challenges in 2015

- Full certification of the Company's energy consumption, together with AENOR, in several phases, certifying 15 contracts in 2015.
- Certification under ISO 9001 and ISO 14001 standards for all overseas contracts.
- Calculating of the carbon footprint of FCC Aqualia and entry in the register of the Spanish Climate Change Office.
- Participation in a R&D project supported by the European Union's Horizon 2020 program.

Prizes and awards 2014

- Third leading water management company in Europe according to the prestigious publication Global Water Intelligence.
- The Large Sustainable Enterprise Prize, for the Elan Project (autotrophic nitrogen removal), a new model of water purification with lower energy costs, developed in collaboration with the University of Santiago de Compostela as part of the Innovation + Sustainability + Network Award organized by Expansión, Bankinter and EON with the collaboration of IE Business School.
- Prize for the best scientific poster at the International Water Association (IWA) conference in Essen, Germany.
- Recognition for best scientific poster at the IWA congress in Lisbon, Portugal.
- iAgua award for the best reporting on IISIS.
- Award for the prevention of occupational risks in the second edition of the Health and Safety Awards.
- Company committed to Occupational Health and Safety Award granted by the Ministry of Education, Universities and Employment of Murcia.
- Second prize for Best Practice for Risk Control at the Asepeyo awards for Best Preventive Practices.
- Realito Aqueduct (Mexico): Global Water Intelligence publication prize for innovative financing structure of the macro project and the best project in Latin America for its innovative financing model given by the financial publication Euromoney.

3. INFRASTRUCTURE

Solutions focused on social progress and sustainable development

Cities are the centre of the challenges created by sustainability, as they are where innovative solutions with significant and rapid impacts should be developed.

Aspects such as the ecological footprint when it comes to decision-making, smart buildings and refurbishment, risk management with respect to climate change, or urban accessibility, are becoming increasingly important issues.

3.1. Working towards stakeholders' satisfaction

FCC Construcción division develops its business model in a profitable and sustainable way, investing in local development and helping to improve citizens' quality of life.

FCC Construcción activities cover all areas of engineering and construction.

Meanwhile, Cementos Portland Valderrivas Group is an industrial group with a strong mining component present throughout the entire cement business cycle, of which Cementos Portland Valderrivas, S.A. is the Group's controlling company. The Group is present in Spain, the United States, and Tunisia.

The strategy for infrastructure is to prioritize projects in which the Construction Division has competitive advantages such as its expertise in underground works, motorways, high-speed train lines, ports and airports. It is focusing on international business, and is expected to intensify activity in Latin America and gain greater prominence on the international scene. All this without forgetting the cement market in which the Group intends to maintain its presence.

Certificates held within the activity of Infrastructure

INFRASTRUCTURE CERTIFICATION		
Management areas	Certification	Scope* [% of certified activity]
Construction		
Quality	ISO 9001	97.4 (100% in Spain)
The environment	ISO 14001	77.4 (99% in Spain)
R&D&i management	UNE 166002	36.1
Information security	ISO 27001	36.1
GHG emissions	ISO 14064	36.1
Occupational health and safety	OHSAS 18001	81.5
Cements		
Quality	ISO 9001	79
The environment	ISO 14001	43 (100% in Spain)
Occupational health and safety	OHSAS 18001	73.9

* Scope: % of turnover, except PRL whose scope corresponds to the percentage of coverage of workers.

Commitment to Information Security of our customers

The construction division of FCC has developed and implemented an information security system for works with special security requirements, certified by AENOR according to standard UNE-ISO/IEC 27001, and is one of the first Spanish construction companies to achieve this for its Information Security Management System.

The Company uses indicators to measure the adequacy of countermeasures established from the security standpoint in order to keep the possible threats to our information assets under control and protect our customers.



Milestones in 2014

- Contract for the construction of the Mersey bridge in Liverpool, United Kingdom
- Signing of the contract for the construction of the Lima Metro, Peru.
- Contract for the construction of the Doha metro.
- Contract for the construction of the Chucas (Costa Rica) hydroelectric plant/dam.
- Awarded the construction of irrigation and drainage infrastructure in Beja, Portugal.
- Awarded the refurbishment of the Water Museum in Lisbon, Portugal contract.
- Awarded the contract for the urban development of the docks at the Marina in the La Coruña port.
- Grouping of the industrial activities of the Company into one single group: FCC Industrial.
- Increase of the civil works and industrial projects in FCC Construcción's order book.
- Development of management processes of the contract within the management and sustainability system.

Challenges in 2015

- Extend environmental certifications in all operations that are already certified.
- Systematization of the due diligence process.

- Completion of a basic guide which focuses on how to act during works regarding interaction with local communities, which include a special section on relationships with indigenous communities.
- Adapting the systems to the new standards ISO 9001, ISO 14001 and ISO 27001: 2015
- Enlarge the calculation of GHG emissions internationally.
- Maintain OHSAS 14001 certification in cement factories in Spain.
- Further reduce incidence frequency indices (FI) in Spain, Tunisia and the United States.
- Continue to use alternative raw materials as replacements in the manufacture of clinker in cement and use alternative fuel from biomass as replacements.
- Promote innovation through participation in the technological society for marketing new products and technology in international markets where Cementos Portland Valderrivas Group is not present.

Prizes and awards 2014

- Green Apple Award, in the category of improving the environment and architectural heritage at Enniskillen Hospital.
- "Segovia Aqueduct" Prize from the Civil Engineering Association, for the best work, on the A-4 southern dual carriage way, on the section between Venta de Cárdenas and Santa Elena, better known as the Variante Despeñaperros.
- Nomination of FCC Construcción as "Environmental Ambassador" for 2014, in recognition of the environmental project developed for the construction of the Hospital of Enniskillen.
- Special Prize for Excellence in Infrastructure for the New Europe Bridge (Vidin Bridge) in the European Rail Awards 2014.
- Merit Award for Best Global Project awarded by The Engineering News Record (ENR) for the construction of the New Europe Bridge (Vidin Bridge) between Bulgaria and Romania.
- Prize from the Madrid region for the best international work (Civil Engineering Association, Madrid region), the New Europe Bridge over the Danube.
- IJ Global Europe & Africa Awards 2014 from the Project Finance International (PFI) publication for "European Infrastructure 2014" for the Mersey Bridge.
- Prize awarded to FCC Centroamérica by the National Environmental Authority of Panama (ANAM in Spanish) at the 12th edition of the contest for the Environmental Awards in the area of Cleaner Production.
- Award from the Spanish Network of the United Nations Global Compact to

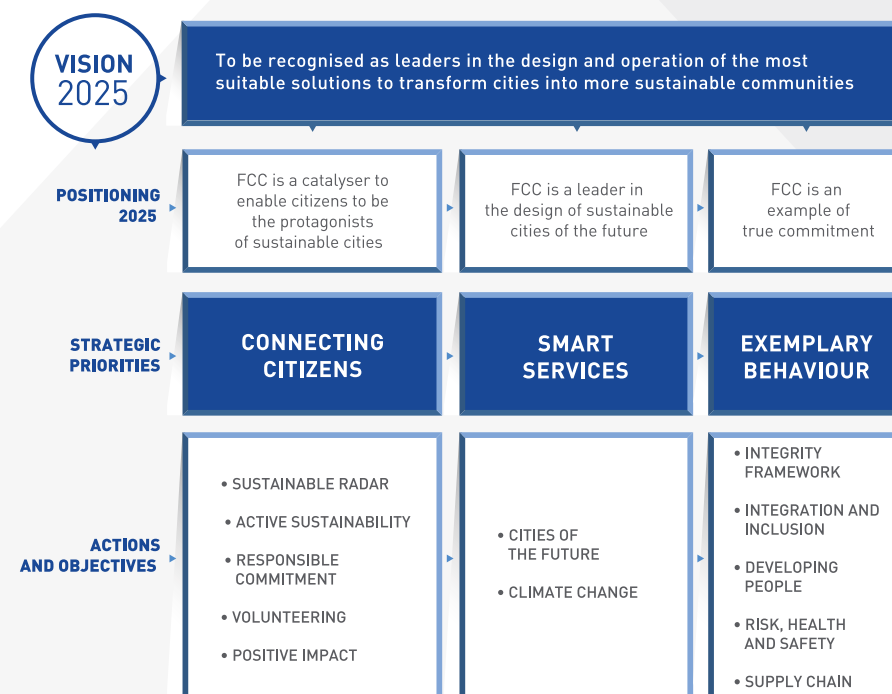
FCC Construcción, for promoting its mission as a partner for the last ten years.

- Health and Safety Award for different clients for the best accident rate statistics in the Construction sector.

III. STRUCTURE OF THE REPORT AND CLASSIFICATION OF PRIORITY ISSUES

The structure of the FCC Group 2014 Corporate Responsibility Report Group follows the Corporate Responsibility Master Plan 2012-2014 which ended in 2014. The information corresponding to the different areas of activity of the Group is organized under the following headings: Exemplary Behaviour, Smart Services and Connecting Citizens.

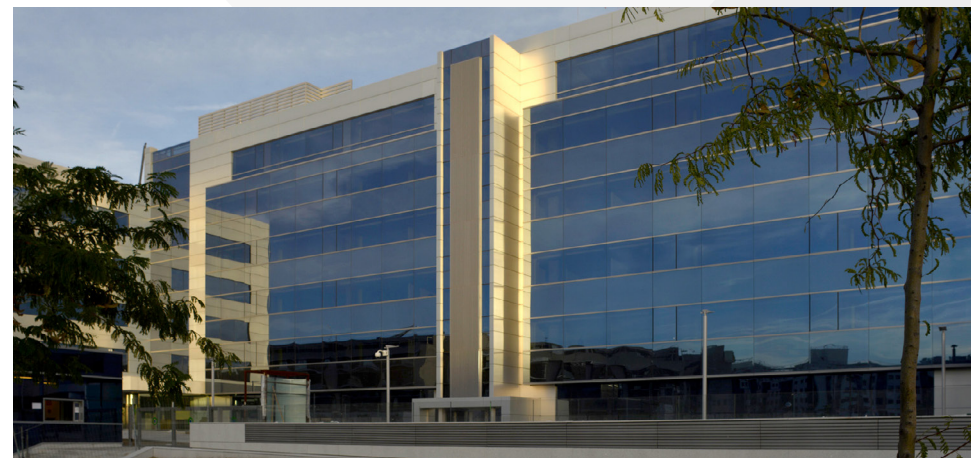
Corporate Social Responsibility Master Plan 2012-2014



On another level, the materiality process starts with the results of the study during the period 2013-2014. This study was developed based on the impacts of the various group activities and geographical areas of operation, resulting in a materiality matrix for each business area and a list of material issues for corporate business. The final matrices are shown in the following table.

The materiality study conducted for this report included a validation phase through external interviews that have been performed with five external prescribers in the field of investment and extra-financial analysis of companies. It also includes an internal validation, developed through interviews with representatives of different areas of the Company.

	Environmental services	Water	Infrastructure
Exemplary behaviour	1. Training and education 2. Diversity and equality of opportunities 3. Occupational health and safety 4. Employment	1. Training and education 2. Health and safety of customers 3. Fight against corruption 4. Diversity and equal opportunities	1. Fight against corruption 2. Training and education 3. Occupational health and safety 4. Employment
Smart services	1. Emissions 2. Wastes 3. Energy 4. Compliance 5. Water	1. Water 2. Wastes 3. Emissions 4. Energy 5. Biodiversity	1. Emissions 2. Biodiversity 3. Wastes 4. Energy 5. Water
Connecting citizens	1. Local communities 2. Mechanisms to make claims related to social impacts	1. Local communities 2. Marketing communication	1. Local communities 2. Indirect economic consequences



IV. EXEMPLARY BEHAVIOUR

Integrity and business ethics as hallmarks of our business model

FCC Group's framework of integrity is supported by benchmark ethical principles, such as the International Corporate Governance Network (ICGN), the new Code of Good Governance for Listed Companies, approved in February 2015 by the CNMV (Spanish Securities and Exchange Commission), or the requirements of institutional investors or related sustainable investment such as FTSE4Good, the Dow Jones Sustainability Index and the Equator Principles, and is the basis of the company's exemplary behaviour. FCC is aligned with these provisions and is committed to the development, and health and safety of the people who make up FCC. Finally, the principles of responsible recruitment are a reflection of the sustainable approach of the Company to the value chain.

Content

1. Commitment to Good Governance
2. Integrity and ethics framework
3. FCC's team of professionals
4. Extending FCC's principles along the supply chain

1. COMMITMENT TO GOOD GOVERNANCE

The hallmarks of FCC Group's corporate governance are aligned with the recommendations and principles of both the International Corporate Governance Network (ICGN) and the Code of Good Governance for Listed Companies prepared by the CNMV, with the purpose of ensuring its functions in the monitoring of the Company's strategy under transparent and responsible management.

Commitment to Good Governance FCC Group

Quality and complementarity of the managers of FCC	• Separation of the figures of the President and CEO. • Three independent directors (21% of the Board). • Five women on the Board of Directors (36% of the Board). • The Audit and Control Committee chaired by an independent director.
Monitoring of risks and the Group's strategy as main responsibilities	• Integrated risk management model. • Manual for the prevention and response to crimes. • Code of ethics.

Milestones in 2014

- Adoption 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.
- Signing, with the Ministry of Health, Social Services and Equality, of the agreement for the promotion of the equal participation of women and men on its Board.
- Participation in the development programme, aimed at women with high potential, of the Ministry of Health, Social Affairs and Equality.

Challenges in 2015

- Analysis and adaptation to the recommendations made in the new Code of Good Governance of the CNMV.

1.1. Balance and diversity in the governing body

1.1.1. A renewed Board

The FCC Group's Board of Directors has what it considers being the best structure and composition to perform its strategic mission effectively. Until December 2014 it was made up of 14 directors, and the Board offers the talents of a highly qualified team of people to its shareholders.

As a reflection of the Company's commitment to the interests of their shareholders the separation of the figures of the Chairman and CEO can be highlighted. Thus FCC Group is capable of ensuring the proper functioning of the Board of Directors while overseeing the interests and expectations of the shareholders of the Group at the same time.

The Board also has three independent directors, who work to ensure adequate protection of the interests of the free float capital. Meanwhile, following the recommendations of the CNMV's new Code of Good Governance, directors representing controlling shareholders, along with independent directors, represent a large majority of the Board.

The CNMV's new Code of Good Governance names the Board as the supervisor of the Corporate Responsibility strategy.

In February 2015 the Spanish Securities and Exchange Commission (CNMV in Spanish) published a new Code of Good Governance for Listed Companies, with 64 recommendations, which replaces the previous Unified Code of May 2006.

One very important aspect is the incorporation of three specific recommendations regarding the supervision of corporate social responsibility by the Board of Directors.

Recommendation 53

The job of supervising compliance with the rules of corporate governance, internal codes of conduct and the policy of corporate social responsibility should be entrusted to one committee or shared between several committees of the Board of Directors, this may be the Audit Committee, the Appointments' Committee, the Committee of Corporate Social Responsibility, if applicable, or a specialised committee that, in exercising its powers of self-organisation, decides to create for that purpose, a committee which is specifically attributed with the following minimum functions:

- a) The supervision of compliance with internal codes of conduct and corporate governance rules of the Company.
- b) The supervision of the communication strategy and relations with shareholders and investors, including small and medium shareholders.
- c) The periodic evaluation of the adequacy of the Company's corporate governance system, in order to fulfil its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.
- d) The review of the corporate responsibility policy of the Company, ensuring that it is aimed at value creation.
- e) The monitoring of the strategy and corporate social responsibility practices, as well as the evaluation of their compliance.
- f) The supervision and evaluation of the processes associated with different stakeholders.
- g) The assessment of all matters relating to non-financial risks of the Company, including operational, technological, legal, social, environmental, political and reputational matters.
- h) The coordination of the process of reporting of non-financial information and information on diversity, in accordance with the applicable regulations and international standards of reference.

Recommendation 54

The policy of corporate social responsibility includes the principles and commitments voluntarily assumed by the Company in its relationship with the different stakeholders and the identification of at least:

- a) The objectives of the policy of corporate social responsibility and the development of support tools.
- b) The corporate strategy related to sustainability, the environment and social issues.
- c) Specific practices on issues related to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the implementation of the specific practices identified in the previous paragraph, the associated risks, and their management.
- e) The mechanisms for monitoring the non-financial risk, ethics and business conduct.

Recommendation 55

The Company should report in a separate document, or in the management report, on matters related to corporate social responsibility, using any of the accepted international methodologies.

In its commitment to diversity, FCC Group stands out as one of the IBEX35 companies with the highest number of women on its Board. Article 42.3.h of the Board Regulations establishes the following within the functions of the Appointments and Remuneration Committee: "Ensure that when new vacancies on the board arise, the selection procedures are not implicitly biased against the selection of female directors, so that the Company deliberately seeks and includes among potential candidates, women who meet the professional profile sought, and the Board shall explain, where appropriate, through the Annual Corporate Governance Report, the

reason for having few or no female directors, and the initiatives adopted to correct this situation”.

Commitment to increase the presence of women on the Board of Directors and management positions within the Company

The promotion of diversity on management bodies represents a real commitment of FCC Group. During 2014, FCC Group signed two agreements to fulfil this commitment.

- Development programme aimed at pre-management women with high potential

FCC and the main companies in the Group: FCC Construcción and FCC Aqualia and FCC, S.A. signed an agreement with the Ministry of Health, Social Affairs and Equality whereby they undertook to increase the presence of women in management positions and on boards of directors.

For its part, FCC as head of the Group, in the coming years undertakes to promote the balanced participation of men and women on its Board of Directors. This agreement, signed by Esther Alcocer Koplowitz, Chairman of the Company, has the backing of the Board of Directors and Management Committee.

With these agreements, FCC goes one step further by implementing its Equality and Diversity Policy approved by the Board of Directors; in promoting the development of measures contained in the different equality plans in companies and in creating a culture of equality and non-discrimination, which is essential to highlighting women's leadership in order to encourage their participation in positions of responsibility.

- Agreement with the Ministry of Health, Social Services and Equality

In November 2014 FCC signed an agreement with the Ministry of Health, Social Services and Equality for the promotion of balanced participation of women and men on their Board of Directors (the Partnership Agreement

between the Ministry of Health, Social Services and Equality and FCC Citizen Services to promote the balanced participation of women and men on boards of directors). Under the agreement, the Board of Directors of FCC is committed, among other issues, to progress in the implementation of the recommendation of article 75 of Organic Law 3/2007, of March 22, for the effective equality of women and men; to make data on the directors publicly known and keep it appropriately updated pursuant to recommendation 28 of the Unified Code of Good Governance; including in the internal regulations explicit references to the promotion of the balanced participation of women and men on the board, as well as incorporating the underrepresented sex onto the board of directors.



FCC believes that diversity on governing bodies is a strategic issue and as such represents one of the most important qualities to ensure effective decision making. In this sense, FCC agrees with the view of the International Corporate Governance Network, which states that diversity is important for the proper functioning of any Board.

The International Corporate Governance Network (ICGN) is a global association of institutional investors whose mission is to inspire and promote standards related to Good Governance for the development of efficient markets and economies around the world through three lines of activity: influencing policy, promoting networking and communication and performance of informative work for professionals and experts in matters of corporate governance.

1.1.2. Evaluation and efficiency of the Board of Directors

Regulations of the Board of Directors ensure minimum attendance levels and establish that the Board members may participate by telephone or videoconference.

On May 19, 2014, the Board of Directors of FCC issued the report which evaluates the quality and efficiency of its operation, as well as that of its Committees, with respect to the year 2013, in order to comply with the duty imposed by Article 38.6 of the Regulations of the Board of Directors.

In 2014, the evaluation process was conducted assessing the various aspects that affect performance, efficiency and quality in the proceedings and decision-making of the Board of Directors, and the contribution of its members to undertaking the functions and achieving the goals that the Board has assigned.

In 2014, the Board of Directors held 13 plenary meetings, in which the following topics on matters of Good Governance and social responsibility were addressed:

- approval of FCC's Social Responsibility report,
- approval of FCC's Corporate Governance report,
- review of the operation of the manual for prevention and response to crime and complaints' channels.

1.2. Risk management and responsibilities of the Board of Directors

1.2.1. Integrated Risk Management Model

The Integrated Model for Risk Management of FCC Group is currently in the process of improvement and development. The new model will allow the Company to foresee the materialization of possible risks to which its activities are subject, as it operates in geographical areas, activities and numerous legal environments, which in turn involve different levels of risk.

A high-level Risk Map

FCC Group has a new risks' model, which is currently partially implemented, using the Enterprise Risk Management (COSO II) methodology, which provides senior management with information and, upon full implementation, will contribute to defining the strategy of FCC Group.

FCC Group's risk management is consistent with the business strategy, always seeking maximum efficiency and solvency. For this reason, strict criteria are laid down for the control and management of the risks, which consist in the identification, measurement, analysis and control of the risks incurred in the Group's operation, with the ultimate goal of correctly integrating the risk policy into its organization.

Risk management is carried out on each of the Group's business lines, developing a risk map for each of them, which is used to produce a consolidated



risk map of FCC Group. Risk Management is carried out using this model in each line of business through the following: de negocio a través de:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each line of business.
- The evaluation of the risks. The risk assessment scales are defined in terms of their potential impact should they materialise, and the probability of their occurrence.
- The identification of the controls and procedures that mitigate both the economic impact and the probability of their occurrence.
- The identification of an owner for each of the identified risks, as the primary person responsible for maintaining the appropriate level of internal control.



One of the main risks of FCC Group in recent years has been the risk inherent in construction activity both domestically and internationally. In this sense response plans are established by the Group during the year as part of a global restructuring process of the construction business and are as follows:

- Domestic Construction: Adjustments of means of production to the reality of the market by preventing deterioration of profitability:
- Adjusting the workforce to the current market situation.

- Reduction of the commercial structure, adapting it to the current market situation.
- International construction: boosting profitability focused on specific geographic regions and carrying out a selection of works and in more profitable markets, as well as growth of the industrial business in selected geographic regions. Additionally, in the same way as in domestic construction, the commercial structure is being reduced, adapting it to the current market situation.

1.2.2. The role of the Board of Directors' committees and commissions

For the proper operation of the business, the Board of Directors has four committees:



- ▶ This committee makes decisions on investments, divestments, credits, loans, guarantees and bonds, or any other financial facility.
- ▶ This committee supports the Board of Directors in its supervisory tasks by periodically reviewing the processes employed to prepare economic-financial reports, internal controls and ensuring the independence of the external auditor.
- ▶ Its functions are focused on advising and proposing the appointment of senior executives with profiles that are best suited to the job and functions. In addition it is responsible for ensuring the remuneration policy established by the Company is observed; in particular it proposes the remuneration policy for Board members and senior executives to the Board of Directors.
- ▶ This committee keeps the Board updated on all investments, divestments, partnership agreements with third parties, development of new activities and financial operations that could affect the Group's strategies. It is also responsible for informing the Board on all other matters that are not within the remit of the other Committees, and that may be submitted to it.

2. INTEGRITY AND ETHICS FRAMEWORK

Commitment to integrity, honesty and transparency

Following the recommendations of the Federal Sentencing Guidelines, FCC Group reinforces its commitment to ethics and due diligence in the prevention, detection and eradication of irregularities. Following the requirements of said reference, FCC has implemented all elements that ensure the implementation of the integrity framework, that is, the code should be known, understood and complied with by all employees of the organization.

Milestones in 2014

- 21 complaints received, mostly related to professional development, equal opportunities and non-discrimination.
- A letter was sent by the CEO to employees in Spain and expatriates to get their support by means of signing the Code of Ethics.
- Approval of the Fiscal Code of Conduct.
- Approval and partial development of the plan for dissemination and training in the FCC Compliance System.

Challenges in 2015

- Full implementation of the plan for dissemination and training in the FCC Compliance System.
- Adaptation of the Code of Ethics to the requirements of the new Criminal Code.

2.1. The FCC compliance model: due diligence in the field of ethics and integrity

2.1.1. Regulations and procedures for compliance in FCC

FCC has a Code of Ethics that sets out the principles that guide the conduct within the Group and outline the relations between Group employees and between them and other stakeholders. The ethical principles included in the Code affect all administrators, managers and employees of the companies in the FCC Group, and they are compulsory.

The Code provides that all employees can make complaints via the Group's Intranet, confidentially and without fear of reprisal, with respect to actions or inappropriate behaviour in light of its principles.

Similarly, FCC Group has an Internal Code of Conduct in the securities market and an internal communications channel for ethical matters, irregularities or workplace or sexual harassment issues.

FCC Group also features a manual of crime prevention and response. Through this manual a structured internal control system is established aimed at mitigating the chances of Group personnel committing a crime of any nature that can lead to the criminal liability of legal persons.



The manual covers two distinct sections based on the logic and the experience of risk management on the part of the Company:

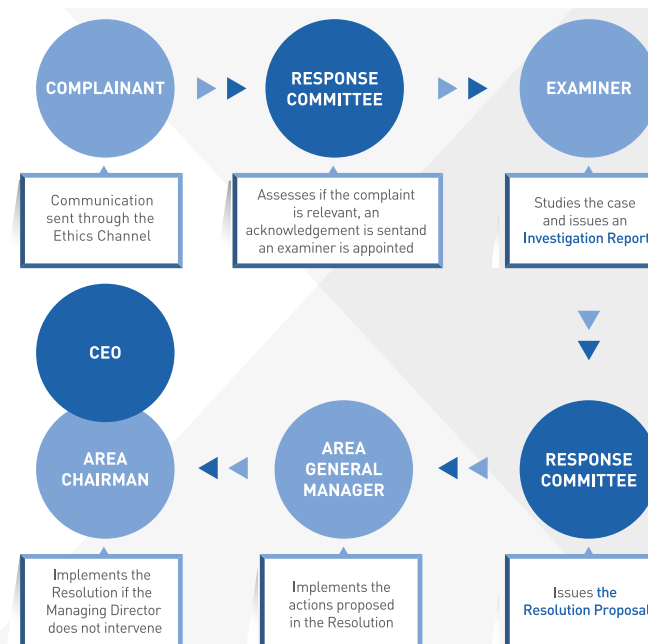
- A first phase based on prevention and related to the identification and updating of behaviours that pose a risk of offences being committed that may occur within the Group, as well as in the planning and implementation of mitigating controls.
- A second phase corresponds to the bodies and procedures that will provide a response to those indications that may involve committing any irregularities within FCC Group.

Furthermore, it should be pointed out that the procedures established in this manual are compulsory and have the highest ranking in FCC Group's regulations.

2.1.2. Supervision, monitoring and response regarding the provisions of the Code of Ethics

The responsibility of promoting the dissemination, knowledge and compliance with the Code of Ethics belongs to the Response Committee, the responsible body approved by the Group's Board of Directors. Said committee 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 Corporate Responsibility Manager, who serves as Committee Secretary and Coordinator. Monitoring of the communication procedure in matters relating to criminal offences and in general with FCC Group's Code of Ethics, rests with the Response Committee.

The following diagram defines the communications management process of the Code of Ethics:



2.1.3. Irregularities and disciplinary measures

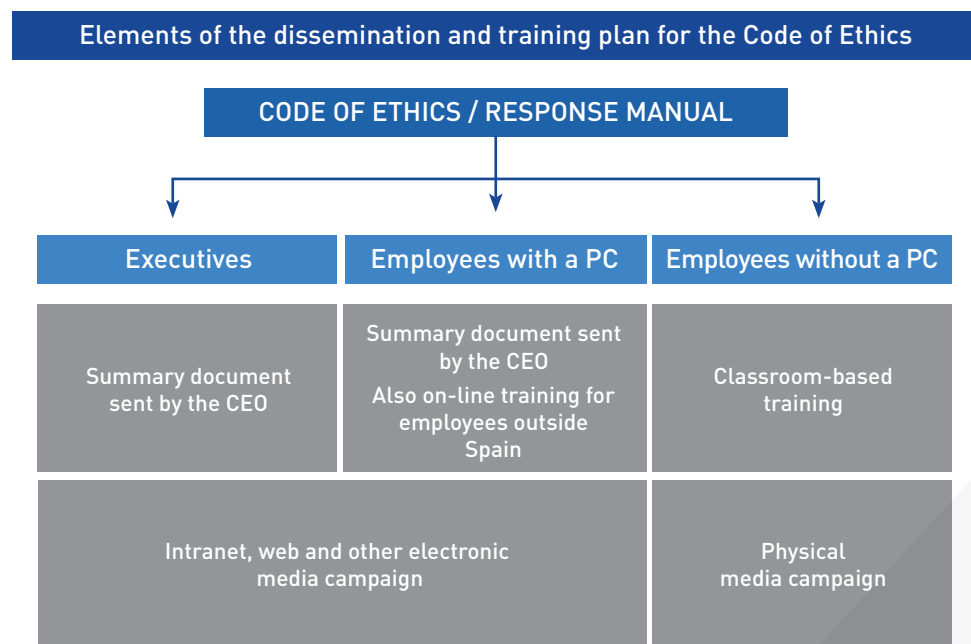
FCC offers all employees an internal communication channel. Through this channel, employees can report, confidentially, any irregularities discovered and consult queries or propose improvements to existing systems in the Company within the areas covered by the Code. All FCC Group personnel are required to report any breaches they discover related to the Code of Ethics.

To report any kind of irregularity, FCC offers its employees an e-mail address (comitederespuesta@fcc.es), and postal address, to the attention of the Chairman of the Response Committee.

During 2014 a campaign has been carried out to publicise FCC's Ethics Compliance System so that all employees understand the importance of reporting any possible irregularity or possible malpractice.

2.1.4. Communication and training on the Code of Ethics

FCC Group has carried out the design of a new training course to be launched in 2015, which includes developments and changes made to the Code of Ethics. This aim of the course is to ensure that all Group employees know, understand and identify with the principles and conduct set out in the process of defining FCC's Code of Ethics. As an ultimate goal, the course aims to support the strategic objective of the Company to develop a global company culture within FCC.



The main channels for training are, therefore, the following:

- Website: specific module on the Code of Ethics, the Manual and the Response Channel.

- Intranet: Module in the Welcome Manual; CEO's blog; Informative tips; Specific module on the Code of Ethics, the Manual and the Response Channel.
- Physical media: Informative tips according to subjects at work centres.

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 understanding the conduct commitments contained in the Code of Ethics and the procedures and protocols associated with it.

FCC Group's New Fiscal Code of Conduct

In 2014 FCC Group adopted the new Fiscal Code of Conduct, a document that establishes the policies, principles and values that should guide the behaviour regarding tax matters within the Group.

The new Code is aligned with the mission, vision and corporate principles of the Group, in addition to the policy of corporate social responsibility and, in particular, the Code of Ethics.

Obligations in tax matters

The Code provides a set of principles for action that all FCC Group employees must follow. In this regard, they must comply with, where applicable, the duties that correspond to their activities and functions within the Group, the procedures for managing the tax matters defined in the "Fiscal Regulation Control Framework of FCC Group".

On the other hand, employees with responsibilities in the fiscal matters of the Group must comply with the following obligations:

- Observe the applicable tax regulations in each jurisdiction based on sufficiently reasoned and reasonable interpretations, as well as on a sufficient factual basis.
- Respect the "Fiscal Regulation Control Framework" and the specific procedures for communication, performance and reviews concerning tax matters.

- c. Ensure that relevant decisions on tax matters are overseen by senior management of the Group and are properly supported, based on a global and inclusive approach, which takes into account the different business variables as possible assumed risk.
- d. Develop and foster a relationship of transparency and mutual trust with the tax authorities of each country.
- e. Actively participate in tax forums of those business associations and international organisations of which FCC Group forms part, in order to propose specific tax measures aimed at achieving a fairer and more harmonized tax system for both the interests of the Group and those of society as a whole.

The objectives of human resources directly related to the satisfaction of the people that make up FCC, are as follows:

1. Reinforce the motivation of key people within the Group.
2. Encourage the sense of belonging to the Group at international level.
3. Live the culture and corporate values.
4. Encourage the participation of FCC people in Group projects.
5. Support the process of integrating people and encourage their development.
6. Improve the skills of the Senior Managers.
7. Develop a comprehensive and holistic perspective with workers and healthyworkers, who are involved and trained as an investment in the future, both collectively and individually.

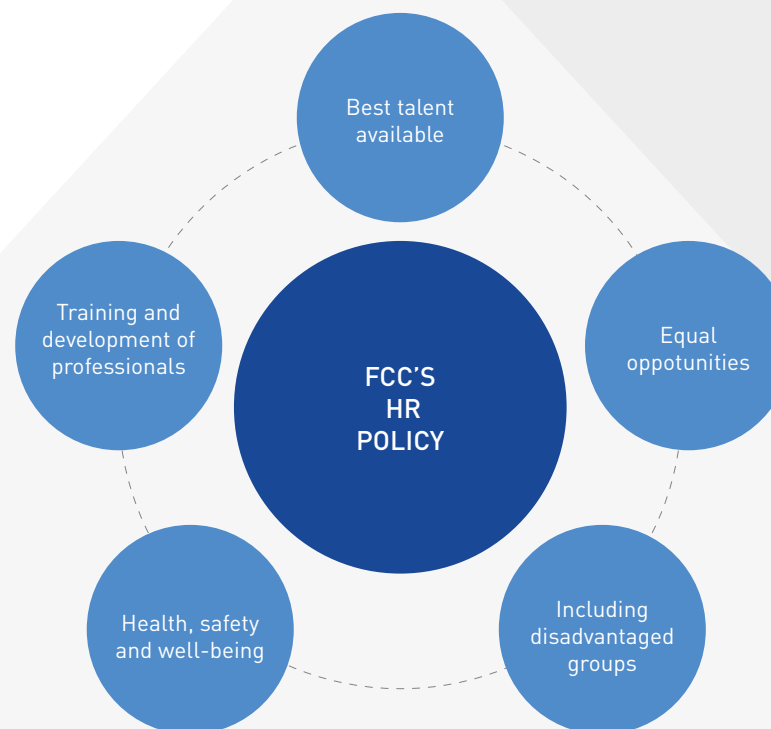
3. FCC'S TEAM OF PROFESSIONALS

3.1. A work environment based on communication and know-how

The FCC Group human resources team contributes in the organisational change that the Company needs for a successful adjustment to the new economic environment, which is increasingly dynamic, global and competitive.

The different business areas of FCC Group have been provided with their own Human Resources department, which reports to the Human Resources corporate management, which sets out the guidelines to follow. The aim is to ensure closer and more effective management to guarantee adequate and satisfactory solutions.

At FCC Group we base our behaviour on efficiency and integrity. The human resources' policies and values of FCC Group promote equal opportunities for everyone, offering each person the same opportunities for employment and promotion. Through our policies, we also favour retaining our organisation's talent as well as the integration of people at risk of exclusion; we are also involved in the causes of concern to the communities in which we operate. We maintain a real commitment to the health and safety of our people, through communication and their training and development.



Milestones in 2014

- Signing new agreements with universities and business schools worldwide.
- Participation in the multi-company Talent Development Programme, together with the Transforma España Foundation.
- Publication of 190 internal processes to promote internal mobility of the Group's professionals.
- Extension of certification under OHSAS 18001 of a large amount of international business.
- FCC's launch of the Healthy Company Project and Social Network for Sport, and the celebration of FCC's first Health and Safety at Work week.
- Luxembourg Accession Declaration (health promotion).
- Partners of the European Agency's campaign for Health and Safety at Work 2014-2015 "Healthy Workplaces, we manage stress".
- Development of the Strategic Plan for Road Safety in different areas and organising child road safety education days.
- Organising the new International Programme for recently graduated engineers.
- Organising technical seminars for the Construction division, for executives and managers for the Company.
- Signing the diversity Charter to support the management of diversity in business, social and legal areas.
- Signing of the collaboration agreements between the Ministry of Health, Social Services and Equality (MSSSI in Spanish) and FCC Citizen Services to promote the balanced participation of women and men on boards of directors, as well as with FCC SA, FCC CO and FCC Aqualia, for the adoption of measures to increase the presence of women in managerial positions and steering committees.
- Renewal of the FCC-ONCE Foundation Agreement (FSC Inserta) reinforcing the full commitment of the Company to diversity and disabilities.
- Unprecedented campaign against gender-based violence, "Marguerite does not like me" in FCC and "I'm with you" in FCC Aqualia.
- Promote women's leadership through participation in the training programme organised by the General Directorate for Women at the Ministry of Social Affairs in the Autonomous Region of Madrid: "Lead your future" and "For talent."

- Agreement with the legal representation of workers in the main offices to increase flexibility for arrival and leaving times and to facilitate the reconciliation of personal and family life.

Challenges in 2015

- Launch of the sharepoint Health Community portal.
- Consolidation of the Healthy Company project in different business areas.
- Renewal of the Road Safety Strategic Plan.
- Reduction in the accident and absenteeism rates.
- Implementation of plans for the management of absenteeism in different business areas.
- Developing a plan for the social integration of people with disabilities.
- Internationalization of the new internal communication channel for FCC Construcción.
- Signing of the first Equality Plan with Servicios especiales de Limpieza, S.A. and the second Equality Plan for FCC Construcción S.A. and FCC Aqualia.
- Renewal of agreements for the integration of socially excluded groups.
- Provide training, selection and development functions that have a global and international vision.
- Redesign and standardization of the role of training throughout the Company.
- Design and implementation of the development function through a competency model: performance assessment, career plans and succession plans.
- Strengthening international internal mobility.
- Strengthening of competencies to focus on results and internationalization.
- Consolidation of international training programmes for young graduates in all areas.

3.2. Best talent available

3.2.1. Attracting talent

In 2014 FCC began a process of strengthening the profiles of the Group, in order to prepare the Company for the important internationalisation process and cultural change, by investing in talent.

Through the FCC Talent Management Department we strive to create the right environment to attract, manage, motivate, develop and retain the best professionals. To this end, tools that facilitate global internal mobility are developed, a culture of focusing on results is consolidated, and compensation policies and benefits are implemented. Additionally, the training processes are enhanced in all areas of management, performance evaluation systems are promoted, the analysis of employees' potential has been implemented, and finally, we have designed an organisational structure model based on responsibilities and competences.

Within the framework of the policy for the internationalisation of the Company and within the Plan for the internationalisation of talent, FCC has several projects for attracting young professionals.

The Company has signed educational cooperation agreements with universities and major business schools in Spain and other countries where it operates, such as the agreement signed with ICADE and the IE Business School. Furthermore, FCC has participated in employment forums at prestigious universities and international business schools. All this favours the recruitment of the best talent, accompanying our employer branding strategy with an increase in social networks of our employment offers, improving the Company's recruitment and selection capacity.

International Programme for Young Engineers

Through the Construction division, the Group has implemented a new International Programme for Young Engineers, which aims to attract and develop high-potential recent graduates to ensure the succession of key positions in the Company.

In the first edition of the programme 19 engineers were selected, who received in-class corporate training on different areas of the organisation. Once the theoretical training was complete, the engineers were assigned to different national and international projects, where they received practical training under the supervision and support of a tutor, who also helped them and assessed their performance.

The training programme has lasts between six and nine months, after which the international position that each engineer will occupy is decided.

In this way, we continue with the training and development of a professional team in line with the corporate strategy in any country or international environment, thus contributing to the achievement of the Company's strategic goals.

Multi-company Talent Development Programme

FCC has been collaborating since 2014 in the implementation of the Multi-company Talent Development Programme. The aim is to accelerate the development of young people with high potential from participating companies so that young talent is increased in the steering committees of the companies in Spain. It is therefore a commitment to recruit, manage and retain talent in our country.



3.2.2. Retaining talent

The different human resources policies favour the retention of talent within the organisation. Thanks to these policies FCC retains the best professionals year after year, and encourages the mobility of people in the Company. Moreover, the internationalisation policy allows the Company to offer opportunities on very competitive terms.

In this way FCC develops tools that facilitate global internal mobility, consolidates a culture that focuses on results, and implements payment policies and benefits. FCC has an internal mobility programme, which offers professional development opportunities, facilitates internal rotation and increases motivation, while the Company nurtures the most versatile and multi-skilled professionals. For this, the Group has an online application that is accessed via the Intranet, where all available vacancies are published. To ensure the confidentiality and transparency of the process and to guarantee the transfer of professionals between business lines, the internal mobility policy was changed during 2014.

The Company is also improving an organisational structure model based on responsibilities and competences. To this end the Company is working on redefining career paths for technical careers and career management by enhancing the training processes in different areas of management, improving performance management systems, and implementing potential analysis and succession-planning management.

FCC also has programmes for identifying talent, which allows the selection of the best professionals for the most complex projects and which pose a greater challenge for the organisation. As a novelty, and as stated earlier, in 2014 the Company launched a pilot programme aimed at mentoring pre-management women, which has allowed it to make progress in developing the talent of a prominent number of workers in relevant positions so as to increase the intellectual capital of the organization with respect to gender diversity.



Reputation evaluation. Corporate Reputation Business Monitor (Merco)

In 2014 the Company reached 48th place in the Merco People index, two places above that obtained in the previous year. This ranking aims to identify the 100 best companies to work for, and uses a methodology that incorporates both an internal analysis and a benchmark. The evaluation process incorporates the results of surveys carried out at universities, alumni of business schools, HR managers, employees of the most reputable companies, and the general public.

Also within this monitor are partial indicators that assess the quality of work, the employer brand and internal reputation to reflect different aspects of the occupational reputation of organisations.

With regard to the MERCO Manager indices, an indicator of the corporate social responsibility policies, and MERCO Companies, a reputation index, FCC has reached, in 2014, 46th and 66th positions respectively.

3.2.3. Training

The training of the people that make up the FCC professional team represents a priority for the organisation. That is why FCC has training schools and plans for both multi-disciplinary and business training, through which professionals receive

comprehensive training in both managerial skills and technical expertise that enables them to be the best professionals in the market.

The main objectives of the training at FCC are the following:

- Achieve higher performance and efficiency of the personnel in the development of their functions and the operation of the Company.
- Achieve the goals of professional development of personnel, enhancing their employability.
- Adapt the profile of the employees to the new challenges of the organisation.

Taking into account the geographical dispersion, both domestic and international, training can be classroom-based or online. The aim is to facilitate the training of all professionals in the Group.

During 2014, in response to the strategic needs of the Company, but also as a response to the demand for professionals in FCC, the focus of the multi-disciplinary training has been on languages and finance, though it has maintained the structure of FCC's multi-disciplinary training courses with its five classic schools.



Multi-disciplinary training schools	
Management school	Administration and finance, quality and management tools, legal, information security, project management, communication and CSR, Human Resources, secretarial, Prevention of Occupational Risks.
School of principles	FCC principles, standards of expected behaviour of employees, internal rules on the matter.
Skills' School	Analysis and decision-making, effective communication, management by objectives, change management, leadership, negotiation, focus on results, planning and organisation, team work, training trainers, international business relations.
Office Suite School	User and professional level knowledge of office software.
Language School	English, German, French, Spanish, Portuguese and Arabic.

In 2014 a total of 375,826 hours of training was given at FCC with a total cost of 1.95 million euros. The largest percentage, in terms of time, of this training, 49% was directed to the Environment division's personnel in Spain. With regard to the gender approach and in correlation with the percentage of male and female staff, 81% of the training was for men and 19% for women.

With respect to the subjects taught, the technical expertise for the production and operation of the facilities, the Prevention of Occupational Risks, and languages, have been the subjects to which the greatest number of hours of training have been dedicated, reaching 74% compared to the overall amount.

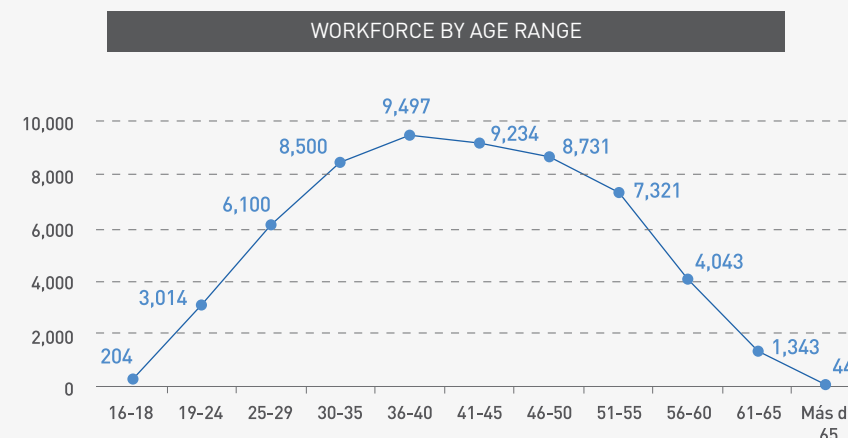
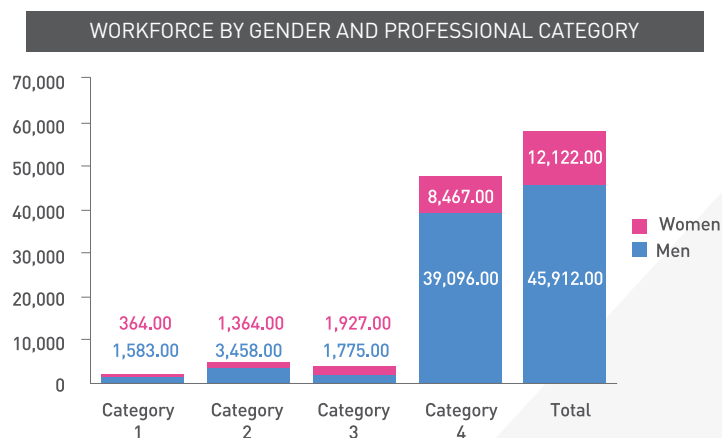
HOURS OF TRAINING PER CATEGORY AND GENDER											
Men						Women					
AREA	CATEGORY I	CATEGORY II	CATEGORY III	CATEGORY IV	TOTAL MEN	CATEGORY I	CATEGORY II	CATEGORY III	CATEGORY IV	TOTAL WOMEN	TOTAL TRAINING HOURS
INDUSTRIAL WASTE	211	2,545	1,956	1,290	6,002	170	2,174	37	356	2,737	8,739
WATER MANAGEMENT	4,574	16,342	23,732	17,270	61,918	331	7,604	11,218	5,850	25,003	86,921
CONSTRUCTION	225	42,251	603	6,493	49,573	82	14,806	178	44	15,110	64,684
URBAN WASTE UK	2,060	2,611	3,461	11,212	19,344	326	1,434	1,188	858	3,806	23,150
URBAN WASTE SPAIN	4,889	5,632	52,636	100,388	163,544	1,349	1,754	3,014	14,726	20,843	184,388
CENTRAL SERVICES	3,586	614	69	0	4,269	2,470	259	913	36	3,677	7,946
OVERALL TOTAL	15,546	69,995	82,457	136,653	304,650	4,727	28,031	16,548	21,870	71,176	375,826

* Cat. I: managers, department heads, heads of services and construction managers; Cat II: section chiefs, heads of negotiation, heads of workshops, higher level and mid-level graduates, and similar; Cat. III: administrative personnel, assistants and technical assistants and similar; Cat. IV: operators, junior and associates.

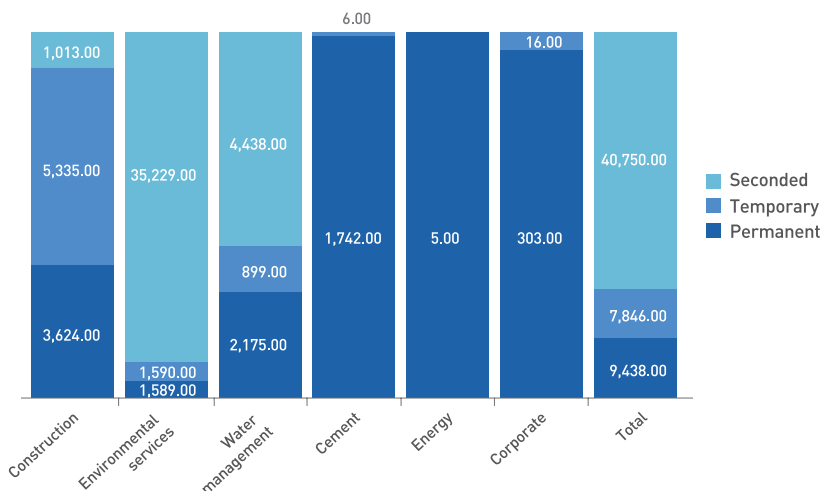
3.2.4. The team of professionals

FCC Group has a workforce of 58,034 professionals, 20.87% of whom are women. Of the total, more than 63% of the people who work for FCC are under the age of 45 and only 13.5% have a temporary contract (16.2% on permanent contracts and

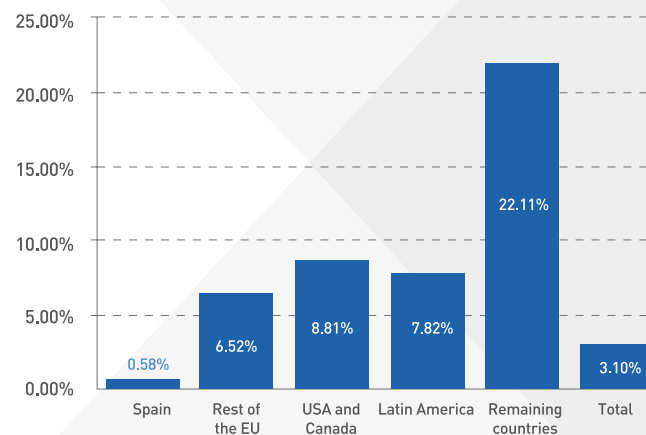
70.2 % are seconded staff, mostly permanent contracts). In addition, the drop in the turnover rate should be noted, which in 2014 has been 3.10%, 0.78% less than the previous year.



WORKFORCE BY CONTRACT TYPE AND BUSINESS AREA



AVERAGE TURNOVER BY GEOGRAPHICAL AREA [%]



3.3. Equal opportunities and integration at FCC

3.3.1. We offer the same opportunities for employment and promotion

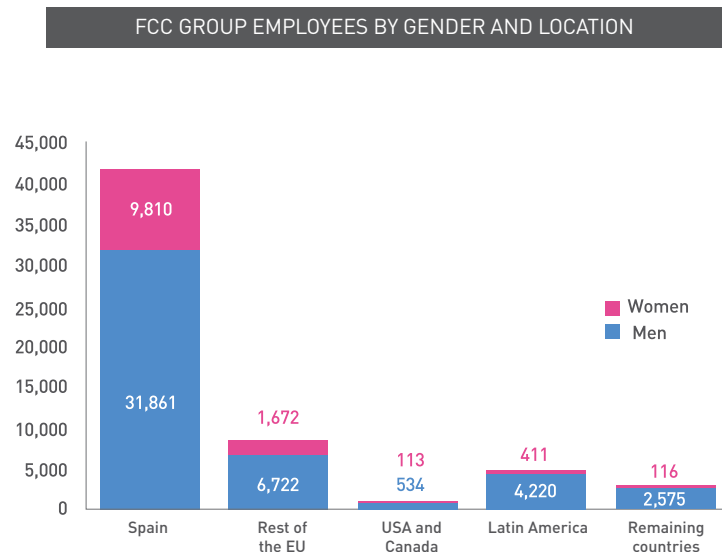
FCC Group’s commitment to society is reflected in our activities. We do not allow any type of discrimination when making an employment offer or with regard to promoting people.

FCC’s Equality and Diversity Policy, approved by the Steering Committee, establishes the integration of equality and diversity as central pieces in all the activities developed by the Company. The policy, like the Code of Ethics, reflects FCC’s commitment to equal opportunities, promotion, respect for diversity and the eradication of all forms of discrimination or harassment.

FCC fosters an environment in which all people can do their work without fear of humiliation, harassment, intimidation, or physical or verbal aggression. The procedures are monitored and subject to review to ensure that no discrimination, whether direct or indirect, goes unpunished. The Company has a Protocol for the Prevention of Workplace Bullying and Sexual Harassment, which includes guidelines of conduct to ensure the dignity, integrity and equal treatment and opportunities for all workers, and it is compulsory. In addition it urges FCC personnel to report any situation of workplace bullying or sexual harassment through the mailbox provided for this purpose and described in the Group’s Code of Ethics. The complaints received are handled in a confidential manner, and without any fear of reprisals.

FCC has designed, conducted and has available to employees, online courses on Equality, the Code of Ethics and Harassment Prevention.

The following chart shows the distribution of FCC Group employees by gender and location:



Signing of the Diversity Charter

In 2014 FCC Group signed its adhesion to the Spanish Diversity Charter, an initiative that reinforces the Company's commitment to the fundamental principles of equality, non-discrimination in the workplace, support of diversity and respect for the heterogeneity of people.

The Diversity Charter is an initiative of the Department of Justice of the European Commission to develop policies to combat discrimination. The Diversity Foundation, sponsored by the Alares Foundation, is responsible for exclusively providing this hallmark in Spain, responding to a voluntary code of commitment to support and promote the principles of inclusion of diversity and non-discrimination in the work place.

The "Proyecto Promociona" for promoting the empowerment of women

FCC has with two places in the prestigious "Proyecto Promociona" programme, for the promotion of women to positions of senior management and boards of directors, as well as two members of the Company's management in the Individual Mentoring programme, for participation as mentors to other participants. "Proyecto Promociona" is a programme run with Norwegian funds within the framework of the European Economic Area, coordinated and co-financed by CEOE, with the participation of the Ministry of Health, Social Services and Equality (MSSSI in Spanish) and the collaboration of the ESADE Business School.

Support for the empowerment of women in developing countries

In its commitment to helping the disadvantaged and in striving for greater equality, FCC has launched a course in dressmaking for the women of the communities surrounding the town of La Cantera Valdeza in Panama, in collaboration with the National Institute of Vocational Training for Human Development (INADEH in Spanish).

Furthermore, it has participated in programmes run by the "Women for Africa Foundation" in Liberia and in Monrovia, finalizing the architectural project and the construction of a hospital care centre to meet the needs of mothers with problems arising from giving birth.

Internal communication, a key element in raising equality awareness

During 2014, and in line with other years, the different campaigns for equality and the fight against gender-based violence can be highlighted. In particular the campaign carried out for International Women's Day held on 25th of November 2014. The first consists of a global campaign, translated into 14 languages, which has had significant publicity consisting of photographic exhibitions, articles in the internal magazine, posters and information on totems, and even a health campaign for women. The second, entitled "Daisy doesn't like me", consisted of posters and a video distributed via the Intranet, the internal bulletin, and the website, in which the petals are pulled off a flower with the most painful messages associated with gender-based violence, inviting the personnel of the Company to send positive messages to rebuild the daisy in a more positive light. The campaign was a success, receiving more positive messages. The campaign was awarded by the XXXIII edition of the awards for the best 100 Ideas, offered by the magazine Actualidad Económica.

This year the Chairman of FCC addressed a letter to employees, through the corporate Intranet, reminding them of the need to continue to be involved in the task of achieving gender equality.

Recognition of equality management

In 2014 FCC Aqualia renewed the Equality in the Workplace seal (DIE in Spanish) that is awarded by the Ministry of Health, Social Affairs and Equality and that recognizes the application of policies of equal treatment and equal opportunities in the workplace, in organisational models as well as in other areas such as services, products and Company advertising.



3.3.2. Promoting women's rights, freedom and leadership

The equality plans, as an ordered set of measures for achieving equal treatment and opportunities between women and men and the elimination of gender discrimination within the Company, promote the implementation of measures that allow objectives to be achieved that are established in matters such as access to employment, promotion and training, employee benefits, commitment to preventing gender violence, work, personal and family conciliation, and shared responsibility between men and women, occupational health and communication, as well as the prevention of sexual and gender harassment. As of 31 December 2014, the Group has equality plans associated with Fomento de Construcciones y Contratas, S.A.; FCC Construcción; FCC Aqualia; Cementos Portland Valderrivas and FCC Infraestructuras Industriales y Energéticas. In addition it is important to highlight the fact that the companies in the Group that have fewer than 250 workers (and therefore have no legal obligation to subscribe to equality plans) are also covered by an equality plan (the parent Company or head of the area to which they belong).

FCC women represent 20.87% of the total workforce of the Company, and women's leadership is very much present in the running of the Company, with a significant commitment to further increase the number of women in positions of responsibility. In 2014 five women were members of the Board of Directors,

representing 31%, and the percentage of women members of various steering committees has reached 34%.

As mentioned in the Section on Commitment to Good Governance, in November 2014 a collaboration agreement was signed between the Ministry of Health, Social Services and Equality and FCC, to promote the balanced participation of women and men on boards of directors, a commitment signed by the chairman, Ms Esther Alcocer Koplowitz, with the support of the Steering Committee. Also entered into by the Human Resources department was the collaboration agreement between the Ministry and FCC S.A., FCC Construcción and FCC Aqualia, for the adoption of measures to increase the presence of women in managerial positions and on steering committees.



With the signing of these agreements, FCC commits, among other measures, to the following:

- Promote equality, merit and the ability of women in the processes of internal training, staff selection and promotion, encouraging a more balanced presence of women and men.
- Establish organisation measures and flexibility of work time, promoting its use by both men and women.

During the year a number of courses aimed at the female leadership have been carried out in FCC Aqualia and FCC S.A., these courses relate to HR management as well as the proper talent management of women in positions of responsibility.

FCC's commitment is also very present in the fight against gender-based violence. FCC is part of the network entitled "Businesses for a society free of gender-based violence", it has been a signatory of the collaboration agreement to promote awareness against gender-based violence and the employability of the victims, since 2010, with the Ministry of Health, Social Services and Equality, and in 2014 it renewed its commitment by signing the Companies' Statement promoted by the Ministry.

FCC's commitment to the fight against gender-based violence can be summarized in two principles:

- Zero tolerance to this kind of practice.
- Favouring social and professional integration of these women in our society.

In this commitment to integration in the workplace, the Group collaborates with the Integra Foundation, a third sector organisation for the labour insertion of groups with difficulties, with FCC specifically focusing its efforts on the insertion of female victims of gender-based violence. Since 2011 86 people have been hired by FCC through the Integra Foundation, of which 69, 80 %, were women that have been victims of gender-based violence.

Another example of the Company's commitment in this area, is the collaboration of FCC with the Spanish Red Cross, in its C.R.E. Employment Plan, aimed at improving employment opportunities, encouraging autonomy and equipping them with the necessary resources to achieve full social integration and employment.

International Day for the Irradiation of Violence against Women

On the occasion of the commemoration of the International Day for the Irradiation of Violence against Women, during 2014, FCC Group carried out the campaign entitled 'Daisy doesn't like me', in which the people of FCC created a giant daisy with hundreds of messages written on its petals.

In addition, 500 natural daisies were distributed in the headquarters where the campaign was developed, as well as 1,000 badges supporting the campaign of the Ministry of Health, Social Services and Equality, and 500 leaflets were distributed, as part of the advertising campaign, at several of the Company's centres.

For the campaign, banners were produced for the Intranet (FCCnet and FCCone), in Spanish and in English, and a photocall was placed depicting the daisy with its petals being removed and posters and banners were placed in the main area where the campaign was on show and three videos were produced, in which messages were collected against gender-based violence, a memorandum was prepared of all campaigns against internal and external gender-based violence of the past years which contained positive messages from all the people who make up FCC in countries where the Group has a presence.



To raise awareness about the campaign, those responsible for it conducted a series of actions. Among the actions carried out was the sending of emails to the entire workforce, the development of news on FCC's website and Intranet, the publication of an article in FCC's magazine "Red de Comunicación", published on the Intranet and on the website, the sending of press releases to digital newspapers linked to Corporate Social Responsibility, the placing of totem poles in the Company's headquarters at Las Tablas (Madrid), and finally the publication of content on social-media networks in which the Group has a presence.

FCC Aqualia "con ell@s" (supporting these women)

During the week prior to the International Day Against Gender Violence, the Aqualia Division carried out the "I'm with you" campaign, which closed with the participation of 120 employees and whose objective was to raise awareness about the massive impact of gender-based violence.

The initiative was developed for the first time on Twitter, with the hashtag #FCCAqualiadiceNOalaViolenciadeGenero, and was widely covered by various media and websites in the Human Resources, CSR sectors as well the water sector itself.

Thanks to this dissemination, the hashtag #FCCAqualiadiceNOalaViolenciadeGénero recorded nearly one hundred messages during the days in which it was in force.

3.3.3. Committed to the integration of persons with disabilities

FCC has been developing the integration of persons with disabilities, addressing mainly the sphere of work, understanding the need of every person and providing channels of professional and human development, as well as understanding that employment is one of the main ways to achieve proper integration of all people, it being the ideal environment for the promotion of diversity and cohesion.

For years we have been working with specialized and professional entities that help us in the management of recruitment, hiring and monitoring of persons with disabilities that are incorporated into the organisation, adapting the work posts to the professional profile of the workers and facilitating a standardised integration programme within the Company.

In 2014 we renewed our commitment with the reference entity, the Once Foundation, in the Inserta Agreement, within the framework of the talent programme for the training and employment of persons with disabilities, which is co-financed by the

European Social Fund. Based on this agreement, FCC has made a commitment to incorporate 125 persons with disabilities into the Citizen Services Company over the next three years.

With the Once Foundation, on the 3rd December 2014 we celebrated the International Day of Persons with Disabilities, with an information campaign and an event at FCC headquarters in Madrid, Las Tablas, with representatives of the general management of the Company and representatives from the Inserta Programme, where the progress being made with regard to workplace integration of persons with disabilities in society and in the Company were presented.

This real commitment from the Company to integration and inclusion in the field of employment has meant that in 2014 FCC Equal CEE was created, dedicated entirely to the management and implementation of Special Employment Centres and to the presentation of auxiliary services for people with disabilities. It currently has 11 employees and it is a project that has been promoted by the environment division, with the chairman, the general manager, the area management and Human Resources all getting involved on a personal level.

The value that FCC can provide, in addition to recruitment, has been in subsidising projects that help and promote social and employment integration (training courses, workshops, assistance, etc.) with the aid of the Adecco Foundation, the Integra Foundation and the Prevent Foundation, participating specifically with the latter in the project entitled "Entrepreneurs classroom", aimed at entrepreneurs with disabilities for the start-up or acceleration of a recently conceived business initiative.

At FCC we believe that beyond the management of legislation, ethics and social commitment, there are employment and economic reasons for the effective handling of diversity and disabled persons. Its good management directly affects the efficiency and competitiveness of the Company and the individuals who belong to it, and there are huge business and personal benefits that make the investment worthwhile.

3.4. We care for people, and their health and safety

Occupational health and safety for FCC constitutes a priority objective in addition to being an important commitment. The constant interest and the provision of human and technical resources that have been provided, with strong support from the General Management and the Board of Directors, a signatory to the policy for the Prevention of Occupational Hazards, guarantees the strength and positive evolution of the results, and makes safety, health, well-being, protection and confidence, primary values for the people and the Company itself. In addition, the work that we have been developing in the areas of safety, health and welfare has helped distinguish FCC Group companies, both in terms of results, in comparison with other companies in the same sectors, as well as noteworthy participation, and achieving external recognition.



3.4.1. Preparing a "safe" path

FCC has a multidisciplinary and versatile team, specialising in the management of occupational health and safety, which covers matters regarding all people working in the organisation, and that are in direct contact with those that undertake the work and their needs, as well as providing them with the necessary protection for the performance of their duties.

The risk prevention strategy extends to all activities of FCC Group and in all countries where it operates, and is governed by the criteria and International OHSAS standard 18001, the certification covers almost 90% of the workforce. The adaptation of the Policy,

Strategy, and the Health and Safety Manual, to the management systems of each of the Divisions of the Group allows the necessary homogeneity and an adjustment to the peculiarities of the various activities and organisations, which have been progressively expanding the certification.

In 2014, the Group boosted its commitment to continuous improvement, monitoring and control, with the auditing entity SGS, which is responsible for regulatory audits for the prevention of occupational risks and certification, and will mark a milestone on FCC's path towards excellence in management: in 2014, the FCC Construcción division consolidated much of its international business in Latin America and the Middle East, and was certified according to OHSAS 18001 in countries such as Mexico, Panama, Colombia, Chile and Abu Dhabi, with scope for the development of construction projects, civil works, and energy and industrial activities.

This year it also launched, together with IT (Information Technology), the second version of the transaction to obtain data on absenteeism (occupational accidents and common illness) using the Incorpora tool (HR information system), by providing higher accuracy and reliability to the data on accidents and absenteeism in the different organisational divisions of the Company, therefore facilitating control, monitoring and decision-making.

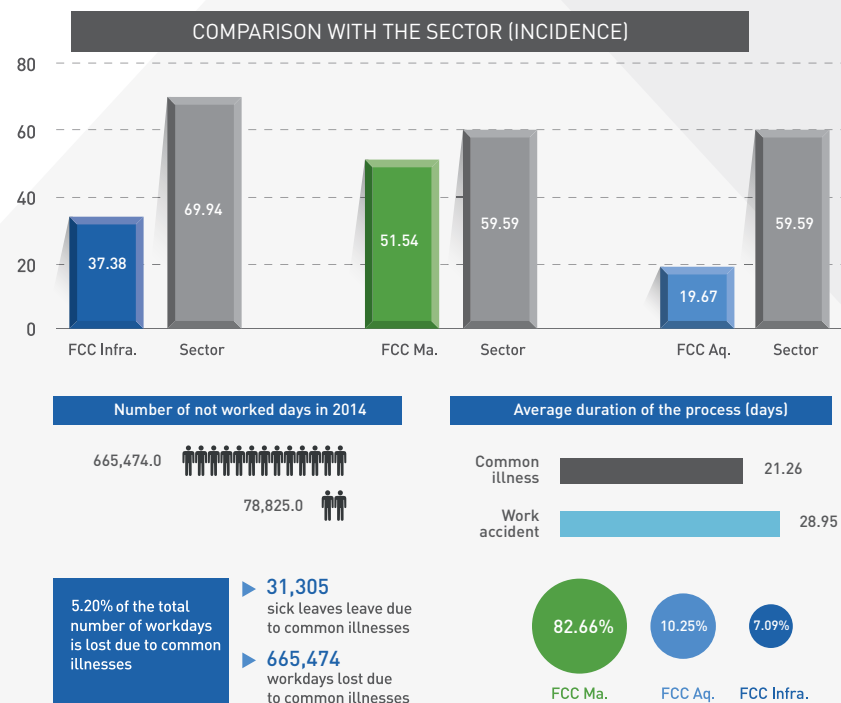
"0 Accidents": objective and horizon of the preventive management of FCC

Although the goal of zero accidents was fulfilled in some of the work centres and companies, FCC Group continues to work to achieve this in all the work centres where it operates. The types of accidents in general terms are mainly caused by falls, tripping, sprains and slips (32%), followed by overexertion (25%) and knocks (18%), and a 16% reduction of road accidents from 2013 to 2014 of should be noted. This reduction is in accordance with the lines of action of the Road Safety Strategic Plan and the commitment of the business divisions to reduce road accidents and road accident victims, as a result of all the work being carried out in the field of education and driver training; with awareness campaigns, including inspection plans, route management and vehicle fleets, as well as mobility, safety and sustainable itself.

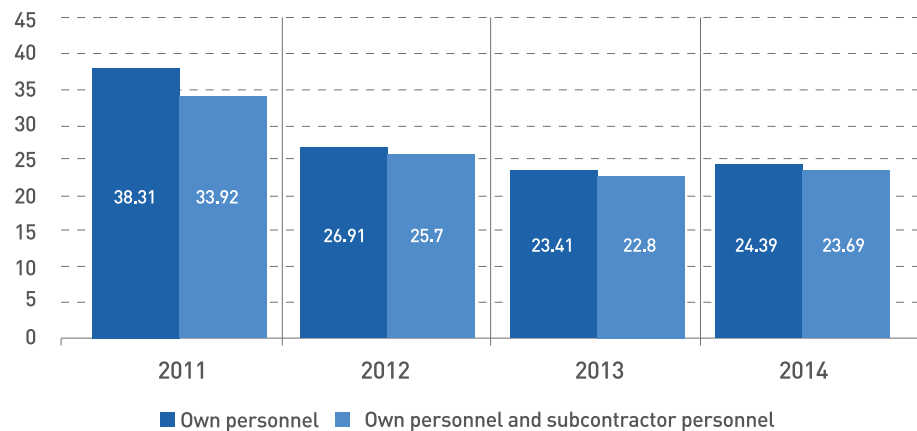
Our teams are highly trained, skilled and educated, and know the value of education, information, instruction and training in occupational safety, in risk perception, prevention, and road safety, as well as the specific risks inherent to a particular post. In 2014 the training needs were covered with an investment of around one and a half million euros (€1,434,393) for a total of 110,343 hours of training in the prevention of occupational risks, to almost 15,000 participants.

Main accident rate indicators in 2014

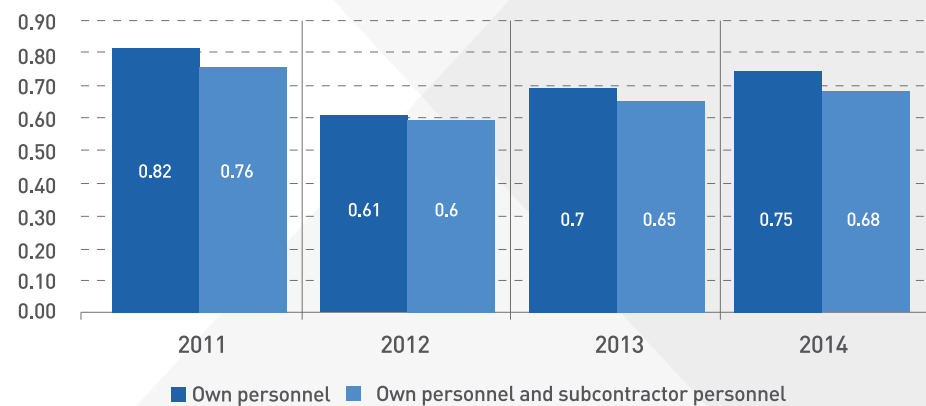
With respect to the previous year, the frequency rates and incidence rates have increased by 4% and 1% respectively. For the latter, however, the main divisions of FCC are in an advantageous position compared to the other companies in its sector. Also the severity rate and the rate of absenteeism have increased by 5% and 2% respectively. Some of the main indicators relating to FCC Group's accident rates are presented below:



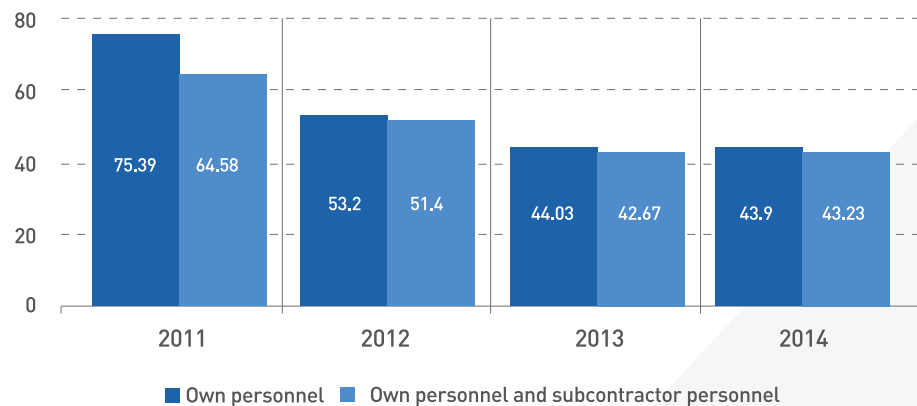
FREQUENCY INDEX



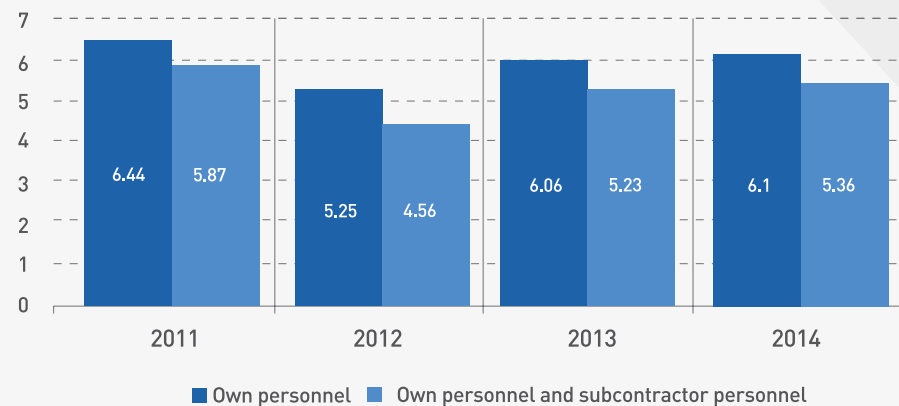
SEVERITY RATE



INCIDENCE RATE



RATE OF ABSENTEEISM





3.4.2. Health and welfare, value for employees and their families

After several years working in the promotion of healthy environments and prevention of illness, in the Occupational Health and Safety week held at FCC in April 2014, the global strategy was launched, FCC a Healthy Company, with a holistic approach and an approach that gives a business, legal and ethical response to the needs of the Company and its employees. Based on this strategy, all the activities to stimulate and promote occupational welfare are included, promoting the participation and development of all the people of interest to the Company.

Achieving a healthy Company from a comprehensive, holistic perspective with healthy, motivated, involved and prepared employees is our investment in the future, individually and collectively, an investment in addition to performance, productivity and a good working environment.

Following the line to continue contributing value to employees, their families and the communities where we work, we are going beyond our responsibility to maintain safety in the working environment, by generating and promoting spaces, knowledge and habits that encourage a healthy life in terms of physical, mental, emotional and social well-being, and therefore we are encouraging physical exercise, healthy nutrition, proper rest, health care, and the promotion of culture.

Initiatives aimed at promoting health

Throughout 2014 countless activities and campaigns were launched in the different business areas, activities and countries where FCC operates, and various tools and programmes were generated that include the development of these actions and the promotion of participation and awareness of all members of the Company.

In 2014, the Sports' Social Network was launched, a space to encourage sport and physical activity, with events, challenges and the exchange of information, a platform where FCC employees can share, create and participate in a more healthy and active life. Football and paddle tennis leagues have been set up, as well as races and running groups, and information has been shared to support events and sporting activities such as skiing, or handball.

Parameters were also set up for promoting a healthier diet, incorporating healthier products in vending machines as well as using criteria based on the NAOS Strategy (Strategy for Nutrition, Physical Activity and Obesity prevention) in the procurement of hotel and catering services.

Our own Medical Services have led numerous campaigns and initiatives for prevention of, and information on, illness and health promotion, giving personalized attention in addition to detection, monitoring and treatment of different illnesses, with its work playing a key role in variables such as absenteeism and disabilities, linked to health and the personal and working environment.

Some of the most significant and extended programmes were the fight against the abuse of and addiction to harmful substances such as tobacco (treatment has been provided in more than 40 cases), drugs or alcohol (with specific prevention and detoxification programmes); health care with specific campaigns on cardiovascular disease, blood pressure, cancer and obesity; different vaccination programmes (for example, around 1,800 flu vaccines were given in Spain) and medical examinations have been promoted as well as the publication of more information on their work and conviction to ensure a working and personal environment that prevents illness and promotes health.

Given that the circumstances are not the same in all countries, the campaigns will vary depending on the headquarters, and in different geographical areas the vaccination against hepatitis, tetanus or typhus has been promoted; specific information programmes have been generated for AH1N1 influenza, malaria, AIDS and Ebola; campaigns have been created to foster habits of personal and postural hygiene and programmes of how to act in the case of emergencies or severe weather and extreme temperatures.

Unwavering commitment to being a Healthy Company

Since 2014 FCC, a Healthy Company, is a reality inspired to improve the safety, health and welfare of the people who work at FCC, and that have an impact on companies and communities where we offer our services, with sustainable, responsible and effective management. In addition we have formalized our unwavering commitment to adherence to the Luxembourg Declaration; our participation as a partner of the campaign of the European Agency for Health and Safety at Work 2014-2015, "healthy jobs, managing stress", and some of the branch offices in Spain have now been certified or are preparing to be certified (in the area of environment, the Catalonia II MA branch office was the first to obtain the certification by AENOR as a Healthy Company).



3.4.3. We improve by sharing and leading health and safety projects

FCC's approach is one of continuous improvement through learning and experience. The rationale is to share knowledge, learn from accidents, measures, and results that are being achieved, and participate in groups and teams that are involved in reaching new proposals to improve the protection, safety, health, welfare and integrity of people.

Communication is a very important element of internal management and in making people aware of achievements. For this, different media for the dissemination of information and knowledge are used. One of them is the FCC Bulletin (Red de Comunicación), in which in addition to having a special section called "welfare", where we publish the news related to occupational health and safety, we talk about topics related to the management of the Company.

The Group also has an Intranet and a few specific portals on safety, health, occupational risk prevention, and road safety, which in addition to providing information, offer specialised documentation and a programme of activities. In addition, the Group offers its employees the email address direccionprl@fcc.es and the communication channel for serious accidents.

Promotion, collaboration and health and safety awards

FCC continues to be actively engaged in the promotion and dissemination of a health and safety culture, in addition to encouraging good practices, and it continues to implement various initiatives that promote good habits among its professionals:

- Presentation of awards, prizes and promotional events: in 2014 the awards were presented at the second edition of FCC's Health and Safety awards and FCC Environment's ABCD Awards. Furthermore, in 2014 both Cementos Portland Valderrivas and Aqualia were awarded by Asepeyo for their excellence in preventive work and for the best preventive practice for risk control, respectively.
- Participation in conferences, fairs, seminars or relevant working groups: it is important to highlight the dissemination of experience regarding a healthy Company, as well as road safety, on panels and events organised by prestigious external entities such as the Mapfre Foundation, FESVIAL, the

National Institute for Occupational Health and Safety, and the Panama Canal Authority.

- Publication of articles on health, job safety and road safety, in addition to the launch of awareness campaigns and information about back care, eye care, fatigue, health care and illness prevention. The campaigns highlighted are the "Five Minutes of Safety", the "Million Steps" or the "Healthy Tapas Competition".
- Conducting interviews with distinguished staff for their work in the area of peoples' health and safety.
- Sporting events, meetings and healthy practices.
- Actions directed towards the families of the professionals of the Company to promote health and safety. The second Conference on Road Safety for families in the Road Safety Park in Alcobendas.

Celebration of the Second Road Safety Day for Children

2014 saw the celebration of the second road safety day for children, which falls within the collaboration agreement to promote actions that encourage safety and road user education, inside and outside the Company that FCC maintains with the Municipality of Alcobendas. The meeting brought together family members of the professionals of FCC Group in Madrid.



The aim of this day was to transmit and raise awareness for both young and old on the importance of maintaining a safe attitude and behaviour when driving on the road.

The day consisted of initial training for the boys and girls in attendance, in the classroom of the facilities, instilling them with basic knowledge of signs, fundamental rules for riding bicycles, and safe conduct as travellers. The theory class gave way to karting on the track, led by the local police of Alcobendas, who are responsible for the management of the Park.

Also the adults received a training session on theoretical and practical elements of vehicle safety and safe driving.

This day, which once again was a success in terms of participation, covered the activities that FCC is implementing in its commitment to road safety: to reduce road accidents and promote road safety as a basic principle for the fulfilment of this objective.

Furthermore, FCC continues to be actively engaged in the promotion and dissemination of the culture of health and safety of good practices, sharing knowledge in this field in various forums, organisations and associations:

- AESPLA (Spanish Association of Occupational Risk Prevention Services).
- CEOE commission for the Prevention of Occupational Risks and Social Security.
- SEOPAN commission for the Prevention of Occupational Risks and Social Security.
- R&D&i Project for PRECOIL risk prevention (Intelligent Collective Protection in Dynamic Environments of Lineal Infrastructures).
- DISEV, a working group on safety promoted by the State Traffic Department (DGT) and organized by FESVIAL and PESI.
- FCC Aqualia's participation in the health and safety group of the Association of Water Management Companies (A.G.A) which occupies the presidency.
- FCC Construcción's participation in the Health and Safety Commission of FIEC (Federation of European Construction Industries), also occupying the presidency.

Health and Safety at Work Week 2014

Within the framework of the “Healthy Company” project, and coinciding with the Health and Safety at Work Day, and the European Week for Occupational Health and Safety, FCC organised its first Health and Safety at Work Week on the 28, 29 and 30 of April. The objective of this initiative was to promote the prevention of work-related accidents and occupational illnesses, as well as to encourage safe and healthy habits among FCC staff and the dissemination of the preventive corporate culture within the Company.

During these days, and in collaboration with various institutions, companies and professional bodies specialising in the field of health and safety, different events in different corporate centres were held, including:

- Conferences with experts on healthy lifestyles, health and sport.
- Training and informative sessions on topics related to road safety and health promotion, such as visual or postural health and wellbeing.
- Activities with suppliers for the promotion of benefits that employees can take advantage of. Among these activities were eye examinations and activities relating to physical and sports’ advice.

The programme of activities was conducted in the centres at Las Tablas, Federico Salmón, Servicios Médicos Madrid, in Acanto and Hormigueras, and in various Medical Services departments of the Group.

More than 400 people participated in the schedule of activities and more than 2,000 people received information from the various campaigns and from FCC’s healthy Company project.

Outstanding initiatives of the week

During the week the “step-by-step” programme was launched, the goal of which is to promote physical activity, in particular the use of the stairs instead of lifts. This initiative is part of the Strategy for the Promotion of Health and Illness Prevention of the Ministry of Health, Social Services and Equality. In this sense, FCC stands out as the first Spanish company to promote this campaign organised by the Ministry, supported by the WHO.

Various business areas presented good health and safety practices already implemented in different work centres and an opening lecture on the importance of physical activity for ageing workers, with the participation of the Sports Council. As a complement to all of the above, there were also training and informative lectures, practical sessions and the DIS-FRUIT Initiative: a piece of fruit in exchange for a healthy idea. FCC distributed more than 100 kilos of different fruit at their corporate buildings in exchange for 128 healthy ideas that were collected from among the participants.

One prominent initiative of the week was the launch of the “Healthy Menu” activity, carried out in the dining room at the Federico Salmón centre, where information and advice is given on the benefits of a balanced diet and guides were distributed by the MAPFRE Foundation on healthy eating.



4. EXTENDING FCC'S PRINCIPLES ALONG THE SUPPLY CHAIN

A management model that ensures transparency, competitiveness and objectivity

The centralization of the procurement system in the FCC group enables the application of the basic guidelines contained in the Group procurement policy, as well as its uniform management across the Group, guaranteeing FCC's basic principles in procurement, which are that of transparency, competitiveness and objectivity.

This model has three headings for business purchases, in order to take advantage of, in the most efficient way, synergies by economies of scale, generating healthy competition among suppliers, and facilitating the implementation and follow-up of the agreements made in the relationship with suppliers.

Reliability of the procurement model

In 2014 FCC revalidated its procurement management model with UNE - CWA 15869 certification in Added Value Purchasing Management, which promotes and certifies excellence in procurement management.

The fundamentals of the procurement model are set out in the Procurement Policy and in the internal procedures to ensure that the processes are carried out with due diligence and to guarantee the most optimal implementation of the regulation from the point of view of the resources and requirements of the business:

- The segregation of duties, and the definition of responsibilities, with supplementary and independent figures to oversee the implementation of the principles of the policy and procedures, encouraging team work at all times.
- Decision-making is carried out jointly and in consensus through the Procurement Committee, which analyses all offers and helps to make the decision regarding the best offer, according to the economic criteria of quality and reliability.
- Those responsible for decision-making should be objective, and the incentives of the decision makers shall be in line with the results.

- It is a traceable, transparent and auditable process from start to finish. The procurement processes are performed in a documented and justified manner, making use of the electronic tools available at Central Services and in the process of being implemented in all shopping centres throughout the world.
- The centralized model does not allow restrictions, promoting competition and competitiveness of suppliers.
- Compliance with principles and applicable regulations, ensuring the conditions of the contracts awarded are adhered to at all times.
- The handling of data and information is carried out so as to ensure confidentiality.
- All orders arising from awards are issued or validated by the central purchasing department, which favours compliance with the agreements reached with suppliers.
- Purchasing activity elaborates a periodic report which is sent to Management.

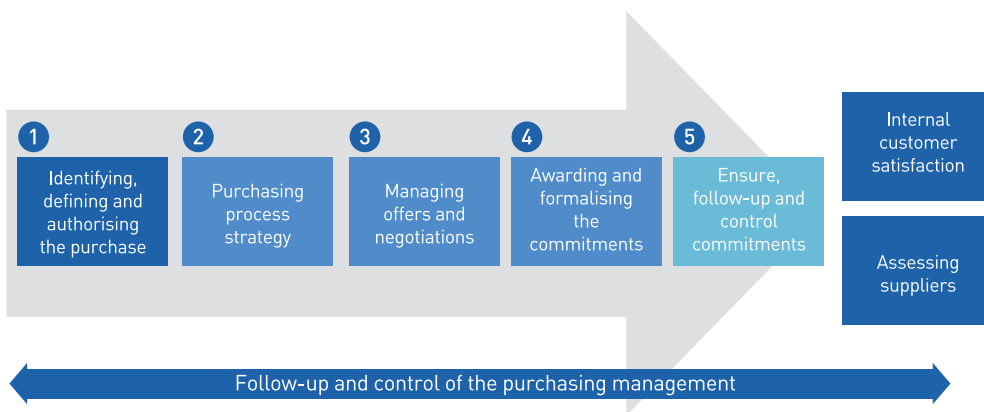
Responsibilities and objectives in supply chain management

The different departments that make up the procurement function at FCC share a number of quality objectives in the management of the purchasing process:

- Total cost. Centralized management allows the bringing together of needs and negotiations to be carried out from a strategic and privileged position, making it possible for the Company to generate savings in the procurement process, while avoiding a number of risks that could result from the wrong choice of supplier.
- Internal customer satisfaction. The end result of choice of supplier and purchase must meet the needs of the end user department of that purchase, and must adequately solve the need. In this sense, understanding end-user satisfaction helps to provide guidance to those responsible for purchases with respect to issues to which more attention should be given in future purchases.
- Supplier quality. Centralized management and compliance with the foundations of the model ensure the quality of the contracted suppliers is maintained and kept to the highest standards, helping to improve the service received and the satisfaction of the internal customer.

A solid process with well-defined responsibilities

The procurement process is structured into five different steps in which each of the areas of the Purchasing Department participate (sourcing, provisioning, and processes).



The Purchasing Department is present throughout the purchasing process, carrying out monitoring and management control of same. Coordination with the Procurement Committee is the responsibility of the department, having the purpose of ensuring compliance with the principles of the model and of the regulations, ensuring unanimity in decision-making.

For its part, the department of Sourcing leads and coordinates the negotiation processes of the purchases once it has been authorised. It is the responsibility of the department to review the purchase order and request further details if deemed necessary, in order to request offers that are better focused to the needs of the user units. The sourcing team analyses the offers received, by reviewing all aspects (economic, commercial and technical) and proposes a negotiation and award strategy to members of the Procurement Committee.

In the case of the department of Provisioning and Procurement Control, among its functions is the coordination, management and planning of the requests for

issuance of purchase orders; the periodic monitoring of budgetary control, providing information to the manager of the purchase or the unit managing the cost; and monitoring and controlling compliance with commitments made to suppliers.

The evaluation of suppliers is performed by the Purchasing Department, categorizing the suppliers according to the product portfolio of the three heads of the Group. This department is also responsible for the evaluation and monitoring of internal customer satisfaction with the management of the purchases.

International purchasing and responsible commitment

FCC Group aims to implement the current electronic management tool for purchases in all operations and geographical areas so that the coverage of the system spans across all operations of the Group.

In advance, FCC has already made purchases for projects in Latin America following the centralized purchasing model, and policy guidelines. An example of this is the development of the purchasing Hub for the work in the Hospital Complex, Panama, during 2014.

For the identification of risks associated with the supply chain, FCC Group is conducting an analysis of expenditure and criticality, which will allow it to identify on the one hand, the risk in issues beyond purely economic risks (social or environmental), and on the other hand, it will be the basis for a diagnosis of the degree of compliance of the suppliers with FCC's principles. The Company has a clause that obliges suppliers of the Group to declare their knowledge and commitment to the ethical code. All contracts have this clause attached, among other documents.

In addition, the Group will provide training to suppliers in the use of the electronic procurement management tool, as an objective for 2015.



V. SMART SERVICES

Key players in the development of urban communities of the future

FCC Group has developed its entire business career along the lines of providing essential services to urban communities, from the construction of infrastructure, to the cleaning and waste management of cities, and integrated water cycle management. The diversity of activities has in common the vocation to build and participate in the urban communities of the future, it is therefore considered important to know and be ahead of the trends that will shape them. The drive for innovation is what makes it possible to improve the supply of services by adapting to the new needs of cities. The fight against climate change from double alignment (mitigation and adaptation) is an opportunity for efficiency and new activities for the Group's business. On the other hand, the development of an environmentally responsible activity is present in the day-to-day business, from project design to implementation and management.

Content

1. Sustainable Citizen Services
2. Promoting innovation at FCC
3. FCC against Climate Change
4. Environmental management at FCC

1. SUSTAINABLE CITIZEN SERVICES

Given the growing increase in the population of urban centres, the municipal authorities are increasingly more involved in the well-being of their communities, improving the efficiency of their infrastructure and services and making their cities more habitable. For FCC Group, people form an essential element of the area, which comprises policy-makers and private companies contracted by local governments. As a Citizen Services company, the major focus of the entire activity of the Group is on the citizens.

Milestones in 2014

- Development by FCC Aqualia of projects such as IISIS, Remembrance, Alegría, Elan Trainasa, from the perspective of developing innovative and efficient systems in the treatment, desalination and purification of water.
- FCC Construcción's participation in the IISIS project, from the perspective of the development of elements, materials, technologies and systems required for achieving sustainable construction.
- Sponsorship of the study entitled "Perspectives on urban infrastructures 2015", performed by The Economist.
- Participation in numerous forums and conferences to promote the design of the cities of the future.

Challenges in 2015

- Promoting dialogues with cities with the aim of understanding the priorities of municipalities and giving a better response through FCC services in collaboration with other organisations (universities, research centres, etc.).
- Continuation of the "Eco-City trends" sustainability Observatory, in collaboration with the Rey Juan Carlos University in Madrid, and the London School of Economics and Political Science.

1.1. A changing urban environment

To be habitable, all the cities of the world will have to contend with a series of challenges posed by demographic, economic, environmental and social changes. FCC Group offers its quality citizen services and establishes channels of communication with the urban communities in order to promote good practices that help the cities meet these challenges.

For 2050 it is expected that cities will represent 80% of the world population. Their political weight will be enormous, as well as the management of their public resources. The transparency and efficiency in the management of these resources, as well as the public-private partnership will be crucial in order to be able to provide quality public services.

CHALLENGES FOR FUTURE CITIES		
Waste management, a problem of progressive development and the increase of the middle class	The scarcity of water and the increase in demand	More efficient buildings, communities and services
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.	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.	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 Group's response to citizen demands

The FCC's services activities include the treatment of municipal solid waste, the management of parks and gardens, urban sanitation, industrial waste management, integrated water and infrastructure management.

FCC understands that the complementarity of its services, and its specialization in the areas of work, provides the solutions to the complex challenges that the cities of the present and the future pose. A supply of reliable and comprehensive services, for a healthy environment and for the quality of life of citizens.

Citizen Services means putting the focus on the end-user of the services developed by the Company, and sharing the willingness to contribute to the creation of social, economic and environmentally sustainable communities.

The commitment to citizen services also entails the Group's commitment to integrate sustainable development and corporate responsibility in their way of doing business. The Company understands that their responsibility also includes helping to raise awareness among citizens about the importance of sustainable development, a key factor in the prosperity and development of societies in the decades ahead.

1.2.1. Trends and social expectations observatory: Eco-Cities Project

During 2014 work was carried out in conjunction with the Rey Juan Carlos University in the creation of an observatory on eco-efficient services in cities.

The objective of the project is to identify the big challenges that will confront the cities of the future in areas such as infrastructure, waste management, power consumption and energy efficiency, water use and sustainability, among others.

The agreement has a planned duration of two years, after which a report will be produced with a view to the year 2020. The project has benefited from the collaboration of the London School of Economics.

The study seeks a dual purpose:

- a) Allowing the possibility of targeting FCC's business strategies a citizen services group in the design of products and services tailored to the needs of future cities, as well as the trends and public perception of the critical aspects of FCC's priority lines of business, which will be studied: Infrastructure, Environmental Services and Water.
- b) To be a national and European academic benchmark, regarding the study of the Smart Cities from their sociological perspective.

In short, the findings of the report will make it possible to make decisions and adopt strategies on the basis of previously contrasted data and evidence, so that services can be designed and goals establish that are tailored to the needs of the cities of the future.

1.2.2. Smart Water Project

Every city interferes with the water cycle in very different ways. The Smart Cities, exploit and develop technology for efficiency and for improving the well-being and quality of life of their citizens. In Santander the initiative entitled "Smart Water: the Intelligent Management of Water Services through New Technologies" was launched, with the purpose of creating a smart service for water management in urban environments where the citizen can participate in management via their tablet, PC or smart phone.

The Smart Water Project, promoted by Santander City Council, FCC Aqualia and the University of Cantabria, allows improving data collection from meters and other sensors within the water network with the view to using them for efficient water management and for providing information to citizens, and improving the service offered

The Smart Water Project allows citizens to access a mobile application through which they are able to see their consumption in real time, be alerted or informed of any incident in the service, detect fraud, optimize energy management, access news on the subject of sanitation and, in addition to monitor sanitation networks to detect possible overflows.

The Smart Water application is already operational in the Nueva Montaña region of Santander, and it is planned to be working in other areas of the city soon.

In a further step toward the smart management of public services, FCC's Water Management division, FCC Aqualia, is implementing revolutionary solutions in Santander for water management through the pioneering project in Europe "Smart Water, Smart Citizens", focusing on the "no-ditch" technology for the rehabilitation of large-diameter supply pipelines, since this represents an environmental and people friendly solution.



Perspectives on urban infrastructure 2015. The Economist

FCC has sponsored the study entitled "Perspectives on urban infrastructure 2015" that the Economist Intelligence Unit (EIU) has developed in 2014 on trends in infrastructure and citizen services. The prestigious weekly magazine The Economist investigated the management of 400 responsible politicians and businessmen, and interviewed leaders of the industrial sector in order to obtain information about the current situation of the urban infrastructure. The report studies the relationship between city leaders, urban service providers, and citizens in the short and medium term.

Highlighted among the conclusions of the report is the need for greater investment in urban services and infrastructure over the next five years, for the maintenance of satisfactory levels of service; the necessary relationship and collaboration between the public and private sectors, and the lack of funds that the municipal leaders face as one of the major difficulties.

1.2.3. Leadership and presence in forums

The objective of this line of work is to share knowledge, and disseminate and publicise information and lessons learned from the daily work of the Group's business, as well as from the research activities carried out. The Group's commitment to participation in these events and forums is to promote the progress in the design of cities of the future and to give a response from the infrastructure, water management and waste management industries. Among many others, the following should be noted:

Environmental Services

Association of Public Cleaning Companies	FCC Medio Ambiente has participated in work meetings held with companies involved in the organisation ASELIP to deal with the new regulations on waste and climate change.
Spanish Association of Park and Garden Companies	FCC Medio Ambiente is part of ASEJA, an Employers' Association which ensures the conservation and implementation of green areas in Spain.
Spanish Association of Cleaning Companies	FCC Medio Ambiente is part of this Association and participates in its meetings.
Association of Comprehensive Maintenance and Energy Services Companies	FCC Medio Ambiente participated in the activities of the Association.
I Forum of the Green Growth Group	The objectives of the Group for Green Growth are to increase the participation of companies, share information, identify opportunities and support the Spanish presence in international forums. FCC Medio Ambiente has participated in the I Forum, promoted by the Ministry of Agriculture, Food and Environment.
Association of Recovery Plants and Selection of Municipal Packaging	FCC Medio Ambiente participated in the meetings of the Association, whose main purpose is to share experiences and knowledge in order to improve the functioning of plants, their economic balance and the rates of recycling and recovery.

Forum for Waste Energy Generators
FCC Medio Ambiente was present at the Waste Energy Generators' Forum, FGER (in Spanish), an independent organisation whose goal is the promotion of the energy production from waste and the defence of professionals and businesses interests that generate such energy.

San Sebastian Renewable Energy and Energy Efficiency Cluster
FCC Medio Ambiente joined the cluster of the City Council of San Sebastian, where all the agents and companies in the area dedicated to energy were present.

Technical Association for Waste Management and the Environment
FCC Medio Ambiente collaborated with the Association, whose purpose is to serve as a meeting point and reference for a wide range of institutions, companies and technicians from Spain and Latin America in order to facilitate the sustainable development of technologies and cleaning processes, as well as the treatment of urban waste through the optimum management of knowledge of the sector, thus giving the best response to the needs of today's society with the utmost respect for the environment.

Environmental Forum Foundation
FCC Medio Ambiente collaborated with the Foundation and participated in dialogue and collaboration with other companies, administrations and the rest of society that the foundation fosters to achieve a more sustainable model of development.

EBROPOLIS
FCC Medio Ambiente was present at the forum sponsored by EBROPOLIS to implement the strategic plan of Zaragoza and its environment.

Club meetings with the local Agenda 21 in Zaragoza
FCC Medio Ambiente participated along with other companies in the Club, focusing on working with the City Council to achieve sustainable development of the city.

Aragon Strategy on Climate Change and Clean Energy
Proposal of the Government of Aragon as a reference document for all the society of Aragon in the field of climate change and clean energy.

Integrated Water Management

XXVIII annual Convention and Expo ANEAS (Mérida, Mexico)
Key event and one of the main references of the water sector in Mexico. FCC Aqualia demonstrated its ability to deal with any type of hydraulic project.

4th edition of the Latin American Congress on desalination and water reuse (Santiago, Chile)

FCC Aqualia actively participated in the event through its subsidiary Aqualia Infraestructuras, gold sponsor of the event.

IWA Congress 2014

FCC Aqualia was one of the companies involved in the latest edition of the International Congress of the IWA (International Water Association). The Company was actively involved in the entire technical programme. One of the 14 posters presented was awarded as the best of the 600 submitted.

II Teaching and Open Doors' day of World Water Day in Cantabria

FCC Aqualia collaborated with Santander City Council on World Water Day with a guided visit to the ETAP in Santander.

FCC Aqualia's IISIS Project, iAgua Award 2014 for Best Report

These awards are based on the scores obtained by each entity in the iAgua Ranking, prepared on the basis of a complex algorithm that measures the influence of each of the 700 entities that publish their content on the iAgua.es website.

Smart Cities & Communities, Vigo

FCC Aqualia participated in the Third Technical Conference entitled "Smart Cities & Communities". The event brought together leading companies to present their technological solutions in the field of Smart Cities.

Small and Medium Smart Cities Congress, Alcoy

FCC Aqualia participated in the "SMSC" day, Small and Medium Smart Cities, whose purpose is to be a meeting point between companies, citizens, spaces of knowledge and administrations to create opportunities for developing joint projects.

Smart City World Congress, Barcelona

The Water Division was present at the fourth edition of the Smart City World Congress, a key event in the field of smart cities and a meeting point for the public and private sectors.

ARA Day "Consolidating Sustainability in Water Companies" (Bucharest, Romania)

Aqualia New Europe, a Company owned by FCC Aqualia and the European Bank of Reconstruction and Development (EBRD), participated at the Conference, organised by the Romanian Water Association (RWA), sharing its experience with 33 regional operators in Romania and with representatives of the Spanish Embassy's Economic Office.

First European Workshop on Regulation organised by Brattle Group (Rome, Italy)

A European debating event on regulatory bodies in the water sector.

Eighth edition of the International Benchmarking Workshop (Antwerp, Belgium)

Aquajerez participated in the eighth edition of the European Benchmarking Cooperation (EBC) day, along with 48 companies from 17 countries, mainly European, along with Japan, the United States, Singapore and Russia.

2014 edition of the National Environment Congress, CONAMA, (Madrid)

This edition of CONAMA was held under the general theme "low carbon economy". Within the ambitious programme developed, the technicians of FCC Aqualia participated in two meetings that analysed the relationship between water and energy and, on the other hand, the management of water in times of crisis.

Infrastructures

IX Meeting of the infrastructure sector of Deloitte, Madrid

Meeting organised by Deloitte, OHL, Alstom and ABC to analyse the opportunities and challenges in the domestic and international markets for infrastructure, new financing trends and prospects within the concessions sector, railways, water and ports.

"International Rail Projects" day, organised by Executive Forum, Madrid

FCC Construcción participated in the "International Rail Projects" day, in which various projects were presented from the prism of different companies and agencies linked to the railway sector.

Brazil Business Summit, organised by The Economist Conferences, Paris

The conference discussed the opportunities for investment that Brazil offers, their need to develop transport infrastructure, public-private sector partnerships, and the need for the country to eliminate entry barriers to foreign companies.

ENR Global Construction Summit, New York

FCC Construcción participated in the conference entitled "Leading in a more Turbulent World", which discussed topics on the difficulties faced by companies in times of crisis, and how to overcome them, as well as future challenges for companies in the sector with a view to international projects.

ALAMYS days, 2014, Panama

FCC Construcción participated in the 19th meeting of technical committees of ALAMYS (Latin American Association of Metros and Undergrounds), which gave an explanation and presentation on operation of Line One of the Panama Metro. The projects of the lines two, three and four were also presented.

XXIV National Congress and XIII International Congress of Civil Engineering Students and professionals, held at the Pontificia Javeriana University in Colombia

FCC Construcción was present in both conferences, making a presentation on the state of the mega-project that is being developed in Colombia and a corporate video that explains the hydraulic modification of the Bogota river.

IABSE International Congress

FCC Construcción participated in the international congress of the prestigious association IABSE (International Association for Bridge and Structural Engineering). During the congress there were two presentations, in which the work on the bridge over the Danube in Vidin Calafat was presented as well as the construction work of the San Marcos viaduct in Mexico.

Occupational Health and Safety Congress organised by the Panama Canal Authority (ACP in Spanish)

In the Congress a presentation was made with the slogan "The promotion of health in the workplace", to emphasize the importance for FCC Construcción to employ healthy people and the importance of having a safe and healthy working environment.

Mexican Congress of Engineering in tunnels and on underground works 2014 (AMITOS)

The aim of the conference is to provide an opportunity to professionals, authorities, students, academics and suppliers related to the tunnels and underground works to share experiences, presenting new ideas and achievements, as well as to promote the use and interest in the development of underground space.

Ninth Convention on Liquefied Natural Gas, Barcelona

FCC Industrial demonstrated its lines of business as well as its major national and international references.

Fourth Edition of the Smart City Expo World Congress, Barcelona Institute

Key event for preparing the cities of the twenty-first century to be planned with a smarter, more efficient and sustainable vision, in order to consolidate their growth. FCC had a stand and organised various presentations.

80th anniversary of the Eduardo Torroja Construction Sciences Institute

On the occasion of the anniversary of the IETCC, several seminars and scientific meetings were organised. FCC Construcción presented the R&D&i project entitled "SETH, comprehensive system of structural monitoring of buildings based on holistic technologies".

Annual Congress of Civil Engineering Students of the University of Santa Maria la Antigua (USMA), Panama

FCC participated in this activity, whose objective is to promote the integration of students in their future field of work. The Company revealed the projects that it is developing in Panama and on a global level.

Organisation of workshops for the construction of metal and concrete bridges for Codelco, Santiago, Chile

The workshops were taught to civil engineers of the company Codelco.

1st Hispano-Korean Infrastructure Forum

Event organised by the Governments of Spain and the Republic of Korea, with the participation of the major Spanish construction companies grouped around SEOPAN, among them FCC. The Korean and Spanish builders agreed to work together in pursuit of synergies that allow the Korean companies to work together with the Spanish companies in Latin America, Europe and North America, and the Spanish companies to expand their operations in Asia and the Middle East.

Colombia Business Summit, Paris

The event brought together international executives and government officials to discuss the opportunities and challenges in this country with great potential for development. The event was attended by Miguel Jurado, chairman of FCC Construcción.

FCC Aqualia plays a leading role in the dialogue for transparent rates

FCC participated, through its FCC Aqualia division, in the first workshop on Regulation organized by the consulting firm Brattle, which marks the beginning of a European debate on regulatory bodies in the water sector with the participation of key regulators, operators and investment banks.

At the event recent regulatory experiences such as those in Portugal, Italy, Romania and Ireland were discussed and analysed. In addition, the need to know in the first place the costs of the service was stressed in order to define targets on quality and subsequently regulate prices from this time. The basic premise is that the tariff covers all operating costs and capital expenditure, as well as the necessary economic profitability.

The experience of operators was presented by representatives of ACEA, FCC Aqualia, Suez and Veolia, as well as by national associations from Romania (ARA), Italy (Federutility) and the International Water Association (IWA). FCC Aqualia demonstrated the value of management in the different territories where it operates, with special emphasis on the Spanish and Czech experiences. It also outlined the need to provide clear and transparent tariffs to include all costs.

On the part of the financial institutions there was participation from Goldman Sachs, Macquarie, Morgan Stanley, the European Investment Bank, Uncred and the F2i fund. Despite displaying a high degree of interest in the sector, the representatives of the banks focused on the need to increase the legal guarantee in their operations.

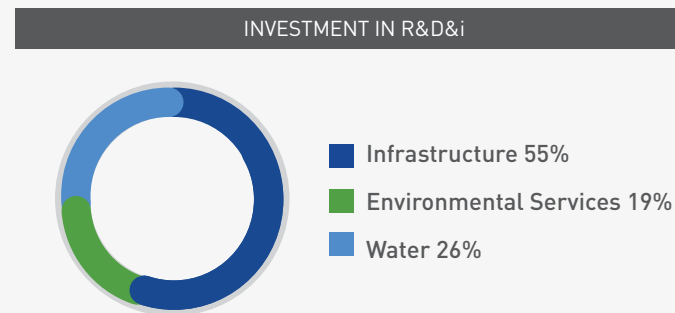
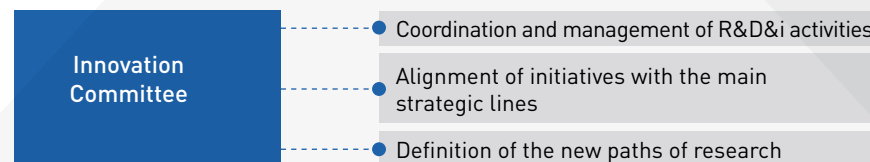
2. PROMOTING INNOVATION AT FCC

Innovative projects to resolve global socio-environmental needs

Innovation represents one of the pillars of the Company's sustainability strategy. FCC invests considerable economic and human resources in R&D&i projects geared to sustainable urban development.

In 2014 FCC Group invested more than 14 million euros in R&D&i projects

FCC's Innovation Committee coordinates the R&D activities of the Group and directs the research lines of the business to the common goal of transition to a low-carbon economy, and the measurement of impacts on energy consumption and the water footprint, which allows them to be reduced and to offer a more efficient and differential product. However, each business area has its own line of R&D&i.



Milestones in 2014

- Progress toward the optimization of the efficiency of collection vehicles and biological treatment plants.
- Renewal of the R&D stamp by FCC Aqualia.
- FCC Aqualia develops projects for the production of biogas in the water sector, the development of the city of the future (FP 7 UrbanWater) and the reuse of materials and efficiency in the purification processes.
- Winning several international awards (Global Water Intelligence) and national awards (Award to the Large Sustainable Company by Expansión and the iAgua prize).
- Award of outstanding projects: Impacto Cero in consortium with ADIF; R&D&i projects in the Prevention of Occupational Risks (Projects: SEIRCO, BOVETRANS, SORTI, etc.) and in the field of maritime works.
- Lines of research into the development of the best local infrastructure rehabilitation (Merlin Project).
- Design of the methodology of the calculation model of the indicators that will allows the efficient management to be expressed in the use of resources, and the reduction of GHG, in environmental services.
- Accreditation of ten R&D&i projects in the area of cement and the approval of two new patents relating to the manufacture of nanomicrocements and high-resistance cement.
- Design and construction of a pilot plant to investigate the development of new cement products and the development and implementation of new high-resistance porous concretes (MAVIT project).
- Award of the European project IN2RAIL, part of the H2020 programme corresponding to the social challenge of smart, sustainable and integrated transport.

- Participation of FCC Construcción in the IISIS project, from the perspective of the development of elements, materials, technologies and systems required to achieve sustainable construction.
- Completion of the R&D&i projects, “sustainable rehabilitation of buildings”.

Challenges in 2015

- Research into the role of environmental services of cities as carbon sinks and the benefits of landscaping.
- Calculation of the intensity indicators in the fields of energy, GHG emissions, and water, in urban services contracts.
- Progress toward measuring the water footprint in the integrated water management systems.
- Operation of the first cars that use biofuel from algae.
- Start of operations in the first industrial facility of sustainable water purification energy technology ANR (autotrophic nitrogen removal).
- Demonstration of the SmartWater applications in Almería and the Czech Republic.
- Establishment of new lines of research into the management of waste for the energy or materials recovery, in the area of cement.
- Progress towards the goal of mitigating CO₂ emissions.
- Development of certification activities for R&D&i projects.
- Achieve greater participation on the part of customers and public administrations in the development of R&D&i projects.
- Implementation of the new UNE 166002:2014 Standard of the construction division's new management system.

- Integration of the R&D&i processes in the countries where FCC Construcción is present.

2.1. Promoting innovation in Environmental Services

The reduction of GHG emissions and the responsible consumption of water are the two areas on which the environmental services division focuses its innovation work. Therefore work is being carried out on methodologies to define the monitoring and handling of information; as well as to configure, adapt and enter more efficient information and communication technologies in their processes and services.

In particular, the advances in the following lines can be highlighted:

- Automotive: work in collaboration with the technology suppliers for the reduction of emissions and noise in the fleet of vehicles.
- Recovery of waste in treatment plants: the innovation resources are also intended for the monitoring of variables and indicators together with processes of biological treatment of municipal solid waste, with a view to modelling these processes for improving the productive performance and energy of these facilities.
- Definition of the methodology for calculating strength indicators to establish the environmental traceability of services provided in scientific collaboration with universities and technological centres.

Some of the major projects developed in 2014 are:

CAMIÓN ULTRACAPS Project

The main objective of this line of research is the development and validation of new vehicles for the collection of municipal solid waste. These vehicles incorporate an electric-hybrid technology, and employ an ultra-capacitor system as an element for the accumulation of energy in place of batteries. To be more energy efficient, these vehicles will provide the benefit of a considerable saving in operating costs, as well as decreasing noise and pollutant gas emissions into the atmosphere.

During 2014 the benefits that each unit will have were defined, as well as the electrical operation of the body, and work began on the development of the prototype on which the subsequent testing and validation will be performed. The development of this prototype was based on a natural gas side loading pick-up truck, which will be transformed into an electric traction truck, into which the ultra-capacitor system will be implemented.

EHRS Project: "plug-in" electric-traction hybrid vehicles

The objective of this line of research is the development of electric-hybrid "plug-in" pick-up vehicles with batteries, working in 100% electric mode and that take advantage of trips to landfills in order to charge the batteries in hybrid operation. During 2014 work continued on the technical adjustment and commissioning of the hybrid-electric vehicles developed in previous years. For this reason work was performed with the trucks in various FCC contracts in Spain. This has allowed data to be obtained on the response of the vehicle and its energy consumption by varying environmental conditions such as terrain, temperature, types of track, etc. These highly valued data will be used for the development of future equipment in new research and development projects.

FCC received the award for Best Practice in Sustainable Mobility, organised by Renault España and the Club of Excellence in Sustainability, for the design of its electrical waste collection trucks.

ENERCIUDAD 2020

The objective of the project is the development of a system of "energy harvesting" for urban environments through flexible latest-generation organic photovoltaics technology (OPV).

The first phase of the project involves identifying the components and urban furniture where this capture application has a potential use. The next phase of the project consists in the development of "roll-to-roll" solar photovoltaic modules for the subsequent manufacture of demonstrators with integrated photovoltaic modules based on the initially detected applications identified.

2.2. Promoting innovation in Integrated Water Management.

FCC Aqualia maintains permanent contact with the different agents in its environment in order to enhance and improve its activity in R&D&i, developed by the Department of Innovation and Technology. The innovation projects are undertaken thanks to the participation of the entire organisation's staff in the processes, from the identification of opportunities to the implementation of same, and are aimed at improving the performance of three specific aspects: quality, sustainability and smart management.

The Company works in collaboration with national and international associations, research centres and universities; and aligns its projects around three major areas of research:



QUALITY

- Standard drinking water indicators.
- Reuse of water.
- Desalination.
- Measurement and analysis.



SUSTAINABILITY

- Reducing the energy consumption and emissions.
- Use of waste water and residuals as resources.
- Alternative technologies.



SMART MANAGEMENT

- Management systems.
- Optimising water resources ICT (Information and communication technologies).

FCC Aqualia has a system certified by AENOR in accordance with the requirements of UNE Standard 166002: 2006 that allows the control of the resources and the continuous monitoring of the results obtained. During 2014 FCC Aqualia worked on 19 R&D&i projects, with eight patent applications that require the dedication and commitment of highly specialized personnel. Of these projects three have been completed, while the rest will continue to be studied in 2015. Some of the major projects developed in 2014 are as follows:

Remembrane project

With funding from European Life, the aim of the project is the prolongation of the life of membranes used in the reverse osmosis process, recovering what is now waste, through its reuse in other applications; such as the processes of osmosis for treated water. The practical value of the project lies in eliminating waste, reducing costs and improving the overall efficiency of desalination and water reuse.

The project, which began development in September 2012, will be completed in the year 2015.

Filene Project

The Filene project, supported by the Innacto Programme of the Ministry of Science and Innovation, studies the application of compact and high-efficiency anaerobic treatments for most industrial sectors. In the development of the project, which also involved the Complutense University of Madrid and Likuid, a pioneer technology based on ceramic membranes is applied.

These membranes represent a solution for reducing the high energy consumption of the facilities, since they are more durable, easy to clean, and have much lower energy consumption than the organic membranes currently used.

Water monitoring system in real time using smart technology (Smartic)

In the CDTI Innterconecta programme, FCC Aqualia leads the Smartic project, which monitors the raw water in the reservoirs and controls the quality of drinking water in real time. The main objective of the project is the development of advanced indicators that allow for a continuous evaluation of the quality of the waters, from capture to end of treatments, and from the point of view of their suitability for human consumption.

The project will involve a technological and industrial progress that is relevant to the Autonomous Region of Extremadura in an area with economic and commercial projection on an international level. The project is being carried out in the Villar del Rey reservoir and in the Santa Engracia ETAP.



Innovation Award + Sustainability + network as a Great Sustainable Business

The FCC Aqualia Division has been recognized as a 'Great Sustainable Business' by the ELAN® project (autotrophic nitrogen removal). This initiative developed by the R&D team of the Company, together with the Santiago de Compostela University (USC), the Ministry of Economy and Competitiveness, the Regional Government of Galicia, and the canning company Friscos, studies sustainable purification by applying the anammox process, which involves significant energy savings and a reduction in the sludge generated in the process.



Innovation towards personalized billing

FCC Aqualia has progressively implemented improvements in the design of its invoices. Among them are the inclusion of analytical results along with other information and the incorporation of notifications to raise awareness about responsible consumption. In addition, to facilitate their understanding, the designs are customised for each type of customer, structuring the information to facilitate their comprehension.

Transparent bill

The bills issued by FCC Aqualia are customized to its customers, in the official language of each territory, and geared to their easy comprehension. The set of processes and resources such as water catchments belonging to the natural environment, its transformation into drinking water, the

distribution to homes and its return to nature include a wide range of factors that are reflected in the invoice through its various concepts (water, sanitation, purification, etc.).

FCC Aqualia bills are accompanied by their explanation and contain the following data: name of the holder of the contract (1), data of interest (2), a publication of rates (3), billing details (4), description of the blocks of consumption and prices (5), detail of the concepts and the amount billed (6), histogram of consumption (7), data for payment collection control (8), payment date (9) and total amount due (10).

In 2014 there were 650,000 electronic bills for more than 132,600 customers

FCC Aqualia issues three types of bills, according to the preferences of each customer:

- Normal detailed bill, with all the detailed information of interest.
- Bill summary, summarizing the concepts and highlighting the total amount.
- Summarized bill according to items, summarizing the amount for each item, which started to be issued in 2014, in order to suit the specific needs of certain municipalities.

Payment of on-line invoices in Italy

FCC Aqualia, through its Italian enterprise Caltaqua, since 2014 offers the possibility of receiving electronic bills under the new Italian legislation.

This is a very innovative project, called H2ONLINE, which enables bills to be paid online.

Smart meters

Aqualia FCC makes use of the most advanced technology to optimize the processes for integrated water management.

The Company is incorporating smart systems in homes through the installation of home water networks which are differentiated according to the type of use, systems

of reuse, or the installation of smart meters for automated readings. This smart equipment has a state-of-the-art electronic system that stores the data needed to know, at any time, the patterns of daily consumption, tariffs and services of the network, which allows suggestions to be generated for the improvement of consumption habits through customized advice.

2.3. Promoting innovation in Construction

The commitment of the FCC Construcción division to innovation is based on the promotion of an active policy of technological development, permanently applying innovation to its works. The Company participates in a relevant way in the promotion of various European and national industry initiatives related to R&D&i.

The activity of FCC Construcción in R&D&i is aimed at continuing to be a key agent in the most important advances in the construction industry regarding technological innovation in materials, equipment and processes. In 2014 the Company revalidated the R&D&i management system Certificate: Requirements of the R&D&i management system according to UNE Standard 166002.2006 issued by AENOR.

Investment by FCC Construcción in R&D&i projects in 2014 was 7,927,739 euro



Some of the projects carried out related to sustainability are:

ASPHALTGEN: New self-regenerating asphalt agglomerate for greater durability and lower maintenance

The main objectives of the project are:

1. The study of different approaches and self-regenerating mechanisms such as hollow fibre, ionomers, molecular inter-diffusion, ionic liquids, etc.
2. Development of new laboratory tests to check the durability of the mixtures and their new self-regenerating capacity.
3. Design of the production facilities (to a certain degree) of the self-regenerating material according to its high dependence on the chosen technology.
4. Study of the expansion methods of the self-regenerating material in the hot bituminous mixtures, with the aim of making them easy to use in the manufacturing process.

SEIRCO: Smart expert system for risk assessment and training in different environments of the construction sector

FCC Construcción leads the project, focused on the research and development of new technologies for the field of risk prevention in the construction industry.

The research and development focuses mainly on:

1. Techniques based on artificial intelligence, learning and statistical modelling, which allow risk patterns to be discovered in large volumes of data, and which provide greater safety in construction.
2. New technologies that facilitate the building of training courses based on virtual reality from an automatic generation framework of virtual environments, which in turn raise awareness and provide personnel with knowledge of the risks inherent to the work and the costs associated with certain activities.

BOVETRANS: Development of a light transition vault system in road tunnels that uses sunlight

FCC Construcción executes the project for the development of a structure that represents a solution of advanced and efficient light transition for tunnels, which improves the system of electrical projectors currently used.

The main objectives are:

1. Reducing the black hole effect.
2. Being sustainable, environmentally speaking, so that it does not pose an environmental impact or an impact on its operation or its location.
3. Investigate the behaviour of static and dynamic visual perception at the entrance and exit of the tunnel according to speed, type of road, and road safety criteria.
4. Optimization of the CIE curve.
5. Offers an economic savings at the level of road construction and maintenance.



Active presence in multiple European and national R&D&i organisations

In 2014, through its construction division, FCC continued and intensified its active presence in multiple European and national R&D&i organisations. Among the most important are:

- European Construction Technology Platform (ECTP).
- Association E2BA (Energy Efficient Buildings Association, in the process of integration of the ECTP).
- Refine Initiative (Research for Future Infrastructure Networks).
- ENCORDER Network (European Network of Construction Companies for Research and Development).

Additionally, nationwide FCC Construcción participates in the Spanish Construction Technology Platform, being actively present in the Spanish Construction Technology Platform Foundation, its Standing Committee, its working groups and Seopan's R&D&i Committees, whose presidency has been held by FCC Construcción since 2012, as well as in the CEOE.

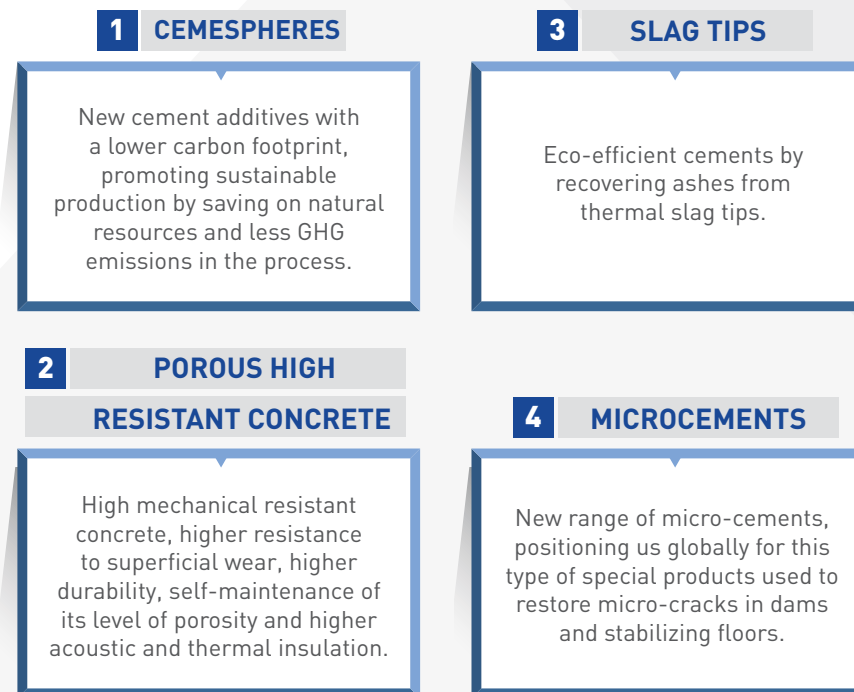
All of these organisations have as their objective the undertaking of the role of the Company as driving force for R&D&i within the area of construction, in accordance with the ideas of the European programme H2020 and the Spanish Strategy of Science and Technology and Innovation 2013-2020. It also has an active presence in ADIF's Rail Technology Centre in Malaga.

2.4. Promoting innovation in Cement

The cement division of FCC Group focuses on research in the development of cements and new concretes of ultra-high strength and durability, which are more environmentally friendly, allowing the service life of buildings and other infrastructures to be extended.

The R&D&i projects developed are strategically aligned with the industrial activity of the Company, many of them in consortium with other divisions of FCC Group. To achieve success in these projects, the division has a multidisciplinary team of over 100 people and has made an investment of more than 15 million euros for the development of a total of 17 projects, approved in different programmes of public innovation, up to 2014.

The results of the projects developed so far have been very successful for the Group. Progress in new products allows for the reduction of greenhouse gas emissions, improving energy efficiency and saving natural resources. Some of the products developed in the field of R&D&i in the last two years are described below:



During 2014 the Nanomicro project was completed which involved research into technology for the manufacture of new cementitious materials on a nanomicro scale, used primarily as an additive to clinker.

As fruit of the research developed, the Cement division can market a series of special cements, among which are: UltraVal, super cement which allows high initial resistance regardless of the weather; RapidVal, natural cement for urgent repairs and heritage restoration, whose manufacture emits 20% less CO₂ than a type I Portland cement; MicroVal, micro-cements that offer a high penetration for specific applications such as tunnels and dams, in addition to solutions for the waterproofing of floors.

Cementos Portland Valderrivas used these special products in more than a dozen important works with high technical requirements:

Improvement of productivity and ultra-high resistance concretes: LAV Viaduct, Madrid-Extremadura

The project for the construction of the Garrovillas viaduct for railway use, led by FCC Construcción together with ADIF, represents one of the most important engineering works developed in Spain. It is a cantilever viaduct with a 384 metre arch and is 1,488 metres long, representing a world distance record.

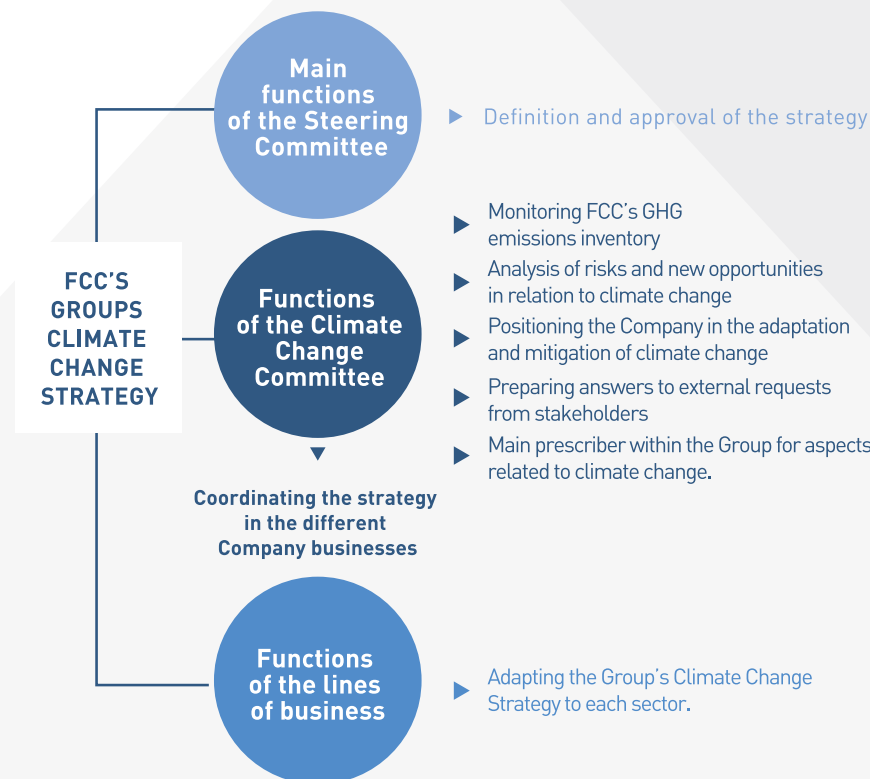
Cementos Portland Valderrivas, through UltraVal cement, provides a solution to resolving the lack of resistance necessary to move the roller unit with the required speed, an objective that was not achieved with the tested cement used initially. The replacement of this tested cement with UltraVal has made it possible to achieve, with a lower dosage, better resistance at all ages, reaching more than 90 MPa at 28 days, exceeding the initial established requirement.



3. FCC AGAINST CLIMATE CHANGE

Joint climate change support strategy towards innovation and efficiency

The climate change strategy of FCC Group has been developed jointly by all of the Group's business areas and approved by the highest level of the Company's management. 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 wellbeing 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.



Milestones in 2014

- Second verification of the carbon footprint calculation of FCC Medio Ambiente.
- Verification of the methodology, and validation of the models for the calculation efficient management indicators for urban services activity in Spain.
- Verification with AENOR of the carbon footprint for the integrated water cycle of FCC Aqualia in Lerida.
- Calculation of the carbon footprint of Aqualia Infraestructuras.
- Implementation of new “good environmental practices” in Construction for the reduction of scope 3¹ emissions.
- Development of files for business opportunities in Construction associated with climate change, by target countries.
- Elaboration of a three-fold leaflet aimed at informing personnel working in Construction of the existence of the organisation’s emissions’ inventory, making them aware of the importance of the annual GHG emissions’ report.
- First construction company to enter its carbon footprint in the Register of carbon footprints, compensation, and sequestration projects of MAGRAMA.

Challenges in 2015

- Degassing of the landfills (43% of scope 1¹) to reduce scope 1¹ emissions by 40,000 teq CO₂.
- Introduction by FCC Medio Ambiente of a technological solution for energy recovery for the plastic rejects that come from the Company’s waste treatment plants through an agreement with a company that specializes in these technologies.
- FCC Medio Ambiente to implement a computerised system to monitor the intensity indicators and energy, water and GHG emissions performance for an integrated services pilot contract for the collection of MSW and street cleaning, and for a maintenance and upkeep contract for parks and gardens.
- Broaden the scope for measuring the carbon footprint in FCC Aqualia.
- Registration of FCC Aqualia in the Spanish Climate Change Office register.
- Extension of the inventory of greenhouse gas emissions in international construction projects.

3.1. The corporate approach to Climate Change

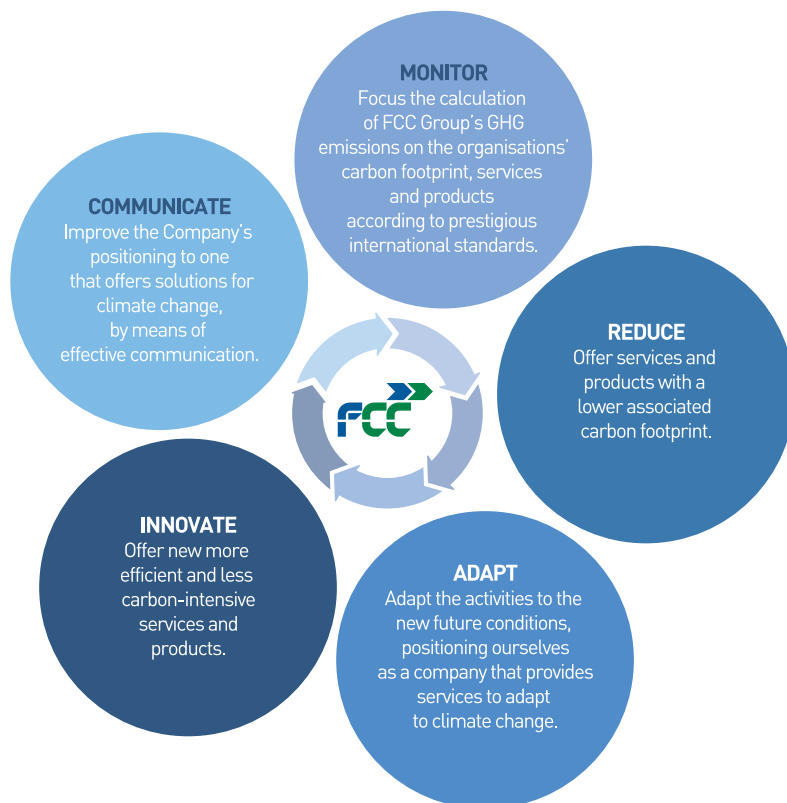
The strategic nature that FCC Group confers to climate change is reflected in the appointment of the Steering Committee as responsible for positioning the Company’s stance in this matter, as well as defining and approving the Climate Change Strategy. Furthermore, by means of its Climate Change Commission set up in 2011, FCC coordinates these aspects in different areas of the Company’s business.

3.1.1. Pillars of the climate change strategy of FCC Group

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.

FCC Group’s 2020 Climate Change Strategy is structured around five pillars whose general objectives are the following:

¹Scope 1: direct emissions that come from sources that belong to the Company or from sources that are under its management.
Scope 2: emissions from the generation of electricity consumed by the Company.
Scope 3: indirect emissions as a consequence of Company activity from sources that are not its own or that are not under its management.



FCC Medio Ambiente, the leading company in the sector to register with the Spanish Climate Change Office

The Spanish Climate Change Office (OEEC in Spanish) is a collegiate body under the General Directorate of Environmental Quality and Evaluation of the Ministry of Environment for the development of policies related to climate change.

The registration of the Company in this register represents the recognition of the efforts and the willingness of the Company to calculate its greenhouse gas emissions, with the goal of reducing and offsetting them, and thus supporting the Spanish strategy to reduce this type of emission.

On the other hand, this fact will enable the Company to design and deliver a new advisory service in the development of more efficient management and in guiding its clients on sustainable urban development.



As part of its Climate Change Strategy the Company developed an analysis of impacts that this phenomenon can pose on different lines of the Company's business, identifying the risks and turning them into opportunities as part of its business strategy for setting itself apart from its competitors. The most prominent are presented below.

ADAPTATION TO CLIMATE CHANGE			
Scope	Infrastructure Sector	Water Sector	Environmental Service Sector
Impacts on the activity	• Increase in the costs of production, operation and maintenance processes, as a result of extreme climatic phenomena. • Restriction in the availability of resources. • Incorporation of climate criteria in the regulation of the sector. • Risk to the integrity of Company products or projects as a result of climatic impacts.	• Restriction in the availability of resources. • Risks to the integrity of Company assets. • Increases in the costs of operation and maintenance of the facilities.	• Failures and interruptions in the operational and maintenance processes of the equipment as a result of climate variation. • Risk in the integrity of the infrastructure or faults/interruptions in the processes. • Stricter regulation in relation to the use of resources.
Associated challenges	• Increase reputational or legal damage situations. • Adjusting to a new regulatory framework that has greater environmental pressure. • Ensuring economic viability in light of increased costs as a result of climatic impacts.	• Response to the increases in demand. • Adaptation to a more restrictive future regulatory framework.	• Management of faults in the operation processes. • Ensure the integrity of the infrastructure and equipment. • Reduce health risks to personnel.
Potential opportunities	• Opening new markets in adaptation to climate change. • Improvement as a Company committed to environmental aspects. • Collaboration with the administration in the integration of climate change in the development of the sector.	• Development of new products and services. • Development opportunities for water management infrastructure projects in developing countries. • Collaboration with the administration in order to integrate climate change in the development of the sector.	• Expansion of the Company's activities toward developing countries. • Renovation of infrastructure as a means of managing extreme post-event situations. • Evaluation of alternative sources for the harnessing of same (particularly water).

3.2. Emission reductions: a common objective for the companies

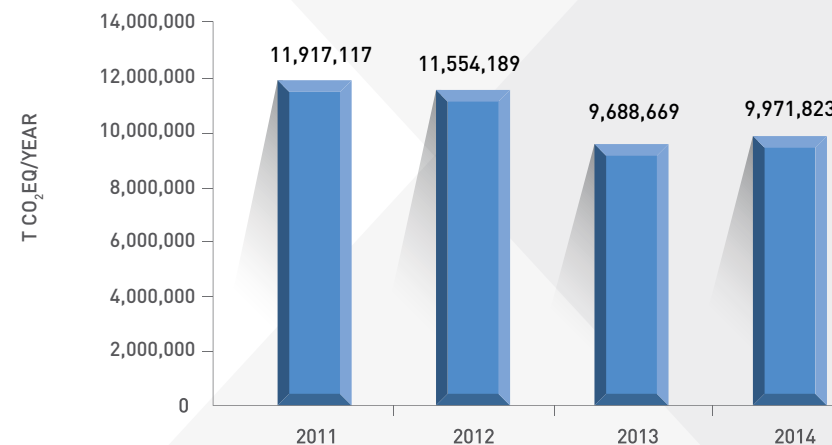
FCC Group maintains control over the GHG emissions of all the different areas of the Company. The 2020 Climate Change Strategy establishes some quantitative targets for emission reductions for all of the Group's lines of business. Based on energy efficiency criteria, sustainable mobility, recovery and recycling and waste management, the Company intends to reduce 360,000 t CO₂ eq, so that in 2020 a ratio of Mt CO₂eq/ M € of turnover is achieved, that is 3% less than the current rate.

The calculation of the scope 3 emissions represents a priority for FCC Group, which includes the following: emissions associated with the production and transportation of materials consumed, emissions associated with the execution of outsourced work units, emissions associated with transport and management of waste and surplus materials, emissions associated with company personnel's business trips and emissions resulting from losses during transport and distribution of electricity.

As an additional measure, FCC Group has a technical guide to energy efficiency. The goal of this guide is to improve savings in corporate spaces and to reduce CO₂ emissions into the atmosphere.

In 2014, the GHG emissions of FCC Group amounted to a total of 9,971,823 t of CO₂ eq, representing an increase from 2013 (9,688,669 t of CO₂ eq) and 2012 (11,554,189.00 t of CO₂ eq). In 2014 direct emissions reached 9,273,269 t of CO₂ eq, a figure that signifies an increase of 1% with respect to 2013.

RECT AND INDIRECT GHG EMISSIONS OF FCC GROUP (SCOPES 1 AND 2*)



*Emissions have been corrected with respect to the values published in 2013.

3.2.1. Commitment to renewable energy and the self-generation of energy

In its targets for reducing emissions, FCC Group is committed to the use of alternative energy sources and energy self-generation.

The introduction of innovative solutions in the municipal waste treatment and recovery plants demonstrates FCC's commitment to self-generation of energy and allows the organisation to reduce GHG emissions and improve the performance of electrical co-generation, taking advantage of the energy potential of biogas generated in the treatment of urban waste.

Likewise, as part of its climate change strategy, the FCC offsets part of its emissions by participating in different Clean Development Mechanisms (CDM). During 2014, Cementos Portland Valderrivas made a contribution of €227,000 to the Spanish Carbon Fund, thus completing its financial contribution, in order to promote renewable energy projects in countries such as Mexico, Brazil, India or China.

CONSUMPTION OF AUTO-PRODUCED



- Photovoltaic or solar thermal panels 18%
- Biogas 39%
- Biomass 41%
- Other sources 2%

Carbon Disclosure Project

In 2014 FCC participated in the Carbon Disclosure Project (CDP) for the fifth consecutive year, and is scheduled to participate in the 2015 edition.

The CDP brings together more than 800 investors and maintains the largest database of risks and opportunities related to climate change, the plans to reduce emissions and the transparency of the activities of corporations to mitigate climate change.

The consumption of renewable fuels in 2014 shows an increase compared to 2013, except with respect to the consumption of biomass, which has been reduced by 31%. For its part, the consumption of non-renewable fuels such as natural gas and diesel have seen a reduction with respect to 2013, by 27% and 5.3% respectively, while the consumption of gasoline, heating oil and propane and butane have increased.

Consumption of renewable fuels of the FCC Group according to company divisions (GJ)

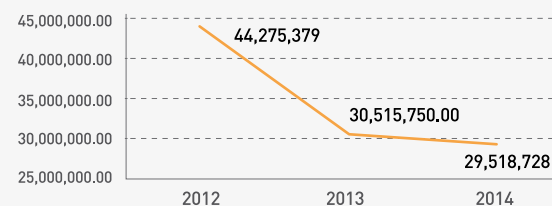
Fuels	Environmental services	Water	Infrastructure	Total
Bioethanol	1,446	-	-	1,445.7
Biodiesel	136,987	-	-	136,987
Biogas	134,707	84,618.0	-	219,325
Biomass	47,646	-	800,700.3	848,346

Consumption of non-renewable fuels of the FCC Group according to company divisions (GJ)

Fuels	Environmental services	Water	Infrastructure	Total
Natural gas	695,733	18,408.0	1,136	715,277
Petrol	36,256	2,710	18,555	57,521
Diesel	2,283,930	140,399	480,560	2,904,888
Fuel oil	8,612	1,793.2	335,913	346,318
Propane & butane	3,634	-	18,243	21,878

Total energy consumption has declined in 2014 compared to the previous year. This is despite the start of the Riyadh works and the commissioning of the two new industrial waste plants, as well as the increase in the scope of the information gathered by Construcción Centroamérica and FCC Aqualia. The end of active projects in Poland and Romania may have contributed to this slight decrease in consumption.

TOTAL CONSUMPTION OF ENERGY (GJ)



[*] Emissions of electrical energy have been corrected with respect to the values published in 2013.

3.2.2. Climate change in Environmental Services

The Environmental Services division of FCC has worked since 2011 on the definition and validation of management tools that are more specifically focused on the fight against climate change, such as the carbon footprint, and monitoring the intensity indicators, or managing the use of resources, both energy and water, as well as GHG emissions.

Carbon Footprint

FCC develops its products and services with a view to developing smart solutions as a competitive advantage in the city of the future; based on low-carbon economies and mitigation measures, and adaptation to climate change.

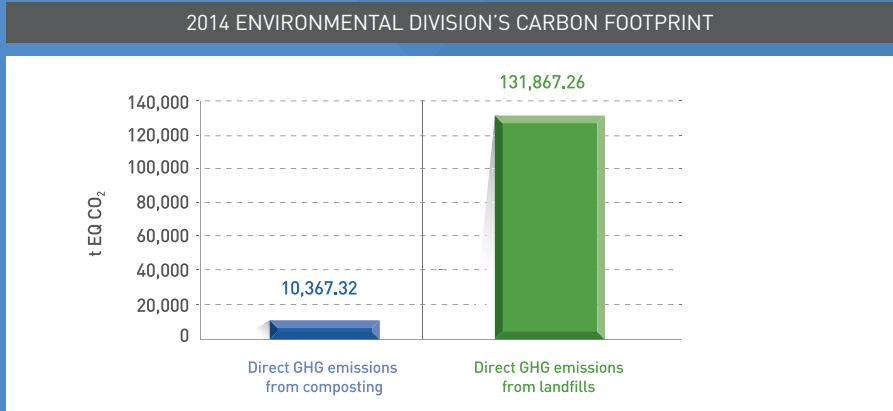
Carbon footprint of FCC Medio Ambiente

The calculation of the carbon footprint provides an overall picture of the impact that an organisation has on climate change, as a result of the development of 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 combating climate change. The study is verified by Det Norske Veritas Business Assurance Spain, S.L. (DNV-GL)

Since 2011 FCC Medio Ambiente has calculated the carbon footprint of the organisation, using the standard of the GHG Protocol as a reference. The evolution of this indicator translates what the tangible benefits were and the return effect of the low-carbon policy undertaken in the management of its services and facilities.

In 2014 the second verification of the carbon footprint calculation of FCC Medio Ambiente was carried out, corresponding to 2013 and with respect to the base year (2011).

Within the limits of its operational perimeter, FCC will focus on the degassing of the landfills (55% of Scope 1) to reduce its GHG emissions to medium-term, thus being able to achieve a reduction of Scope 1 of 40,000 TEQ CO₂.



Monitoring of the intensity indicators: helps the environmental efficiency of the services provided

With the objective of designing and proposing solutions based on an increasingly efficient technological services offer, FCC, through its FCC Medio Ambiente division, has been working for years in the definition and monitoring of tangible indicators that demonstrate the technical solvency of the organisation with respect to the responsible use of means and resources (water and energy), and in the transformation of waste into new resources, materials and energy. All this allows FCC to continue minimizing GHG emissions.

FCC Medio Ambiente works on the definition and quantification of a series of indicators to measure and translate the environmental performance of the services provided. Using these data the environmental balance of negative and positive externalities in terms of impacts on the environment is calculated. With this we are making progress in the improvement of the economic and environmental efficiency

of the services offered, and we are committing to the technology and the good practices that best conform to the requirements of the customers in the medium and long-term.

In order to measure the overall balance of the externalities of the services provided, FCC Medio Ambiente uses the ec2d®² methodology, based on the GRI indicators. Based on this methodology the environmental impacts of the actions carried out by the Company are identified and the degree of fulfilment of the commitments made is assessed. This promotes improved energy efficiency of the services provided, reducing GHG emissions, recovery of material and energy potential from waste, and the preservation of water resources.



²In the environmental footprint or environmental metabolism of the organisation (based on the following principles of capture, delivery, avoidance and return of the endogenous eco-cycle of the set of our activities) all the environmental indicators of the GRI adapted to each activity are reflected. This methodology has been validated and verified by various external entities. Registered trademark in the Patent and Trademark Office: © "CE2D", FCC Medio Ambiente, S.A./ M2931259/ Spain/2010.

Participation in the Climate Project, of the Ministry of Agriculture, Food and Environment (MAGRAMA)

All work carried out concerning the calculation and monitoring of GHG emissions, in direct collaboration with the managers of plants for the treatment, recovery and disposal of urban solid waste, have led FCC to commit to the Climate Project initiative.

In July 2014 the project proposal to reduce GHG emissions was submitted, "Degassing of the controlled solid urban waste tank in Gomecello, in the province of Salamanca".

The project was selected by the Spanish Climate Change Office (OEEC in Spanish) of MAGRAMA which will buy, over the next four years, the reduction in emissions achieved for a total amount of 400,000 euros.

The objective of the project is the catchment of biogas emitted from the rejects' landfill of the waste treatment centre (CTR) in Gomecello. To achieve this, the spill zone will be completely degassed from 2007 to 2013, and the rest of the landfill will continue to be degassed so that it can be exploited in the coming years. The landfill contains 598,516 tonnes discharged from 2007 to 2013, estimating a figure of 1,038,760 for 2018. These residues contain a percentage of biodegradable matter capable of producing methane under anaerobic conditions.

First urban sanitation company to register the calculation of the carbon footprint

All the work performed in this line has allowed FCC Medio Ambiente to become the first company in the sector to achieve registration in the register of carbon footprints, compensation, and sequestration projects for CO₂ of the Ministry of

Agriculture, Food and Environment, in section (a) carbon footprint and commitments to reducing greenhouse gas emissions.

Tool for measuring environmental impacts

FCC's urban 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 interested parties.

Calculating the carbon footprint of Aqualia Infraestructuras

In 2014 a further step was taken and Aqualia Infraestructuras successfully calculated its carbon footprint in a comprehensive water management service, verified by AENOR based on the Standard UNE-EN ISO 14064-1:2012, identifying and quantifying the direct and indirect emissions released into the atmosphere. The results of the survey are to be included in the Ministry of Agriculture, Food and Environment (MAGRAMA) in 2015 and will serve to identify new environmental improvements and develop new initiatives aimed at the eco-efficient management of the resources.

For the year 2015 the calculation of the carbon footprint of all the activities of FCC Aqualia has been established as an objective, thus creating a very ambitious challenge, something that demonstrates environmental commitment.

3.2.3. Climate change in Integral Water Management

In 2014 several actions were initiated to improve efficiency in the use of resources in FCC's Water Management division, FCC Aqualia, which have represented a qualitative leap with regard to environmental management.

Carbon Footprint

The Company's willingness to combat climate change is a real fact that acquires greater dimensions year after year, and that is evident through the actions aimed at controlling emissions as a result of its activity.

Proof of this is that already in 2013, through Aigües de Lleida, FCC Aqualia became the first Spanish company in the water sector to calculate and verify its carbon footprint.

Water Footprint

Through FCC Aqualia, FCC has conducted the first collaborative study to calculate its water footprint in Spain, which is a reference for the sector.

Study of the water footprint of Cantabria

The study for calculating the water footprint, carried out in 2014, to learn about the impact of water consumption in Cantabria, was considered emblematic. The study was carried out with the joint collaboration of a private company expert in the management of the integrated urban water cycle, FCC Aqualia, the largest family foundation in Spain, the Botín Foundation, and public universities such as the Complutense, the Polytechnic of Madrid, and the University of Cantabria.

FCC Aqualia considers it important to highlight the convenience of using these types of methodologies and calculations as a tool that is becoming increasingly vital and effective in the hydraulic planning of regions and territories, so that the managers can have a greater and more comprehensive knowledge of the water balance sheet, including its current balance.

The work carried out has revealed that the water does not only represent important natural capital for the region, but that it also helps to give it value as a social and economic resource of crucial importance.

Energy Management Systems

FCC Aqualia is committed to energy efficiency as one of the pillars to achieving sustainability. Reducing energy consumption directly affects environmental improvement, but also reduces costs for end users. Electrical consumption represents 8% of the cost of the service provided.

In 2011 FCC Aqualia started the implementation and certification of an Energy Management System in accordance with Standard UNE-EN ISO 50,001:2011, aimed at reducing emissions and improving the efficiency of resources. Subsequently, and given the good results obtained, the implementation continued across new centres. Finally, in 2014, two new localities were added, Lleida and Aranda del Duero.

In 2015 the Company wants to make a definitive step forward and achieve the implantation of an energy management system in the entire Integrated Water Management division in FCC, which will allow a greater reduction in fuel consumption and emissions, as well as greater control of same.

FCC Aqualia part of the Green Growth Group

In 2014 FCC joined the Spanish Group for Green Growth, an initiative launched in 2013 within the framework of the European Union, which brings together companies involved in the fight against climate change. FCC is part of this group through FCC Aqualia.

One of the challenges of the Green Growth Group is to promote the participation of companies with a view to move forward together toward sustainable growth, recognising the important role of renewable energy, energy efficiency and other sustainable technologies. It is also committed to

a swift and robust implementation of a Market Stability Reserve to provide the thrust needed to invest in an efficient low-carbon economy.

One of the major interests of the Green Growth Group is that the European Commission should speed up compliance with the economic and environmental agenda and the horizon 2030 climate change objectives. Among these objectives are the reduction of at least 40% of greenhouse gas emissions by 2030 compared with 1990 levels; achieving a market share of renewable energy production of 27%; and the improvement of energy efficiency by 27% in 2030 compared to the usual trend scenario. Likewise, it also takes into consideration the review of energy efficiency objectives of the Europe 2020 strategy.



3.2.4. Climate change in Construction

Carbon Footprint

The Construction division of FCC has verified its GHG emissions since 2011. In addition, since 2012, FCC has had its carbon footprint certificate approved by AENOR, "CO₂ Environment Verified". Additionally, in 2014, it has re-obtained verification of the GHG emissions by an accredited auditing body, using the latest version of ENCORD's CO₂ quantification referential, an industry document that has received the "GHG Protocol" logo, which accredits it as the methodology to be considered for the calculation of the carbon footprint in the construction sector.

It should be noted that FCC Construcción has become the first construction company to register its carbon footprint in 2013 to achieve registration in the register of carbon footprints, compensation, and sequestration projects, created in 2014 by the Ministry of Agriculture, Livestock and Environment. In this way, through its construction subsidiary, FCC Group has been the first company of the IBEX-35 to receive the certifying stamp from the Government, which recognises companies that voluntarily subscribe to this initiative.

In order to measure the carbon footprint, FCC Construcción identifies the main sources of greenhouse gas emissions of its works or fixed centres, defines the boundaries of the organisation and operational limits, and collects and transmits activity data from the work site to the corporate level. FCC Construcción quantifies scope 1, 2 and 3 emissions.

For the calculation of the inventory of greenhouse gases, a centralised approach is used, integrating activity data received from each of the work sites and fixed centres, and quantifying the emissions at the corporate level.



3.2.5. Climate change in Cements

The Group's activity that generates the most CO₂ emissions is the manufacture of cement. The CO₂ emitted to the atmosphere in the cement manufacturing process has two sources of origin. Approximately 60% of the amount emitted originates from the process of decarbonisation caused from converting the calcium carbonate (CaCO₃) of the limestone, which is used as the main material, into calcium oxide (CaO) and carbon dioxide (CO₂).

The remaining 40% is produced in the combustion required to reach the high temperatures in furnaces necessary to cause the chemical reaction which enables the formation of the clinker. These emissions, therefore, are directly proportional to fuel consumption and its characteristics.

The CO₂ emissions mitigation strategy is based on the following:

1. Promote the substitution of fossil fuels using biomass alternative fuels.
2. Encourage the substitution of natural raw materials for total or partially decarbonated raw materials to reduce emissions in the firing of clinker.
3. Improve energy efficiency, optimising clinker manufacture installation.
4. Increase the volume of additives in cement manufacture to reduce the clinker factor per tonne manufactured.

For the first two points Cementos Portland Valderrivas, of the FCC Cement Group, maintains the goal of continuous growth, substitution by alternative fuels has been a factor of 11.4% in all Spanish factories, and the use of alternative raw materials has been 3.7%.

The combined application of the above measures in different factories of Cementos Portland Valderrivas provides a gradual approach to the value of the European benchmark of CO₂ emissions per tonne of clinker (766 kg CO₂/t clinker).

4. ENVIRONMENTAL MANAGEMENT AT FCC

Protection and conservation of the environment as part of our commitment to stakeholders

As an organisation present in the sectors of environmental services, water and infrastructure, FCC Group is committed to the protection and conservation of the environment and the responsible use of resources, in addition is aware of the importance of these aspects to its stakeholders.

This commitment is reflected in the Group's environmental policy, approved by the Board of Directors. In said policy the objective of the Group is established to achieve environmental excellence, which minimizes the negative impacts from any activity that FCC carries out.

To this end the Group carries out operational monitoring of all its processes, which allows it to identify, characterize and assess the environmental aspects that relate to its facilities, as well as to subsequently determine the necessary steps to minimize the negative impacts on the environment.

Milestones in 2014

- Preparation and publication of the Sustainability Report 2013-2014 (G4) of the Construction division.
- Publication of FCC Construcción's annual Progress Report 2014, achieving the "advanced level" for the third consecutive year.
- Incorporating new environmental criteria into the policy, procedures, guides and software applications of the environmental management system.
- Development of basic guidelines to provide instruction on how to act with respect to the conservation and management of biodiversity and the management of cultural heritage.
- Implementation and certification of the Energy Management system at the FCC headquarters in Las Tablas (Madrid) in accordance with ISO 50001.

- Development and deployment of the DISCON-CACUMEN IT application for environmental management: on-line, multilingual and adapted to the reality of international projects.

Challenges in 2015

- Extension of the certification of the environmental management system ISO 14001.
- Creation of an outline to synthesize the due diligence of FCC Construcción in the field of human rights, ethics and integrity, procurement practices, environment and health and safety.
- Adaptation of the good environmental practices in construction system, to incorporate best practices with regard to social issues.
- Development of its own methodology for assessing sustainability in civil works.
- Dissemination of "15 years of good environmental practices" of FCC Construcción.
- Creation of a library based on the experiences and best practices implemented into projects, such as support for all FCC's construction work, mainly in the international arena.

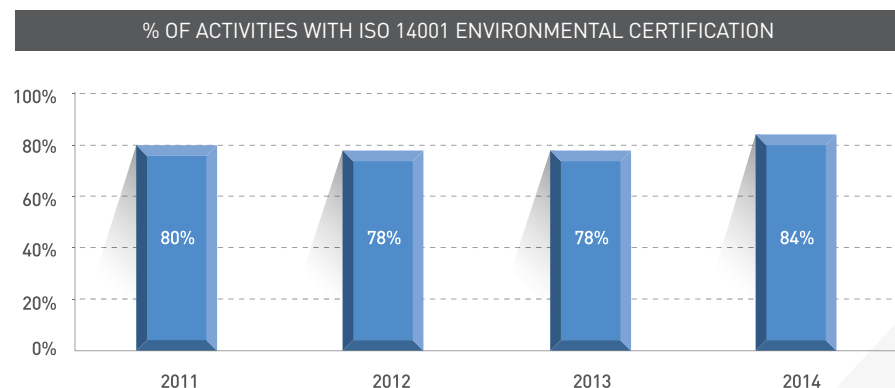


4.1. Environmental management system

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 all its activities and installations.

A large majority of the areas of FCC Group have an environmental management system certified according to Standard UNE-EN ISO 14001:2004. Each of the divisions has the objective of certifying 100% of its operations under this standard. Specifically in construction, after each acquisition a period of six months is established, with the purpose of aligning the project with the environmental policy of the Company.

The following graph shows the evolution of the environmental certification under ISO 14001 for the organisation.



In order to understand the effectiveness and degree of development of the initiatives and projects that it develops, FCC makes use of an internal information collection and management system called **"Horizonte"**. With a total of 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.

The commitment and effort that the Group dedicates to protecting the environments where it operates and works, means that the investment that FCC allocates to prevention, remediation and environmental management during 2014 has amounted to almost 100 million euros.

FCC's Construcción division has consolidated the implementation of the Environmental Management System in Mexico and FCC Central America, so that this covers virtually all activities of the Company throughout the world, which has allowed a more accurate and thorough collection of information on environmental indicators. The objective of FCC Construcción is to achieve the certification of these countries in 2015, so that the percentage of certified activity would be 100%.

To ensure better environmental results beyond that established by law, FCC Construcción uses a system of good practices, through which each project implements a series of actions that the Company has classified on the basis of an analysis of previous environmental impacts and their classification.

These good practices are weighted based on several factors, so as to gain a better appreciation of the following:

- Actions that result in a greater benefit to the environment.
- Those that are intrinsically better.
- Actions that are more innovative and require a greater effort with respect to works (either with regard to the investment, research or ingenuity involved).

An IT application manages the Environmental Plan of the work sites and centres and ensures the reliability and availability of the data. Thus, the environmental information generated in each work site becomes part of a database that allows the environmental pulse of the Company to be taken, and measures for improving and informing the Group are undertaken.

A rigorous internal auditing system, and its own controls, that the data undergo in the different integration processes, validate their accuracy. During 2014, the Construction division conducted a total of 150 audits.

In addition, all the works of the Group are subject to a risk assessment, which yields findings with respect to the degree of risk they entail. The Organisation has identified at all times, in the risk matrix, those works that represent a greater risk.

Furthermore, FCC uses a more exhaustive audit process, applied to certain works with a higher level of risk, called PETRA (Special Plan for the Treatment of Risks). This process, that analyses issues of technical risks in contract management, technical planning (deadlines and resources), and the effective submission of claims and tracking of penalties. The expansion of the PETRA programme to the international arena in 2013, and its consolidation in the financial year 2014, has assumed important support for the large international contracts.

SAMCEW, Sustainability Assessment Method for Civil Engineering Works

In mid-2014 FCC Construcción began work on the development of SAMCEW, Sustainability Assessment Method for Civil Engineering Works. This methodology is based on the experience of implementing the management and sustainability system of FCC Construcción, on the work carried out by international civil engineers in the working groups of "Sustainability in civil engineering works", ISO and CEN, of which FCC Construcción holds the presidency, and on methods of assessing the sustainability of existing and internationally recognised infrastructures.

SAMCEW is conceived as a self-evaluation and rating system, which may be used in construction projects as an internal management programme to plan construction work, and identify required improvements and share advances in sustainable practices. This methodology will allow managers of the civil engineering works to demonstrate the sustainability of their projects to their customers, planners, and other interested parties.

The methodology includes the three pillars of the sustainability, environmental, social and economic models, during all stages of the life cycle of the civil engineering work.

It is planned to publish the methodology in 2015, as well as disseminate it internally and externally, and perform internal validations in several of the Company's significant projects, including the Riyadh Metro.



Sustainable project management

For the financing of construction projects that FCC may be awarded in Latin America, FCC Construcción has been subjected to an activity review throughout the continent. As a result of this review some recommendations were established, which include the need to reinforce respect for the indigenous peoples and the protection of biodiversity.

It should be noted that FCC does not perform works in any area of conflict. However, the construction of the Zapotillo dam (Mexico) is the only one of the Company's projects that is currently stopped due to social conflicts with indigenous communities.

Participation and leadership of FCC Construcción in technical committees in the construction sector

FCC Construcción believes that it is partly responsible for the task of achieving a form of construction that is more environmentally-friendly and

more sustainable. For this reason, the Company is actively involved in various working groups specific to Sustainable Construction in the international, European and state arenas, suggesting possibilities, getting involved in the process, and providing solutions and perspectives from its own scope of action. The following topics are addressed within these working groups:

- Definition of terminology and general principles.
- Description of the life cycle of the building or infrastructure.
- Definition and use of sustainability indicators in building and civil engineering works.
- Environmental Products Declaration.
- Determination of a method for assessing environmental, economic and social performance in building and civil engineering.

Some of the specific working groups in which FCC Construcción works are:

- "WG5 - Sustainability in Civil Engineering Works," in the international technical committee ISO/TC-59/SC17 of "Sustainable Construction".
- AEN/CTN 198/SC2 "Sustainability in infrastructure", of which it holds the presidency.
- Committee CEN/TC-350 on "Sustainability in construction work".
- AEN/CTN 198 Committee on "Sustainable Construction" and AEN/CTN 198/SC2 "Sustainability in Civil Engineering Works".

Furthermore, in the field of standardisation, the presence of FCC Construcción is noted in the following organisations related to sustainable construction, which are, among others, as follows:

- International Initiative for a Sustainable Built Environment (iiSBE).
- Green Building Council España (GBCe), which is the Spanish Council of the International Association "World Green Building Council", set up as a channel to provide, in Spain, all the information about the certified building's tool, LEED.

BREEAM España's Advisory Council, responsible for charting its development strategy, representing the stakeholders in the area of building.

4.2. The management of water consumption in all activities

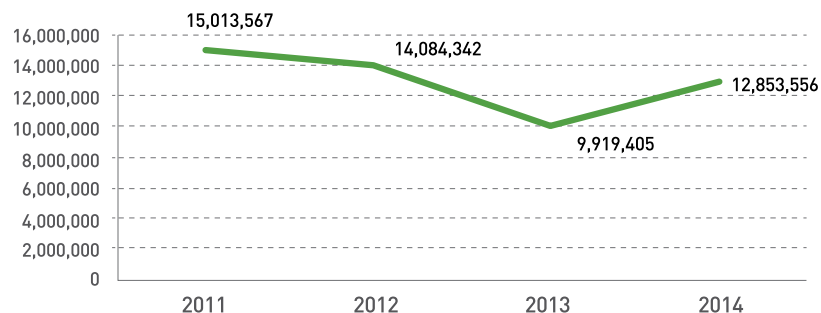
Water is a resource as valuable as it is scarce and necessary, and whose demand is increasing. Population growth and the global economy, improving living standards and climate change are some of the main causes. The degradation of water resources makes it critical to seek solutions that promote efficient management to make it possible to meet this growing demand and need.

FCC Group is aware of the need to manage water properly and promotes its rational consumption, since many of the activities of FCC Group directly depend on this resource. In 2014, FCC Group's water consumption amounted to 12,853,556 m³, of which 52% is from municipal supplies.

Although water consumption has increased 23% with regard to the previous year, the amount is maintained below 2012 levels. In this respect, water consumption for that year is approximately 9% lower.

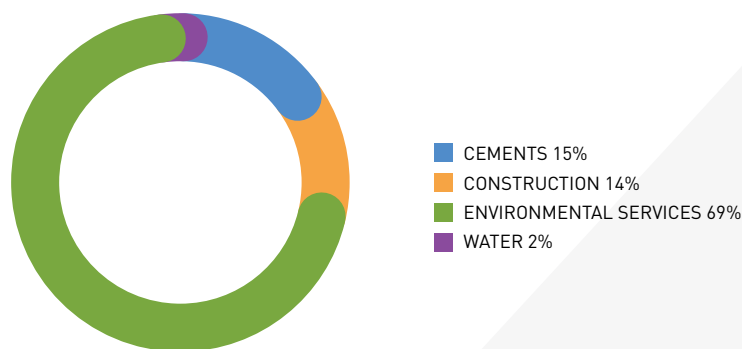


WATER CONSUMPTION (m³)

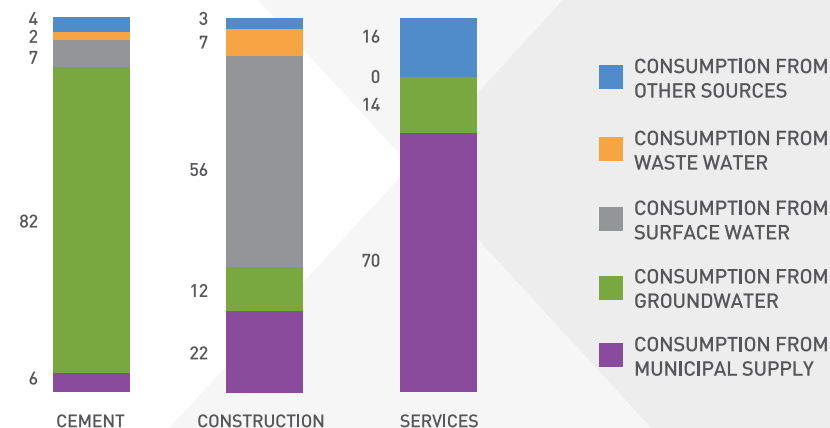


The following graph shows water consumption by business area. With respect to the previous year, consumption of the Construction and Cement divisions register 7% and 5% declines respectively for total water consumed. On the other hand, the Environmental Services division's consumption has increased from 59% to 69% in 2014. The remaining 2% corresponds to FCC's Water Management division.

CONSUMPTION OF WATER BY BUSINESS AREA



WATER CONSUMPTION BY BUSINESS AREA ACCORDING TO SOURCE [%]



4.3. Present in the integrated water cycle

FCC Aqualia is the FCC Group company that develops its activity around the management of the integrated water cycle. The Company focuses its activity on public service concessions and on water collection, processing, distribution and purification, in addition to other design and construction of water infrastructure activities. Aqualia FCC provides supply and/or sanitation services to more than 28 million inhabitants. The geographical diversification makes FCC Aqualia one of the few companies in the world able to deliver any service that is linked to different uses of water.

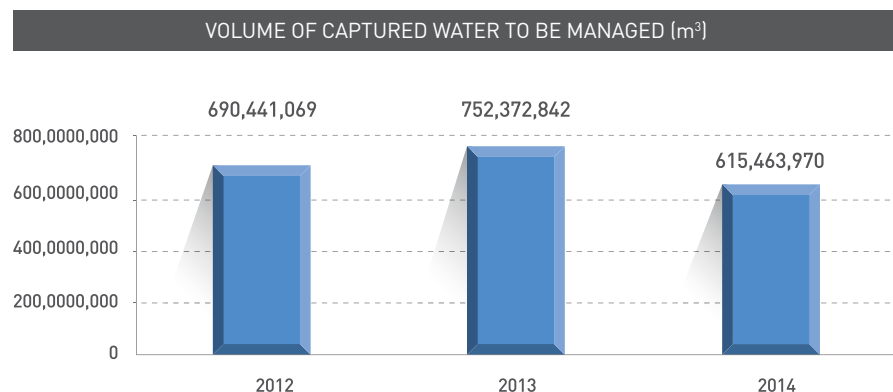
The Company guarantees the quality of the water for any need and ensures its return to the environment in optimal conditions, while minimizing the environmental impact.

FCC Aqualia is actively committed to the sustainable use of natural resources and the fight against climate change. The Company focuses its efforts on the development

of initiatives and activities geared to improve their energy performance and to reduce/compensate for its environmental footprint.

FCC Aqualia has environmental management systems certificates in accordance with Standard UNE-EN ISO 9001 and 14001 in all of 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 2014 was 615,463,970 m³. This figure represents a decrease of 18% approximately with regard to 2013, and 11% with regard to 2012.

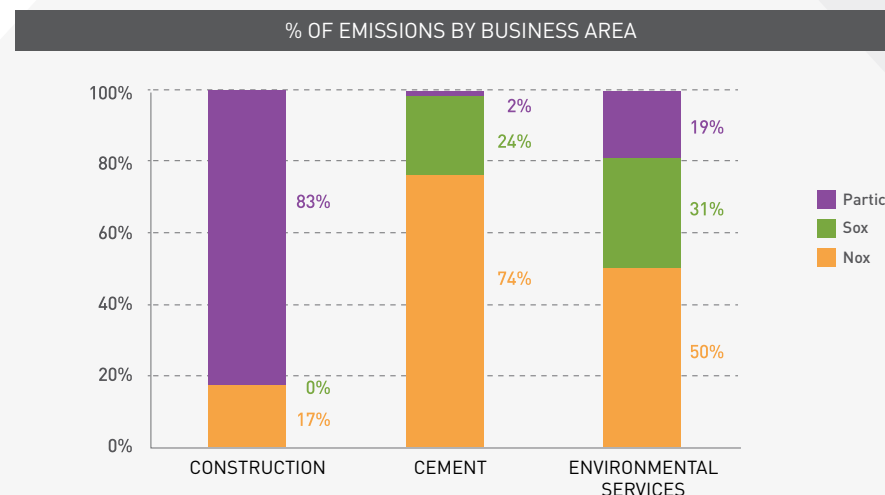
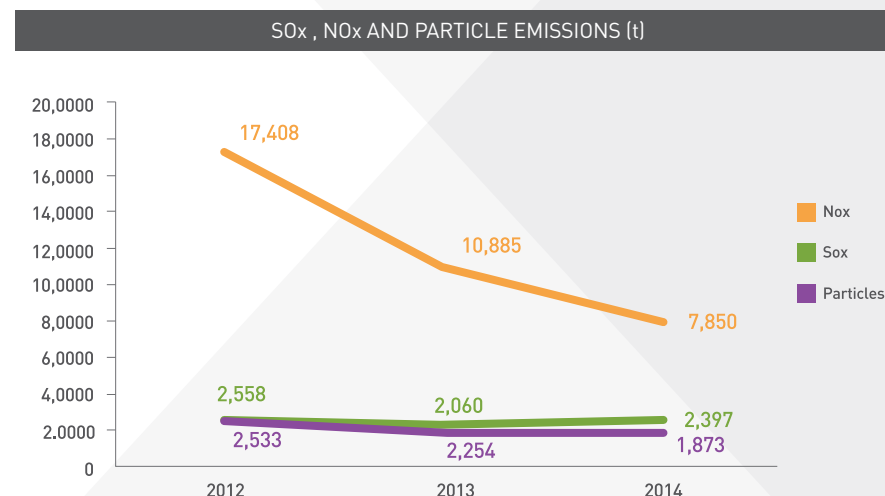


4.4. Atmospheric emissions

Group's main emissions, in addition to carbon dioxide emissions (CO₂), are nitrogen oxides (NOx), sulphur dioxide (SO₂), chlorofluorocarbons (CFC) and solid particles. NOx emissions are produced primarily in the Cement Division; SO₂ emissions are mainly produced in the Environmental Services Division, and the particles in the Infrastructure Division.

The following graph shows the evolution of SOx, NOx and particles emissions. For the latter two, the decrease compared to the previous year is 28% and 17%

respectively. On the other hand, SOx emissions have increased by around 11%. These reductions are related to the decline in cement production in the USA and to the change in fuels used at the Ecodeal industrial waste plant in Portugal.



Each business area of the Group has initiatives to reduce emissions associated with combustion, which directly lead to the reduction in particle emissions, NO_x and SO₂. In addition, the construction division has considered, within its scope of other emissions, those associated with its supply chain in the following percentages:

- Particles: 18.65% own and 81.35% supply chain.
- NO_x: 4.77% own, 95.23% supply chain.
- SO_x: 99.07% own, 0.93% supply chain.

The reduction in emissions of NO_x is mainly a priority for the cement division. The Company controls emissions through systems of continual measurement for the main pollutants. Therefore all factories are equipped with the following:

- Analysers for the measurement of particles in the emission sources channelled from furnaces, clinker coolers, cement mills and coal mills.
- Multi-parametric gas analysers for the measurement of NO_x, SO₂, CO, HCl, HF, COT and O₂ in the furnaces.

For its part, the Construction Division prevents its emissions by means of an exhaustive control of its machinery and the use of the best technology available. To minimize the air pollution, the Company carries out a series of good practices, among which are:

- Reduction of dust by watering roads and stockpiles.
- Use of additives in the irrigation water to create surface crusting, paving of the tracks, or other lasting dust-control practices.
- Use of screens against dust dispersal in localized activities.
- Use of molecular action sprayers in dust generating facilities.
- Use of drilling machinery with dust humidifier systems.
- Good preventive maintenance of the machinery used on the site.
- Employment of tubes for the disposal of debris from a height, and covering the containers with tarpaulins.
- Control of vehicle speed on the site.

- Proper location of machinery and dust emitting activities.
- Paving of the roads at the site.
- Reduction in the emission of exhaust gases from vehicles and machinery.

Furthermore, all of 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.

4.5. 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 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.

For its part, FCC Construcción takes into account all the possible effects on the hydrological environment produced by discharges resulting from its activities. The goal is to maintain the quality levels of water from the works area in the receiving environments, as well as the quality and distribution of water, both surface and underground water, from the area of influence of each centre.

When carrying out direct or indirect discharges, all FCC Construction centres request the corresponding administrative authorizations for such discharges, that reflect the water quality parameters that should be controlled and the frequency of the controls. For this reason, according to the flows of the discharges, the characteristics of the effluents and those of the receiving environment, certain quality parameters are controlled more than others. At all FCC works, an initial characterisation analysis is performed by a recognised laboratory before discharges

are carried out, to check that the effluent is within established limits. Subsequently, the necessary analyses are carried out according to the established frequency.

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 developed by FCC Aqualia.

DISCHARGES TREATED BY FCC AQUALIA	
Volume treated in waste water treatment stations and returned to the environment (m ³)	
2013	2014
502,061,050.9	526,723,447

4.6. Waste generation

4.6.1. Waste generation in Infrastructure

Environmental management systems require and ensure the proper management of the waste arising from the activities. The waste is collected separately in all the Group's facilities in accordance with current legislation in force. The prevention and the segregation of waste for storage until its final management, by authorised managers, giving priority to the best option when possible: recycling, reuse and/or assessment of the elimination or disposal in landfill.

Within FCC Construcción's Environmental Management System, special emphasis is placed on the management of waste from the work sites, of both the earth or surplus rocks, such as clean debris and other waste.

The reduction of the volume of material sent to landfill, and the exploitation through reuse, or transformation, is an indicator of good management of this aspect.

4.6.2. Waste Generation in Environmental Services and Integrated Water Management

The Environment division, by means of its activities directly related to the management of urban solid waste and equivalent wastes, from its collection to treatment and disposal, promotes selection at source, introducing better technologies at its facilities and developing good practices in order to increase the proportion of waste that can be reused, recycled and recovered.

At FCC Aqualia tireless work is carried out in innovation with the purpose of discovering new methods of reducing waste from the integrated management of the water cycle. Thus, the Company devotes a great deal of effort in the implementation of new technologies through investment in R&D&i in two ways in particular:

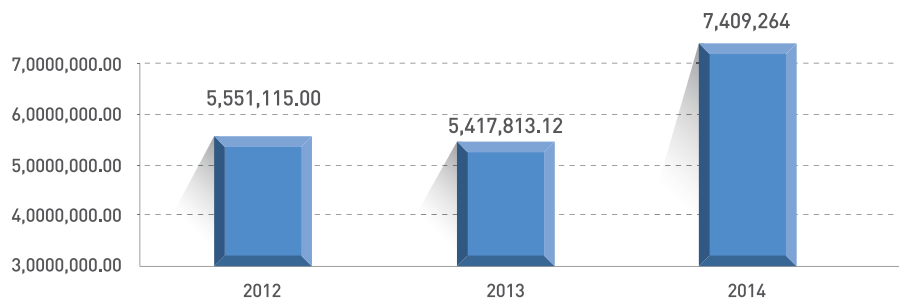
- The production of biogas for its use as a fuel for boilers and for electrical energy from organic waste from bacteria in the digesters.
- Reuse and recovery of sludge derived from water purification processes at the Wastewater Treatment Plants for its subsequent use as compost in agricultural applications.

4.7. Waste management

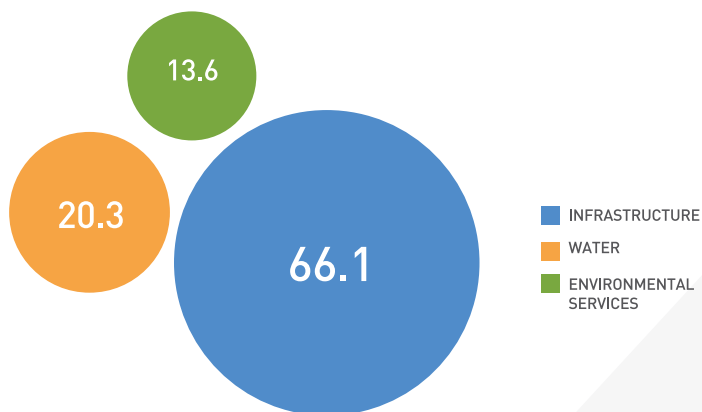
Waste management is an underlying problem resulting from increasing urban growth and development. The use of digital technology, the use of waste as a source of energy or the increase in the efficiency of the elimination of waste will help to take on this challenge. FCC's strategy is committed to recycling, reuse and recovery of waste in order to face up to this problem.

In the following graph, the evolution of total waste generation can be observed. In 2014, the amount registers an increase of 37% compared to 2013. The reasons behind this increase are due to the increase of lixivate wastes generated in the industrial waste division, to an increase in soil decontamination services, as well as due to a fire that occurred in one of the Valladolid waste treatment plants.

EVOLUTION OF TOTAL WASTE GENERATION (t)

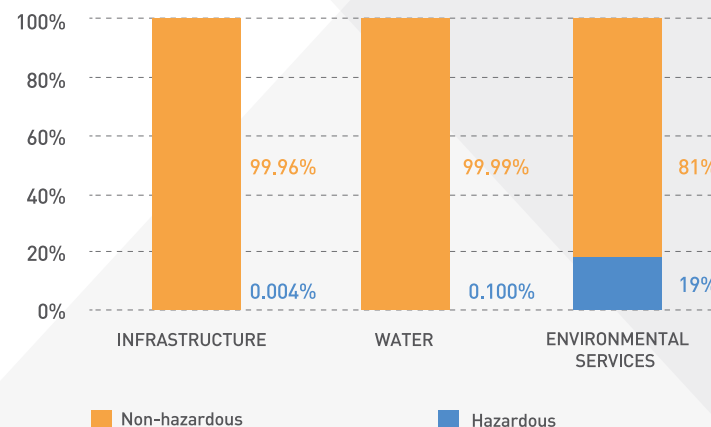


ORIGIN OF WASTE GENERATED (%)



Following the “three Rs” rule (Reduce, Reuse, Recycle), as a strategy applied to waste management, FCC Group gives priority to reducing the volume of generated waste, from the implementation of the best practices available and the efficiency of processes in the various business divisions.

WASTE GENERATION BY BUSINESS AREA (%)

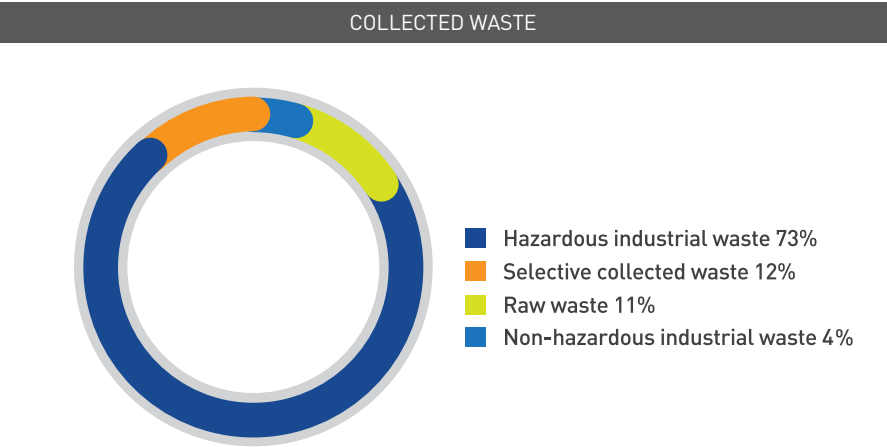


The Group has a line of business that specialises in integrated waste management; the volume of waste collected is over six million tonnes of different kinds of waste (industrial and urban waste, hazardous or non-hazardous). The volume of waste admitted at the Group’s facilities to be managed increased in 2014 to over 9.5 million tonnes. The waste management specialised companies include FCC Medio Ambiente, FCC Environment (UK), .A.S.A. and FCC Ámbito.

The divisions of FCC Medio Ambiente, FCC Environment (UK) and .A.S.A. are subsidiaries of the Group that provide urban sanitation services, such as waste collection, street cleaning, the transport and treatment of urban wastes and the maintenance and upkeep of parks and gardens. The FCC Group is a leader in this sector in Spain and is one of the largest operators in Latin America, United Kingdom, Austria, Portugal, Egypt and the following eastern European countries: Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia.

On the other hand, 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, regarding 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 2014, the Group collected more than 6,276,488.07 tonnes of different types of waste, the majority being urban waste, both raw and from selected collection. The following graph shows the percentages of waste collected by type.



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 slag tips and stabilization.

In 2014 the Company treated 11,811,693.22 tonnes of waste at its facilities.

TREATMENT GIVEN TO THE WASTE ADMITTED TO FCC FACILITIES	
Waste treatment	% of the total admitted at FCC facilities
Recovery in selection and classification plants	9.9
Recovery by biological treatment	7.4
Recovery by heat treatment	6.6
Recovery in construction and demolition-waste plants	0.0
Elimination in controlled landfill	53.0
Deposits in slag tips	0.0
Recovery by recycling	1.2
Energy recovery	0.1
Recovery by physical-chemical treatment	4.5
Stabilisation	1.5
Transfer to an end manager	15.8

Each area of business has its own waste management plans, with the common approach being that of responsible consumption of raw material in order to minimize their generation.

4.8. Protection of biodiversity

The activities of the Group have an associated impact on the ground, and therefore on biodiversity. The most relevant impacts on the environment take place in the Cement and Construction divisions. To mitigate the average effect on these impacts, the Group is developing comprehensive management approaches for the restoration of affected spaces and protection of biodiversity. Therefore, the physical condition of the environment in which they work to host its 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 supported 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 activities of the business areas is 271,450.63 hectares.

It is important to point out that from 2013 FCC joined the Spanish Corporate Biodiversity Initiative (IEEB, Spanish acronym), driven by the Biodiversity Foundation of the Ministry of Agriculture, Food and the Environment. The initiative aims to integrate biodiversity as another factor to consider in the strategic decisions of companies. FCC was one of the first companies to join the initiative.

In the Cement division the main impact on biodiversity is the alteration of habitats and ecosystems as a result of the operation of quarries and gravel pits to obtain the raw material.

The Company has restoration plans with the aim of rehabilitating or recovering, to the extent possible, the original state of the exploited areas, thereby helping to reduce the impact on biodiversity.

The restoration methods most commonly used are transfer mining, which takes advantage of the earth movement generated in the same extraction activity to restore, at the same time, the areas already exploited, as well as the method of benching down, which allows the restoration work to begin on the upper banks already exploited.

The total area affected by the quarrying of Cementos Portland Valderrivas in Spain, from the beginning of the activity until 2014, is 965 hectares for the cement quarries, and 1367 hectares for the aggregate quarries. Of the total open surface, 494 and 1029 hectares have been restored, of which 51 and 75 hectares were restored in the last year.

Through the Construction division, FCC has taken measures for the protection and restoration of degraded areas, or areas that are particularly sensitive to degradation, since it is aware that the execution of the works has an inevitable effect on plant and animal species and their habitats. In 2014, 612,600 m² of protected area were restored and measures were introduced for the protection of 743,052 m² of sensitive areas.

In addition, FCC Construcción has introduced new approaches to environmental assessment in its works. Basic guidelines have been developed to provide instruction on how to act with respect to the conservation and management of biodiversity and the management of cultural heritage, disseminating the guide on the Intranet. The Company has set itself the objective of creating and reporting on these matters to promote their successful implementation.

All measures carried out by the Group for the protection of biodiversity vary in their definition and grade of application, according to the type of project and the environment in which it is located, but they are always designed to condition the surface of the ground, avoid its possible erosion and protect the landscape, allowing the natural development of its ecosystems.

Participation in the EU ZERO IMPACT LIFE project

As a demonstration of its commitment to the protection of biodiversity, the Construction division of FCC has launched the ZERO IMPACT LIFE project, through which it aims to develop and demonstrate the effectiveness of an anti-collision screen for birds on high-speed rail lines. The project is defined and funded by the European Union within the LIFE+ financial instrument.

The implementation period of the project is estimated at four years and among its main objectives are:

- The development of a methodology for the determination of the appropriate measures to protect the bird life on new high-speed rail lines.
- The demonstration of the effectiveness of a new design of anti-collision screens against bird collisions, based on the concept of equally spaced tubular screens (PTE in Spanish), designed to divert the flight of birds over the area of risk.
- The increase of knowledge on the interaction between the railway infrastructure and bird life, with the aim of introducing design enhancements to guarantee biodiversity.
- The reduction of the impact of the existing and future high-speed lines, both in the project area and in populations of bird life established in protected areas.





VI. CONNECTING CITIZENS

Generating the maximum social value through sustainable solutions.

FCC Group intends to link the development 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 activities of added value. The main lines of action are:

- To define a sustainable radar, by means of dialogue platforms with the objective of connecting the management of FCC with the trends and needs of future communities.
- Promote active sustainability that connects with citizens. This means involving communities in the development and start-up of sustainable solutions.
- Promoting the participation of workers, by designing programmes for the development of the “responsible local commitment” concept.
- Consolidate the corporate volunteer programme with the collaboration in residential homes in Madrid, Barcelona and Valencia, for elderly, poor and mentally handicapped people.
- Maximisation of sustainable value by means of positive impact action that strengthens the public notion of the service that the Company provides.

Content

1. Social commitment as a distinguishing feature for FCC Group
2. Corporate volunteering
3. Interaction with stakeholders

1. SOCIAL COMMITMENT AS A DISTINGUISHING FEATURE OF FCC GROUP

The Corporate Responsibility Master Plan defines the framework of action regarding social matters of FCC Group. The main social commitment actions carried out by the Company are supervised and approved by Senior Management.

Within these actions are those relating to the signing of conventions and agreements with universities and other technical centres, the donations and support to institutions and industry associations, as well as sponsorships of a different nature for public-private institutions.

In 2014, FCC Group's activity, aimed at social projects, was centred on education, support for people with special needs, heritage conservation, and the dissemination of art and culture.

The figure for corporate citizenship projects amounted to total of **2,865,585.13 euros**.

Milestones in 2014

- Celebration of the II Week of disability and social occupational integration.
- Support in the United Kingdom to social and environmental campaigns through the WREN foundation.
- Collaboration in vocational training initiatives by the Industrial Waste division such as the 2013 Youth Project in collaboration with INDESPRE and REPACAR.
- FCC Aqualia's prize as runner up at 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 complete success regarding number of participants.

- Development and implementation of a metric to evaluate the social and environmental sustainability in the new construction bids.
- Creation of a "time bank" to devote to the local community, in the work performed by FCC Construcción on the River Mersey bridge, in the United Kingdom.

Challenges in 2015

- Support for new NGO social projects and associations in response to the stakeholders of the water management division.
- Enhancement of support and collaboration with universities.
- Development and promotion of sports activities.
- Preparation of metrics for assessing the impact of the corporate citizenship projects.
- Drafting the volunteer programme "Teachers for a day".
- Producing a basic guide to instruct on how to behave on the FCC work sites with respect to interaction with local communities, taking into account indigenous populations.

1.1. Encouraging the development of local communities

1.1.1. Interrelationship with local communities

In its commitment to local communities, FCC establishes a direct and on-going relationship with all its stakeholders. It is particularly notable in Latin America, where social action programmes are defined, which include issues related to community relations, indigenous populations, the acceptance of the project and the creation of wealth through the employment of local labour.

Citizen Participation Plan in the Port of Callao (Peru)

A notable example of FCC's commitment to the communities in which it operates is the Citizen Participation Plan in the Callao Port construction project in Peru, conducted by the Construction division of FCC, and whose general objectives are described below:

- Comply with current Peruvian legislation on the right of access to information and public consultation.
- Inform the public and stakeholders of the project about the results obtained in the environmental baseline and socio-economic and cultural environment, presenting the analysis and identification of impacts and the Environmental Management Partner strategy.
- Understand, analyse and systematize the main concerns of the population with regard to the possible social, economic, environmental and cultural impact that could be generated from the construction and operation of the project.

Promote harmonious relations between the Company, the State, and the population settlements involved.



1.1.2. Commitment to local employment

In the search for wealth creation for the local community, FCC Construcción has the strategic goal of hiring local professionals in the country where the Company carries out its activity. To meet this commitment, the Company is involved in the culture of the countries in which it is present, creating new local jobs. Respect for, and integration with, the cultures of the communities in which it operates is a maxim of FCC's HR management; some examples are set out below.

Promotion of local employment in Guanacaste, Costa Rica

The Route 1 Expansion project, Section between Canas and Liberia, is located in the Costa Rican province with the second lowest quality of life, where some people even live below the poverty line. In this sense, for FCC Construcción the generation of local employment has been a priority in the development of the project.

The construction division in Costa Rica has generated, in values of monthly averages, employment for 340 people as its own staff, and 380 people employed via direct outsourcing, thus contributing to the generation of income and wealth throughout the province.

Among the direct and indirect jobs generated, work in services related to food and lodging in the area can be highlighted, the work generated by services that cover the needs of personnel that perform tasks directly related to the project or activities that the work itself requires, such as the sources of materials or the sale of supplies, among other things.

Support to local communities in Mexico

FCC supports, through FCC Construcción, different neighbouring communities of the construction project for the new highway between Necaxa and Tihuatlan, which crosses the states of Puebla and Veracruz, forming part of the 283 kilometers Tuxpan Mexico corridor, the main road linking Mexico DF and the Gulf of Mexico.

In addition to helping improve the infrastructure and donating various material goods to improve the quality of life of many communities, FCC Construcción hired a significant number of local workers. During the development of the work, the Company detected an educational gap among the local workforce, for which reason a rapprochement was made with the State Institute for Adult Education (IEEA in Spanish) and with the National Council of Education for Life and Work (CONEVyT in Spanish), to establish a collaboration agreement to assess the productivity and competitiveness of its workers by providing them with basic education, to support the completion of secondary education and to encourage and facilitate enrolment in classes or technical diploma courses.

In order to monitor literacy activities, a recruitment campaign was launched with the workers in order to understand their level of education. This work of adult education carried out by the Company has been recognised by the Governor of the State of Puebla, Mr. Mario Marín Torres, who granted recognition to FCC Construcción for being as a company committed to the education of its employees, issued by CONEVyT.

"Building communities, changing lives" WREN Foundation

Through the independent non-profit making foundation WREN, FCC Environment, 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 2014 WREN funded a total of 431 projects worth £20,819,075 (28,940,678.09 euros).

Priorities for 2014

As part of the commemoration of the beginning of the First World War in August 2014, WREN participated, with £150,000 (208,427.76 euros), in the remodelling of London's Imperial War Museum. In addition, it also collaborated with £200,000 (277,924.08 euros) in the construction of facilities to accommodate the thousands of visitors every year that come to the National Memorial Arboretum in Staffordshire.

On the other hand, in 2014 the Foundation collaborated in the protection of ecosystems of high natural value. In total, £2,200,000 (3,059,149.98 euros) were invested in six projects, which have been used to buy 360 hectares of land and to protect biodiversity in the United Kingdom.

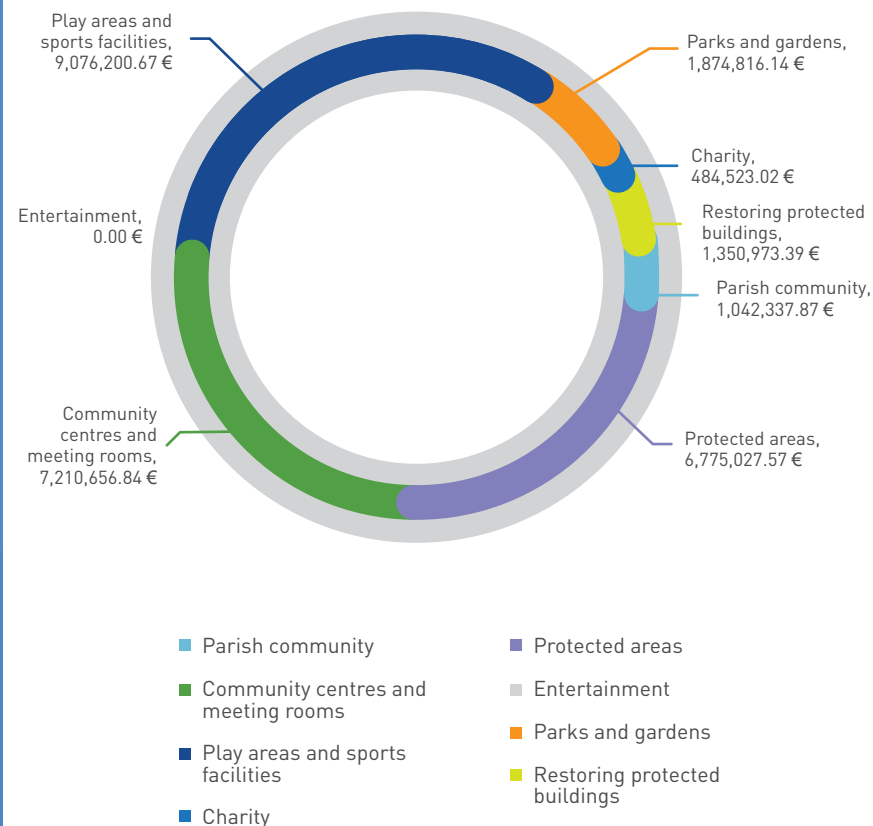
Through the Biodiversity Action Plan – which helps achieve important government improvement objectives and nature conservation – the Foundation supported 12 large projects totalling £2.6 million (3,613,147.94 euros).

Through the Heritage Fund - whose objective is to preserve some of the most important buildings in the United Kingdom - the Foundation supported a further 17 projects totalling £975,958 (1,356,204.16 euros). Assistance with the aerodrome in Stow Maries in Essex can be highlighted, the largest airport in the First World War, which still exists today.

The Foundation maintains a commitment to improving the lives of communities, which has resulted in an investment of more than £14.6 million (20,302,697.75 euros) for a total of 394 projects for the benefit of the community adjacent to the FCC Environment landfill. These projects include the restoration of the Springfield Centre, Milton Keynes. Also noteworthy is the construction of a centre for practising Parkour in Ellesmere Port, to enable citizens to practice this sport safely. With this project, WREN surpassed the £200 million mark (278 million euros) for financing since 1997.



WREN FUNDING BY PROJECT TYPE IN 2014



1.1.3. Commitment to local recruitment

When hiring suppliers, preference is normally given to local companies. In this sense, in addition to assessing economic factors, proximity to the work in question is taken into account. In this way, the execution of the construction work ensures direct and indirect job creation and has a positive impact on the development of the community and the local economy.

In addition, the Company organises and participates in various events with local suppliers to report on the specific needs of each project. An example of this is the event "Meet the buyer", organised by the Merseylink joint venture, in which FCC Construcción has a 33% participation. The meeting between construction companies and potential suppliers in the area was used for them to become acquainted with the project to be performed and its conditions.

1.2. Platform for dialogue with cities

Within the Corporate Responsibility Master Plan, FCC Group has planned cooperation with cities and communities in order to establish dialogue platforms regarding the eco-efficiency challenges of the municipalities.

Almería 2020

FCC collaborated directly on the launch of the discussion panel with stakeholders in Almería 2020, a platform for dialogue focused on the future of the city.

The work session was attended by prominent figures in the civil and business sectors of Almería, with their views contributing to shaping a citizen perspective to that of the local reality of the city. On the basis of the issues raised and the findings obtained during the meeting, a document was prepared whose lines of guidance are:

- The prioritization of the most relevant issues for clean, smart and inclusive development for Almería 2020.

- Current status of each of the issues dealt with, carrying out documentation and development work on these matters.
- Main lines of action identified by the prescribers as necessary to achieve smart, clean and inclusive development for the Almería 2020.

The main topics addressed by the attendees were: Tourism, Agriculture, the role of the port, the innovative management of water, the concentration of the food and agriculture sector, waste management, the regeneration of the urban centre, Almería as a film set, the arrival of the AVE high-speed train, the airport and urban mobility in Almería.

Based on these themes an analysis and prioritization was carried out of those that proved to be of greater interest, for which a series of principal lines of action was established. In particular, these were: Tourism, food and agriculture sector, port and innovative management of water.

With regard to the last item mentioned, FCC has defended, through its water division, the importance of ensuring the water supply for the future and the need to provide a better use of this asset by reusing it.

To ensure innovative water management, FCC has analysed the following issues with several of the city's stakeholders:

- Management of aquifers.
- Diversification of water sources.
- Waste-water recovery technologies.
- Minimizing system losses.
- Measures of awareness and involvement of the population.

In addition, FCC and the Municipality of Almería are already working on the preliminary plan for the reuse of water that goes to the water treatment plant El Bobar for use in agriculture. The goal is to achieve maximum efficiency of use of the resource that will allow economic and social development in the present time without compromising the ability of future generations to enjoy this resource.



1.3. Sharing knowledge with universities, colleges and business schools

Cooperation within the sphere of education represents a basic line of action with respect to the social commitment activities of FCC Group. Knowledge and experience of employees are the main assets of the project developed by the Company. FCC makes use of this expertise for the development of educational activities aimed at economic, social and cultural development of local communities in which it operates.

Each one of FCC Group's lines of business carries out its own educational activities.

The objective is to share knowledge in the areas in which the Company specialises, fundamentally in the areas of waste management, the fight against climate change, improving air quality, maintenance of parks and gardens, and social corporate responsibility, among others.

MAIN AGREEMENTS AND INITIATIVES IN 2014

Environmental Services

Collaboration with the Design and Processes Engineering Department of the University of Huelva (UHU) in:

- The IISIS project, specifically 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 work experience with:

- 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 the performance of non-labour work experience at work centres.
- The Integrated Centre for Vocational Training in Aguas Nuevas for the performance of non-labour work experience at work centres in the parks and gardens of Albacete.
- The Olot Technical Professional School, the Centre of Financial Studies in Barcelona and the Agustí Serra Institute so that their students can perform work experience in companies.
- 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 job centre concession at the Barbanza Environmental Complex.
- Innovation and Occupational Training Centres (FIFO) of the Government of Catalonia in Sta. Coloma de Gramenet.

Integrated Water Management

Collaboration in training courses with the following universalities:

- **Rey Juan Carlos University.** First Human Rights Meeting (2014). II Business and Human Rights Meeting.
- **International University of Menéndez Pelayo.** (UIMP). (Santander): IV meeting of "Smart Cities and Innovation in Services" (2014). Meeting entitled "Business and sustainable development, an industrial view within the "Development Agenda Post 2015 and the Private Sector" course.
- **University of Alcalá.** International Congress on Bioelectric Technologies, EU-ISMET 2014.

FCC Aqualia forms part of the board of trustees and the scientific council of IMDEA Water, an institute for the investigation of scientific and social aspects of water for its efficient management in the twenty-first century.

Infrastructures

The Company has collaboration agreements with the following universities in Spain:

- | | |
|--------------------------------------|------------------------------------|
| • University of Cantabria | • Comillas Pontifical University |
| • Polytechnic University of Madrid | • UNED |
| • Alcalá de Henares University | • University of Castilla la Mancha |
| • Polytechnic University of Valencia | • Oviedo University |
| • Alfonso X el Sabio University | • Burgos University |
| • Salamanca University | • Granada University |
| • Carlos III University | • Complutense University of Madrid |
| • Madrid European University | • Autonomous University of Madrid |

Other collaborations:

- Nebrija University. Preparation of the book "Colombia: a country undergoing accelerated transformation".

- University of Cantabria. IDEAS program (Integration of Companies in the Construction Sector in Teaching at the Santander School of Civil Engineering).
- Ibn Khaldoun of Tiaret University, from the Algerian construction office.

1.4. Supporting groups at risk of social exclusion and with inclusion difficulties

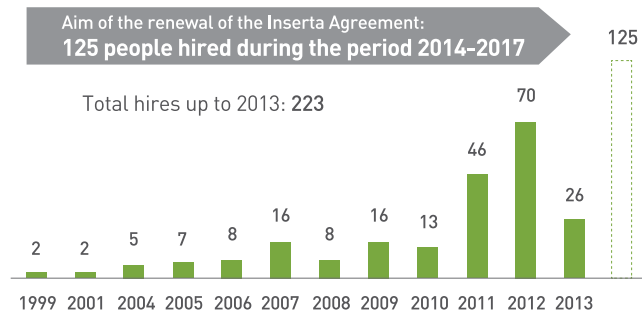
The work of FCC Group in the integration of persons with disabilities is aimed primarily at the area of employment. At FCC we understand the need for human and professional development of every person, understanding that employment is one of the main ways to achieve proper integration of all people.

FCC Group has worked for years with various specialized institutions and professionals to carry out the job of recruiting, hiring and monitoring of persons with disabilities that are incorporated into the organisation, adapting the work posts to the professional profile of the workers and facilitating a standardised integration programme within the Company. The initiatives developed by the Organisation in this area have already been dealt with in the section on "FCC's team of professionals".



Incorporating people with disabilities. Inserta Agreement

In 2014 FCC renewed its commitment to the entity of reference, the ONCE Foundation, with the Inserta Agreement, part of its Programme for Talent. The Agreement covers the incorporation of 125 people with disabilities in the Citizens Services Company over the next three years, thus leading to an overall figure of 350 workers with disabilities in its workforce.



FCC's Special Employment Centre. FCC EQUAL

The real commitment of FCC Group to the integration and inclusion of people with disabilities in the field of employment is demonstrated by the creation of FCC Equal CEE, an organisation dedicated entirely to the management and implementation of Special Employment Centres and to the presentation of auxiliary services for people with disabilities.

This currently accounts for 11 workers. The project has been driven by FCC Medio Ambiente, with the direct involvement of its Chairman, General Manager and the Human Resources management department.

FCC supports third-sector associations in insertion into the labour market

FCC subsidises projects that help and promote social integration, employment and value through recruitment. The Group collaborates with the **Adecco Foundation**, the **Integra Foundation** and the Prevent Foundation, among others. With regard to the latter, the participation in the project "Classroom of entrepreneurs" should be highlighted, which is aimed at entrepreneurs with disabilities. The objective of the project is to help launch or accelerate the development of a recently created business initiative.

Other outstanding initiatives in which FCC Group has been involved in 2014 are the "Pink Rose Week" for breast cancer; in which FCC Aqualia joined in the events organised by the Spanish Association Against Cancer (AECC in Spanish) and the Oviedo City Council, as well as seminars on vulnerable people and minimum resources organised by the Ombudsman of Andalusia; in which FCC Aqualia also participated.

At FCC we believe that beyond the management of legislation, ethics and social commitment, there are employment and economic reasons for the effective handling of diversity and disabled persons. Its good management directly affects the efficiency and competitiveness of the Company and the individuals who belong to it, and there are huge business and personal benefits that make the effort worthwhile.

1.5. Evaluating social and environmental sustainability in operations

The 1.5 action programme of FCC's third Corporate Responsibility Master Plan, in its "Citizen Connection" line, establishes the goal that in all public tenders submitted by FCC there will be social and environmental impact metrics with respect to its hiring operations.

In order to comply with this objective, during 2013 FCC Construcción defined a metric to evaluate the social and environmental sustainability of projects in the bidding phase, involving stakeholders in its implementation. Moreover, the systems and technologies department of the infrastructure division developed its own IT

tool with which to be able to apply the methodology designed to the new tenders from January 2014 and, in this way, categorise the projects undertaken by FCC Construcción.

In particular, the metric assesses whether the project to be submitted for tender involves the relocation of people or communities, whether it negatively affects any singular element of heritage, whether there is an environmental impact study, or any other figure for predicting and mitigating environmental impacts, whether the work involves increased access to basic utilities (water, communications, electricity, etc.) for the population, whether citizen participation has been included at any point in the process or whether the project has a specific and evident social response.

The classification of the project, defining whether its environmental and social risk is high, average, or minimal, allows the early identification of relevant requirements when submitting, evaluating and auditing the project. Of the 1,045 projects tendered and studied in 2014, 51% presented minimal or zero environmental and social risks, 48% have been associated with an average risk and 1% have a high risk.

This new metric is added to the “Initial Risks’ Report”, through which it examines the contractual risks, financial risks, insurance and tax risks, technical risks and financial risks of the work. With the result of both analyses, complete information is available on all areas of sustainability, which helps the Company in its decision-making process regarding whether or not to submit the bid.

1.6. Educational action for sustainable development

The Group’s Corporate Responsibility Master Plan covers, in its “Citizen Connection” section, a programme of action that enables the participation of FCC employees in the creation of a more sustainable city, from its know-how, and through child-education initiatives.

There are numerous initiatives in this field of environmental education that FCC develops through its various subsidiaries, but due to its tradition and scope we highlight the children’s drawing competition that FCC Aqualia has developed for years in different countries.

FCC Aqualia and child awareness for the rational consumption of water

On the occasion of the celebration of World Water Day, and to promote knowledge about the water process and to increase awareness of the need for rational consumption, FCC Aqualia, through its professionals, organised and took part in different activities, competitions and workshops in which representatives of a large number of children participated.

FCC Aqualia carries out relevant dissemination work, especially among the young, on the current importance of innovation projects, for which it organised the drawing competition “The future of water looks good because you paint it”, where children convey, in their work, the importance of smart water use through innovation.

XII Concurso Internacional de Dibujo Infantil

el agua necesita de héroes como tú

Cuéntanos tu aventura para salvar el planeta

¡Anímate y consigue grandes regalos!

2 PlayStation 4

1 Plasma Digital Interactive Smart Board 55-688

10 Tablets Samsung Galaxy Tab3 Lite

300 Juegos "Mundo Sumergido"

¡Esta aventura la cuentas tú!

www.heroesdelagua.es

www.aqualia.es

Additionally, the 5th “young-artists” internal drawing competition was held in 2014, in which the children and grandchildren of employees of FCC Aqualia in Spain and Czech Republic participated. In total 75 children between five and eleven years old conveyed their ideas on the smart use of water.

Furthermore, in 2014, the children’s international competition “Water needs heroes like you”, whose

purpose is to reflect on the importance of making responsible and effective use of water, held its twelfth edition. The contest, the first to be carried out on digital format, and convened on the occasion of World Water Day, invites children to tell an adventure to save the planet. The event, which is a point of reference in the municipalities in which FCC Aqualia provides services, enjoyed the participation of 197 schools and 3,500 children from all over Spain, generating over 30,000 visits and a million hits on the microsite. The content, available in Spanish, Portuguese, Catalan and Galician, was disseminated over 3,000 times through social networks, and generated more than 3,000,000 positive impacts, due to the educational and playful character of the tool.

In parallel the 12th edition of the traditional drawing contest took place, which organised developed by Caltaqua, which manages the integrated water cycle in the Sicilian Province of Caltanissetta. This edition was a great success in terms of participation, with more than 300,000 drawings being received, and with water as a common theme for nearly 2,000 children from 33 schools.

2. CORPORATE VOLUNTEERING

FCC Group and its different business areas encourage the participation of its employees in achieving corporate objectives. The programme is aligned with social projects of the **Esther Koplowitz Foundation**, an organisation 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 humanitarian emergencies aid.

Milestones in 2014

- Participation of 29 new volunteers in the programme entitled "Friday's at the Old Peoples Home".
- Organisation of 30 conferences and eight musical events.
- Implementation of the "Summer at the Residence" programme.
- Dissemination in the corporate volunteering good-practice forums in Spain.

Challenges in 2015

- Maintain a frequency of at least bimonthly for FCC volunteers' activities.
- Achieving better results from the volunteering portal through the launching of other solidarity initiatives carried out by FCC employees.
- Enhancement of national dissemination of the FCC Volunteers' programme as a good practice.
- Enhancement of the volunteering portal for the dissemination and coordination of all the volunteer initiatives of the company.
- Implementation of FCC's Solidarity Intervention Unit (SIU) for the voluntary support of Group professionals in disaster situations.

2.1. Corporate volunteer project on cognitive stimulation of people at risk of exclusion "FCC Volunteers, with you we are more"

In 2014, FCC Group continued the volunteer programme, promoting mainly the "Friday's at the Old Peoples Home", an activity whose main objective is to contribute to improving the welfare and quality of life of older people with few resources, through the stimulation of their cognitive state, which is the main cause of their fragility and dependence. To achieve this, different talks and

cultural initiatives took place, designed in close collaboration with professionals from the centres responsible for the care of these people.

Through this project FCC managed to increase closeness with its employees, at the same time employees can channelling their social will, and embrace the affective bond between the residents in the centres and the company itself.

The programme has now been running for five editions. The activities are fundamentally of two types: talks on cultural, medical or recreational issues, in which there is a transmission of knowledge from the volunteer to the residents, but which are also conducive to the active participation or debate on the part of residents; and music and dance performances that physically and psychologically stimulate elderly people.

The programme is addressed primarily to residents of old peoples' homes with few resources and the Nuestra Casa day centre in Collado Villalba (Madrid) and the Nostra Casa Residence in FortPienc (Barcelona), both residences built and subsequently donated to the local government by the Esther Koplowitz Foundation. The project therefore reached a total of 347 people.

As a novelty in 2014, the "Summer at the Residence" was launched, to provide continuity to the programme during the summer period, thus responding to the demand of the residents.



FRIDAYS AT THE OLD PEOPLE'S HOME. 2014 PROGRAMME

SPEAKER	POSITION	TITLE OF TALK
Cristina Bergoglio	Architect, painter and writer	"Inner City"
José María Paz Gago	Professor of Literature at the University of La Coruña	Poetic Reading
Julio Pastor Bayón	Director of Informative Relations of the FCC Group	"Director of Informative Relations of the FCC Group"
Julio Senador-Gómez Odériz	Civil Engineer	"Mus and the virtue of eutropelia"
Lola Alcaraz	Head of Protocol of the French Embassy	"Rituals, culture and traditions in different countries for when you host people"
Nuria García Herguedas	English philologist and nurse	"Men's and women's constitutions"
Amaya and Alejandro Seco	FCC Group	"Almost everything in life is a question of attitude"
Charo Serrano	FCC Group	"Olive oil: applications in cosmetics" "St. James' Path: from Roncesvalles to Logroño"
Juana Crespo	Head of internal communications for FCC	"Major popular festivals in Spain".
Pilar Ferrer	Journalist for the newspaper La Razon	"The figure of the King"
Carlos Neville	Professional photographer. Expert in sound and image.	"Keys to building a boat"
Manuel Oreja Arburúa	Consultant	"Current view of the economic crisis"
Esther Pérez and her son Antonio	Executive secretary of the FCC Group	"The Mountain area of Madrid"

SPEAKER	POSITION	TITLE OF TALK
Ramón Tamames	Jean Monnet Chair of the EU, member of the Rome Club and Royal Academy of Moral and Political Sciences.	"The Green Planet: Challenges and Responses"
José María Merino	Deputy HR Director at FCC	"Sayings in Spain"
Cristina García	Head of prevention in FCC Construcción	"Review of the best portraits of the Virgin in the Prado Museum collections and concert along with her fellow parishioners"
Antonio Pérez	Central Area Director of FCC Construcción	"The Harley Davidson World"
Miguel Jurado and his brother Enrique Jurado	General Manager Director of FCC Construcción and renowned coach in the business world	"Making the impossible possible". Recipes for not losing happiness or emotional stability and to overcome fear
Jazz Concert with Javier Elorrieta and his Silver Jazz Quartet	Creator and artist, film maker, musician, and theatrical producer	Jazz Concert
Javier López-Galiacho	Corporate responsibility director of FCC and president of the Friends of the Historic Theatres in Spain (AMIThE in Spanish)	History of the genre of the Spanish Music Magazine. "I'll wait for you in The Parallel"
Celso Arango	Professor of Psychiatry	"The challenges of severe mental illness in current Spanish society"
Hermana Mariela Gómez	Hermana de la Fundación Sister of the PRODEIN missionary foundation, founded by missionaries of Lumen Dei	"Work of the missionaries at the PRODEIN Foundation"

SPEAKER	POSITION	TITLE OF TALK
Los Mariachis de Chihuahua		Mexican folk music concert
Alicia Casasolas	Health Inspector for the Aragon Autonomous Region	"Healthy eating in the third age"
Miguel Ferrer Ferrer	Tenor	Recital of Zarzuela Romanzas and a Song review
Asociación castiza "Rompe y Rasga"		Madrid, Madrid, Madrid
Amador Cano and Ricardo Sánchez Moya	Singer and guitarist	Flamenco lives on
Ruben Lobato and Miguel	Guitarist and singer	Guitar and folk music
Aragon Centre of Barcelona	Dance space	Aragon Lives on
Marta Almajano and Ernesto Mayhuire	Soprano and professor of Historic Folk Music of the Higher College of Music in Catalunya and guitarist and teacher at the Conservatory of Biel/Bienne, Switzerland	"Songs, waltzes and minuets"
Vicente Sánchez	General Secretary of the Construction and Services' Trade Union	"The mountain as a way of life"
José Luis López García	Professor and Chair of the Faculty of Agricultural Engineers at the Polytechnic University of Madrid.	"The benefits of oil, wine and honey"
Estrella Pérez Segovia	Guide at the National Museum of Romanticism	"Queen Isabel II of Spain (the one with sad destinations)"

SPEAKER	POSITION	TITLE OF TALK
Luis Miguel Esteban	Pharmacist	"Medication in the elderly and its benefits"
Commemorative event of the thirteenth anniversary of the inauguration of the Nuestra Casa Residence		
Tomás González Villoslada		"The beginning of the currency in Spain" and "The Fernán Núñez Palace in Madrid"

3. INTERACTION WITH STAKEHOLDERS

The **dialogue strategy** with the stakeholders of FCC Group 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 identify their main concerns.

The Company's solid strategy of dialogue and cooperation, allows a very close relationship to be kept 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 to post information to its different stakeholders. Likewise, the divisions of the Group post key information through **consultation sessions, e-mails, bulletins and magazines, sectorial publications and end-of-work surveys**, among other things.

Milestones in 2014

- Definition of the FCC Aqualia dialogue strategy with its stakeholders.
- Continuation of the social project for the responsible management of the La Valdeza communities, 19 April, in Panama by FCC Construcción.
- Modification of the evaluation of suppliers, including criteria for social and human rights.
- Internationalise the communication channels of FCC Construcción and review and improve same.

Challenges in 2015

- Definition of the activity of the Company and an increase in the information reported in relation to the social performance of FCC Aqualia.
- Continue with the development of initiatives by FCC Aqualia to improve water quality.
- Implementation of actions to facilitate professional development and enhance the customer experience at FCC Aqualia.
- Commissioning of new measures to ensure the equality and diversity of FCC Aqualia, as well as implementing improvement actions in relation to occupational health.
- Work with local administrations to understand the needs of the cities of the future, and promote dialogues and projects regarding same.
- Develop a guide that indicates what should be contributed and how the administrators of the new Intranet should undertake their role.
- Introduce a mechanism for collecting information about the negative impacts of the supply chain (supplier audits).

3.1. Shareholders and investors

The Company website has a section for shareholders and investors, which in 2014 received a monthly average of 45,844 hits, with information about the economic performance of the Company, stock market and financial information, as well as an investor's agenda for providing notifications of relevant events. FCC Group has a Shareholder Services Office.

In 2014, the Stock Market and Investor Relations department held 522 meetings with investors. 46% of them have taken place with investors in the United Kingdom, 23% in the United States and the remaining 31%, in the main European markets.

3.2. Employees

3.2.1. Internal Communication

The establishment of effective internal communications is a priority objective of the Human Resources team. The Department of Communications and Corporate Responsibility work to establish new and powerful internal channels and to achieve a corporate culture based on common and robust behaviours and values as a sign of identity, able to mobilize, motivate and engage people who make up the team of FCC professionals.

Moreover, the main purpose of the Internal Communications team is in driving communication actions and specific services that are deployed internally, and, in turn, the First Communication Plan of the Human Resources Department. From the team of internal communication the effective approach to information of interest to workers is also promoted, with special emphasis on information, messages, policies and strategies that are directly related to the management of the Company and the professional environment of the people. The Human Resources Strategic Plan aims to promote communication that will help to encourage productivity and professional development of professionals in the Company.

Celebration of the first Technical Construction Conference 2014

During 2014, FCC Construcción held its first technical conferences, an event which was attended by over 125 managers, as representatives of all areas of business at the international level and FCC Construcción support services.

At the conferences the past, present and future situations of the Company were analysed, and different experiences were shared. The event was a transparency communicative event based on the need to share information about the current situation of the Company, the necessary change process, and FCC Construcción's strategy. The event enjoyed the presence and participation of the vice president and CEO of FCC.



3.2.2. Tools for dialogue with the people who make up FCC

The main communication tool with employees that brings together FCC professionals is the FCC ONE corporate Intranet. Therefore, in order to meet the needs of the Company's human capital in a more personalised way, the employees can use the **Employee Website**, with specific content on the **internal communication** channels as additional tools to facilitate 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.

FCC Group also keeps its employees informed via the publication of the bi-monthly on-line magazine “**Communication Network**”, which received an average of 20,143 visits in 2014 and is available in twelve languages. For FCC it is essential that all relevant information related to recent events that have occurred in the Group reaches all employees, both at national and international level. For this reason, the online channel is supported by the poster version that, after its necessary logistics’ task, is accessible to the thousands of employees of the Group.

Furthermore, FCC Group carried out intense work with regard to internal communication campaigns. Among the major campaigns carried out in 2014 are the following:

Campaigns	Description
International Women’s Day	The campaign was translated into 14 languages and its dissemination is carried out through all kinds of media such as the internal magazine, photographic exhibits, posters, etc.
Campaign against gender-based violence	Made to coincide with the International Day for the Irradiation of Violence against Women. For this campaign messages were disseminated via electronic media and on the corporate Intranet, through an informative video. It is important to highlight the high involvement of employees who showed their support through a multitude of messages of rejection of, and being alert to, gender-based violence. The campaign was awarded the “The 100 best ideas of the year” prize from the Actualidad Económica magazine.
Solidarity Campaign “Nobody without shoes”	Aimed at collecting footwear for people experiencing social exclusion.
International Day of Persons with Disabilities	Held on December 3 and translated into 14 languages.

“Operation Kilo” Held on December 3 and translated into 14 languages. Organised for the donation of basic needs food to the Food Bank.

“Do you like sport” Campaign focused on the dissemination and knowledge among employees of the FCC Social Network of sport, framed within the healthy Company project.

Internal Mobility Campaign Campaign to promote the new policy of internal mobility and dissemination of the internal mobility portal “FCC in the World”.

Campaign on the Code of Ethics Awareness campaign on the Compliance System for FCC’s Code of Ethics.

“War on paper” Campaign Organised to increase environmental awareness and cost optimization for sustainability. With this campaign, FCC encourages its employees to save paper.

3.2.3. Respect and support for labour rights

The complexity in the management and protection of labour rights for the Group has different implications according to how they are considered in Spain and the rest of the world.

It should be noted that in Spain the total workforce of FCC Group is covered by a collective bargaining agreement. This type of labour regulation is the predominant form in the organisation as a whole at international level, without prejudice to other forms of regulation.

At international level, for the sake of protecting the rights of its workforce, FCC Group is a signatory to the most important standards in the field of human rights.

- The Company adheres to the United Nations Global Compact, and includes the main guiding principles of the OECD Guidelines for Multinational Enterprises.
- In countries which have not ratified the conventions of the ILO, FCC Group has proceeded with the negotiation of agreements with the International Federation of Construction and Wood Workers (BWINT in Spanish).
- The Company has made commitments within the framework of the Universal Declaration of Human Rights, the Declaration of the Rights of the Child and various ILO conventions.

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.

Suppliers' commitment to the FCC Code of Ethics and the Global Compact

FCC establishes the requirement that all the suppliers and subcontractors understand and respect the content of FCC's Code of Ethics in their relationship with the companies of the Group. The suppliers should also make the commitment to fulfil the 10 principles of the United Nations Global Compact, which FCC joined in 2007.

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 performed means that FCC frequently undertakes self-regulation initiatives and participates in the drafting of legislation relating to its sphere of operation. All the Group's business areas have implemented voluntary measures with the objective of maintaining production and service standards in the different areas of activity, as well as in the sphere of sustainability.

A highlight of 2014 was the organisation and participation in the discussion panel organised by FCC to talk about the challenges facing Almería until the year 2020, which is mentioned in the first paragraph of this section on Connecting Citizens ("social commitment as a symbol of identity in FCC Group").

3.5. Clients

FCC Group's direct clients are government, private institutions and individuals. The objective of the Organisation is none other than to satisfy the needs and demands established by the end users of the products and services that it carries out.

The quality management systems implemented in all FCC Group's lines of business, based on prestigious international standards such as the UNE EN ISO 9001, are incorporated as an aspect with which to evaluate client 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 different communication channels for clients by business area (telephone, email, fax, internet, letters, invoices, or face-to-face meetings or visits with the commercial departments).

Environmental Services

FCC's Environment Division has drafted a series of 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 environmental and social performance of the sustainability policy of the organisation that it communicates to its clients. All of which contributes to strengthening the monitoring and control plan for the reliability and quality of published information.

Integrated Water Management

Customer care is an essential part of the service provided by FCC Aqualia. The Company's policy is to offer personalized and close attention according to the needs of each customer. For this reason, it makes available the tools and resources needed to provide a flexible, quick, simple and effective service to each customer. The main channels of communication of FCC Aqualia are:

Aqualia contact. Phone channel that is born with the aim of applying the most advanced technology in communications for customer services, allowing their needs to be attended to at any time and place. It is identified as a modern service, created to respond to a constantly evolving society.

Aqualia online. A channel that allows FCC Aqualia customers to perform all their processes in a simple, flexible and confidential manner 24 hours a day, 365 days a year. Through the FCC Aqualia website, it is possible to perform procedures, modify personal data, consult the tariffs applied, request electronic invoices, facilitate meter readings, pay bills, submit claims or request the cancellation of supply, among other processes.

Both channels have a management system that ensures the security of customer information endorsed by an AENOR certificate in accordance with UNE-ISO 270001: 2007. In addition, with the purpose of ensuring the protection of users' data, FCC Aqualia uses the "e-privacy" tool.

FCC Construcción

FCC Construcción has a client interlocutor 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.

FCC live is an on-line publication that has three sections: video news, video report and a newsletter. Its design has a friendly format, which allows you to update the content generated according to the needs of the business for a rapid dissemination of information. This channel brings the Company closer to its stakeholders and generates a positive attitude toward FCC Construcción, its activities and its professionals.

FCC City is an on-line channel that allows two forms of browsing: a virtual city, and a map of the world in which more than 120 unique building works organised by continent and country are located.

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 FCC Group's diversity of activities and types of customer 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 materiality for the Group's business, FCC Aqualia, as a consumers and users manager, is the Group's business that most directly manages dialogue and the measuring of satisfaction of stakeholders.

Through the Water Division, FCC conducts biannual end customer and institutional customer satisfaction surveys. The latest ones took place in 2014.

The survey on end customers has been carried out by phone and online, with a questionnaire with open and closed questions. In total there have been 3,945 surveys (1,925 by phone and 2,020 on line).

In the analysis of the results we get a unique value that measures the overall satisfaction of the customers using a multivariate analysis. This value is calculated on the basis of:

- Valuations that clients give to the various aspects measured in the survey
- The impact or weight that these aspects have on the composition of the overall assessment given by the user

The overall assessment of institutional clients is 22.2 points, representing a decline of 2.9 points compared with 2012. However, the satisfaction that the interviewees have shown with regard to the quality of service in the year 2014 recorded a 69.8 % of positive ratings of the respondents.

The satisfaction study of institutional clients has involved 22 individual interviews with different managers of various customers of the Group.

The end customer satisfaction survey yields results similar to those of 2012. The valuation has reached 3.91 points from a total of 5, compared to 3.90 obtained in 2012.

Customer satisfaction as a priority for FCC Aqualia

Through **Aqualia Online** and **Aqualia Contact**, 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 client 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 strategy of excellence with regard to its customer services.

Aquarating assesses the quality of the Integrated Water Management

Aquarating is a scoring system to comprehensively evaluate the performance of water and sanitation service providers. The programme is in its developments 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, Efficiency in Planning and Execution of Investments, Efficiency in Business Management, Financial Sustainability, Environmental Sustainability and Corporate Governance.
- An evaluation of the reliability of requested information.
- Guidelines for improving management practices.

Aquarating provides important benefits for both direct clients 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.



VII. HOW THE REPORT WAS PREPARED

(G4-18 b)

This FCC Group Corporate Social Responsibility Report (CSR) provides information regarding the management of key aspects of the Company and its business during 2014, as well as progress, activities and indicators framed in the strategic concepts defined in the 2012-2014 Corporate Responsibility 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 Responsibility management in the Group and its subsidiaries.

The report contains an introduction to the profile and FCC's main financial figures, as well as information regarding milestones and objectives in each of the Group's three lines of business: Infrastructure, Environmental Services and Water; and the information about the corporate responsibility strategy, and programmes of action, in accordance with the three strategic lines of the Corporate Responsibility Master Plan (exemplary behaviour, smart services and connecting citizens). Each of the three chapters contains a summary of the main policies and initiatives in force.

Materiality Study

The first step in the preparation of the report was the materiality, the undertaking of which consisted of a review of the study carried out in the previous year on the basis of the impacts of the various activities of the group as well as the geographical areas of operation. In particular the issues incorporated in matrices of materiality by business have been reviewed. In parallel a process of validation has been performed through external interviews with five prescribers in the field of investment and business analysis.

Process of determining material matters for FCC Group

(G4-18 a) (G4-24)

The materiality study carried out for the preparation of the Corporate Social Responsibility Report 2013 was based on the 46 specific aspects defined by the Global Reporting Initiative in its "Guide for the preparation of Sustainability Reports G4", applied to the sectors of infrastructure, water and Environmental Services in

which the Company works. These aspects were classified in the three axes of the Master Plan: Connecting citizens, Exemplary behaviour and Smart services, and by line of business, with the aim of identifying the relevant aspects of the business aligned with the strategic lines of the group in the field of sustainability.

In order to determine the relevance, 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 Guideline of the Global Reporting Initiative in the public information of the prescribers relevant to FCC, and which cover key agents of the sector in which the Company is involved, as well as key international organisations and institutions in the field of sustainability.

- On matters of sustainability: G4 Global Reporting Initiative Guideline, 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)

The maturity was determined through the analysis of annual and sustainability reports of the main competitors of FCC, which allows the sustainability issues relevant to the competitors to be identified and determines their importance and level of development on the basis of the degree of care that they receive in these reports.

As a result of the previous phases, some matrices were obtained that determined 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.

For the continuation of the materiality study a review has been carried out of industry trends in the medium and long term for each of the businesses, infrastructure, water and environmental services, all in accordance with the sources of reference for the industry. The review of the matters contained in the matrices has been made on the basis of the following reports: Global Risk 2015 (World Economic Forum) and

World Markets Report, Emerging Trends in 2014 (KPMG), Water Outlook to 2050 (OCDE) and ISS 2020 Vision.

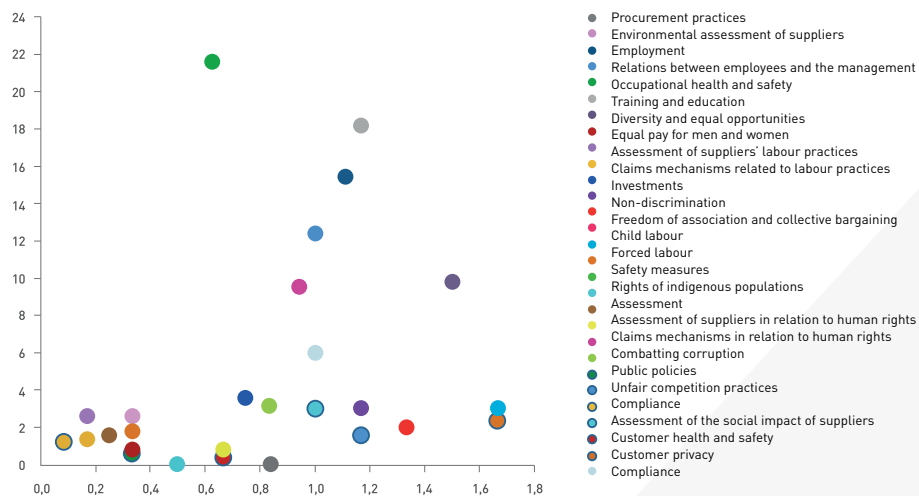
In addition it has undertaken a process of external validation, carried out through interviews. For this purpose, prescribers from the field of investment have been selected as well as financial and extra-financial analyses.

Both processes have allowed to increase the number of material issues and the updating of the prioritization of the material issues of FCC Group by business line and by dimension of the Master Plan.

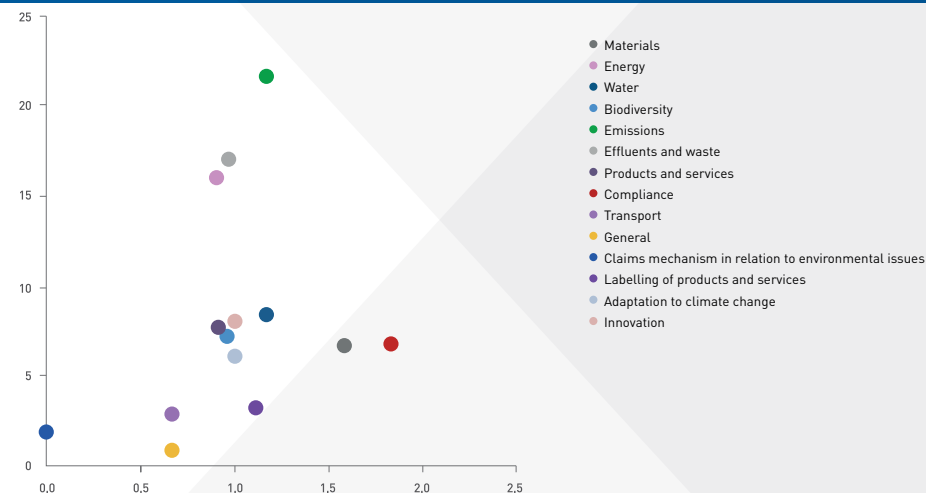
Matrices by business line

ENVIRONMENTAL SERVICES

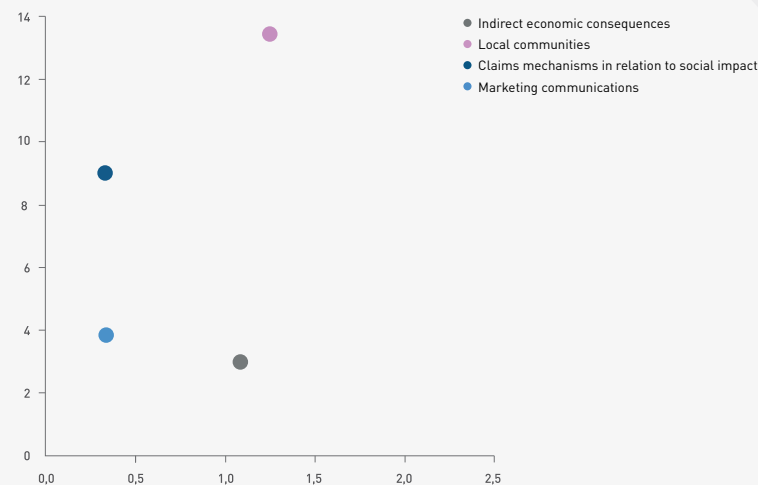
Exemplary behaviour



Smart Services

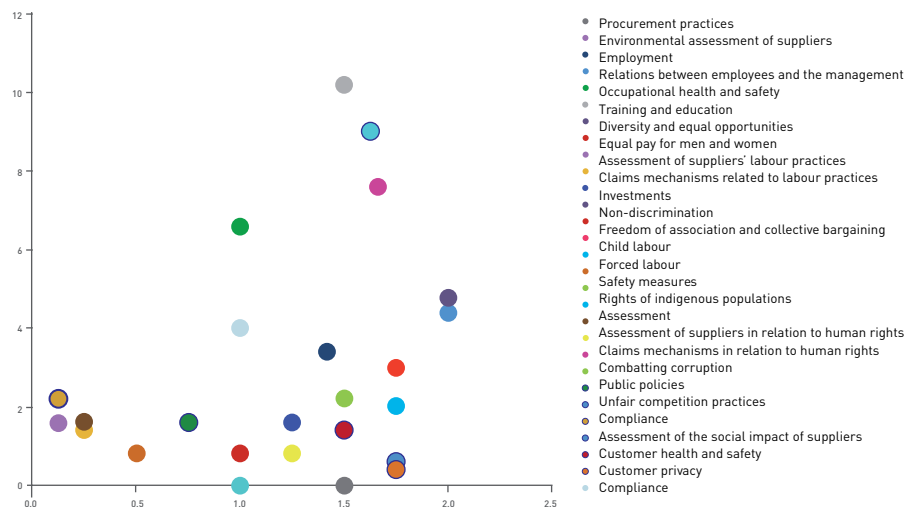


Connecting citizens

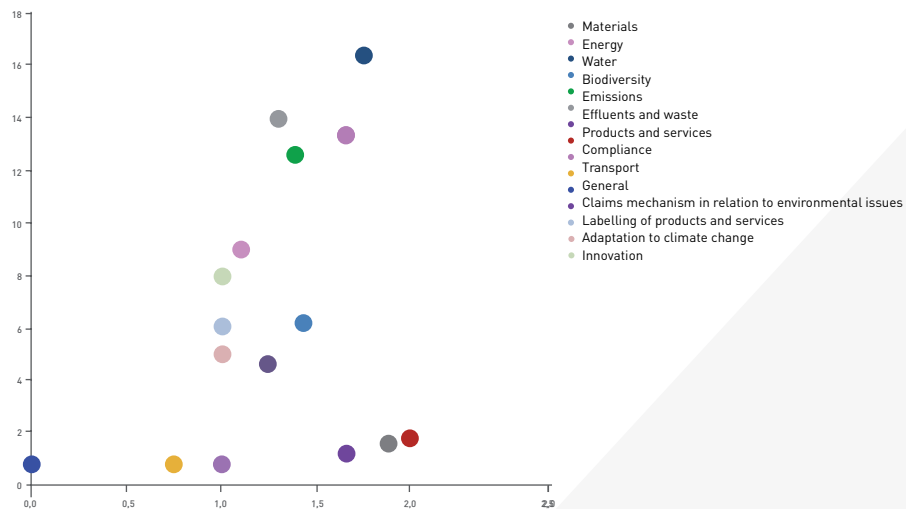


WATER MANAGEMENT

Exemplary behaviour



Smart Services



Connecting citizens

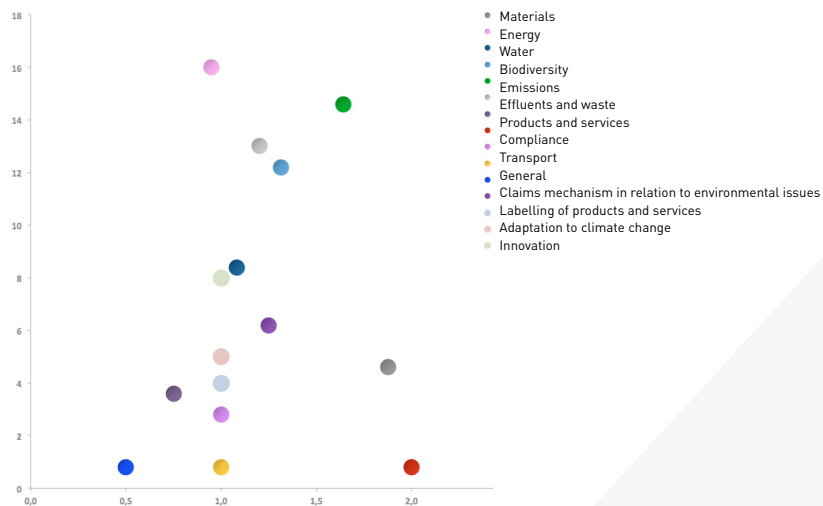


INFRASTRUCTURES

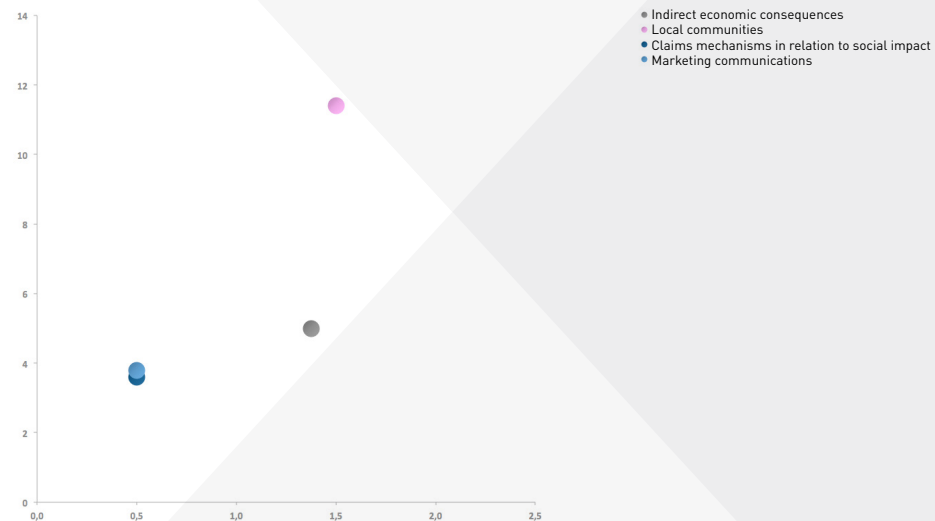
Exemplary behaviour



Smart Services



Connecting citizens



LIST OF NEW ISSUES

GRI category	Subject	Priority level
EN	Innovation	8%
EN	Adaptation to climate change	6%
EC	Supply chains	6%
EN	Collapse of essential infrastructure	5%

*GRI category: The Global Reporting Initiative (GRI) nomenclature for each category. EN (environment) y EC (economic).

Results of the materiality analysis 2014					
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 equality of opportunities	•	•	•	Employees
	Employment	•	-	•	Employees
	Fight against corruption	-	•	•	Employees, suppliers and contractors, and shareholders and investors
	Relationship between workers and directors	•	•	-	Employees
	Customer health and safety	-	•	-	Clients
	Health and safety at work	•	-	•	Employees
	Supply Chains	•	•	•	-
Smart Services	Water	-	•	•	-
	Biodiversity	-	•	•	-
	Compliance	•	-	-	-
	Effluents and waste	•	•	•	-
	Emissions	•	•	•	-
	Energy	•	•	•	-
	Materials	•	-	-	-
	Adaptation to Climate Change	•	•	•	-
	Collapse of critical infrastructure	-	•	•	-
	Innovation	-	•	•	-
Connecting citizens	Marketing communications	-	•	-	-
	Local communities	•	•	•	-
	Indirect economic consequences	•	-	•	-

Scope of the 2014 Corporate Social Responsibility Report (G4-18 b); (G4-22)

The information parameter of this report coincides with the financial consolidation of the Group, and reflects the activities of the Company in 2014. 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 participating companies over which FCC has management control, regardless of their holding.

In the case of joint ventures, the value of those in which it controls the operations is included, applying its percentage of ownership as appropriate.

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 2014, 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 stakeholders of the Group 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 guide to those reports that follow its recommendations. This Corporate Responsibility Report for the year 2014 offers a balanced, comparable, accurate, reliable, regular (annual) and clear perspective on the economic, social and environmental performance of the Group.

The Corporate Responsibility Report 2014 of FCC Group has been checked by KPMG in accordance with the ISAE 3000 international standard. The scope, description of the work and conclusions of said audit can be found in the section entitled Letter of Verification.

United Nations Global Compact

In 2014, 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.



Compliance with the reference standards

This report has been prepared, for the second consecutive year, 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.

Application of the AA1000 APS 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. It is therefore particularly relevant that the information contained in this report is in accordance with this principle.
- **Relevance:** the present report is structured according to the three axes of the Master Plan. The design of said Master Plan was carried out by means of an analysis of sustainable trends that should be met by FCC Group as a citizen services company. This trend analysis was based on reports from sources of reference such as World Economic Forum, Slim cities: sustainable buildings; Smart Energy; Water Resources Group; and the special 2011 report of the IPCC 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 its activity.
- **Response capability:** FCC Group has designed a series of initiatives to respond to the challenges that had been identified as key issues for the Company. 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 Group at the heart of the strategy and putting greater emphasis on the sustainability of the supply chain.

Supplementary Information

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 read the corresponding sustainability reports, which address each activity in specific detail.

In addition, FCC Group publishes an Annual Report, an annual Corporate Governance Report and an annual report on Directors remuneration, for the financial year 2014, available on the corporate website.

VIII. PERFORMANCE INDICATORS OF FCC GROUP 2014

Economic indicators	Units	2014	2013	2012	Externally verified
Net business turnover	Millions of euros	6,334,066	6,750.0	7,429.3	
Gross operating profit EBITDA	Millions of euros	804.0	717.3	820.3	
Net operating profit. EBIT	Millions of euros	345.6	307.7	147.4	
Cash flow operations	Millions of euros	608.9	774.8	1,159.0	
Cash flow investments	Millions of euros	(167.2)	(411.5)	(227.2)	
Project portfolio	Millions of euros	32,996.5	32,865.1	30,896.4	
Generated economic value	Thousands of euros	6,729,942	7,024,118	7,845,554	
Economic value distributed by the FCC Group	Thousands of euros	6,281,674	6,909,491	7,288,996	
Procurements (suppliers of materials and services)	Thousands of euros	2,220,917	2,604,551	2,782,029	
Salary expenses	Thousands of euros	1,916,696	2,005,001	2,154,928	
Corporate income tax	Thousands of euros	(64,171)	(135,376)	(37,956)	
Interest and exchange rates	Thousands of euros	549,156	498,613	512,921	
Dividends paid to shareholders	Thousands of euros	0	0	0	
Economic contribution to corporate citizenship.	Thousands of euros	2,866	4,017	4,500	
Significant financial assistance received from governments (subsidies)	Thousands of euros	239,271	228,728	220,239	
Activity certified by ISO 9001	%	85.42	83.8	81.1	
Purchases to suppliers	Thousands of euros	1,394,923	1,610,135	916,550	
Ethics and integrity	Units	2014	2013	2012	Externally verified
Communications received through the Code of Ethics channel	Nº	21	22	23	
Efficiency and technology	Units	2014	2013	2012	Externally verified
Investment in R&D&i	Thousands of euros	14,444	18,437	28,474	✓
Activities with environmental certification (e.g.: ISO 14001)	%	81.90	77.5	78	
SO ₂ emissions	kg	2,396,675	2,060,00	2,532,655	✓
NO _x emissions	kg	7,850,165	10,885,000	17,407,693	✓
Particulate emissions	kg	1,873,430	2,254,000	2,557,722	✓
Materials of renewable origin	tonnes	1,426,634	1,206,724	8,815,606	
Materials of recycling origin	tonnes	9,383,468.04	14,098,240	9,679,289	
Certified materials	tonnes	4,002,548	4,097,668	701,601	

Efficiency and technology	Units	2014	2013	2012	Externally verified
Consumption of water	m ³	12,853,556	9,919,405	14,084,342	✓
Consumption of recycled water	m ³	168,992	610,012	610,372.94	✓
Consumption pertaining to surface water	m ³	1,128,899	1,294,226	2,987,563	✓
Consumption pertaining to sub-surface water	m ³	3,049,297.1	1,627,473	3,828,606	✓
Consumption pertaining to municipal supply	m ³	6,708,162	3,563,204	5,081,542	✓
Consumption pertaining to other sources	m ³	1,850,858	1,462,230	1,576,258	✓
Discharged waste water	m ³	ND(*)	560,136,681	504,952,528	
Purified waste water	%	ND(*)	95.0	92.6	
Capture of water to be managed	m ³	843,979,880	763,751,430	690,441,069	
Percentage of sub-surface water captured	%	17	29	35.8%	
Percentage of surface water captured	%	55	72	60.8%	
Percentage of desalinated water captured	%	27	1.5	1.4%	
Percentage of other captured elements	%	1	1.9	1.9%	
Total waste generated	tonnes	7,409,264	5,417,813	5,551,115	✓
Hazardous waste generated	tonnes	198,545	85,559	139,800	✓
Non-hazardous waste managed	tonnes	7,210,719	5,332,369	5,411,315	✓
Waste managed	tonnes	16,053,302	17,091,361	ND	
Waste collected	tonnes	6,276,488	6,692,654	10,384,776	
Urban waste	tonnes	5,257,941	5,382,369	8,105,721	
Hazardous industrial waste	tonnes	279,546	432,931	694,569	
Non-hazardous industrial waste	tonnes	739,000	877,354	1,584,486	
Waste admitted in FCC centres	tonnes	9,776,814	10,398,707	16,710,490	
Urban waste	tonnes	4,571,114	5,051,636	10,983,933	
Hazardous industrial waste	tonnes	284,634	357,531	172,637	
Non-hazardous industrial waste	tonnes	4,921,066	4,989,540	5,553,920	
Treatment given to hazardous wastes					
Recovery	%	28	26	27	
Stabilisation	%	55	41	28	
Transferred to an end manager/other destinations	%	17	20	45	
Treatment given to non-hazardous wastes	tonnes				
Recovery	%	30	13	26	
Elimination in controlled landfill	%	54	81	66	
Transferred to an end manager	%	16	6	7	

Energy and climate change ³	Units	2014	2013	2012	Externally verified
Total GHG emissions	t CO ₂ eq	9,971,823	9,688,669	11,554,189	✓
Direct GHG emissions ³	t CO ₂ eq	9,273,269	9,150,142	10,808,177	✓
Indirect GHG emissions ³	t CO ₂ eq	698,553	538,527	746,012	✓
Direct consumption of energy	GJ	21,840,417	25,202,566	36,464,378	✓
Renewable energy consumed	GJ	699,114	1,239,930	2,990,430	✓
Non-renewable energy consumed	GJ	21,141,303	23,962,635	33,473,948	✓
Indirect consumption of energy	GJ	7,678,311	5,313,184	7,811,002	✓
Electrical energy consumed	GJ	7,676,876	5,310,338	7,792,273	✓
Energy in the form of steam consumed	GJ	1,435	2,846	18,729	✓
Total consumption of energy	GJ	29,518,728	30,515,750	44,275,379	✓

Community	Units	2014	2013	2012	Externally verified
Investment in corporate citizenship	Millions of euros	2.8 ⁴	4.0	4.5	

People	Units	2014	2013	2012	Externally verified
Total staff	Nº	58,034.00	63,254.97	80,549	
Total women	Nº	12,122.00	13,677.09	15,931	
Total men	Nº	45,912.00	49,577.88	64,618	
Percentage of women executives with respect to total executives	%	19	17	16.6	
Number of employees with permanent contract	Nº	9,438	12,989	29,565	
Number of employees with a temporary contract	Nº	7,846	8,759.10	9,732	
Number of seconded employees	Nº	40,750	41,507	41,252	
Total voluntary rotation	%	3.10	3.88	6.46	✓
Total voluntary rotation of men	%	3.32	4.10	5.40	✓
Total voluntary rotation of women	%	2.27	3.11	1.06	✓
Number of disabled employees	Nº	849	930.69	963	
People hired within the geographical proximity	Nº	ND[*]	7,407.38	14,655	
Number of training hours per employee	Nº	6.48	9.37	12.11	
No. workers covered by collective agreements (Spain)	%	100%	100%	100%	
Amount of time off due to work related accidents, employees+subcontractors (except while travelling or for cardiovascular reasons)	Nº	2,723	2,821	5,045	

³ Energy consumption and associated emissions were corrected on the figures published in 2013.

⁴ Investment in corporate citizenship in 2014 has gone down compared to earlier years, mainly due to less investment in Construction and Environmental Services areas, specifically in Eastern European countries, as well as at corporation level.

People	Units	2014	2013	2012	Externally verified
Accident rates FCC Group (own personnel, national and international)					
Frequency rate		24.39	23.14	26.91	✓
Severity rate		0.75	0.7	0.61	✓
Incidence rate of workplace accidents		43.9	44.03	53.2	✓
Absenteeism rate		6.1	6.06	5.25	✓
Accident rates FCC Group (own personnel + subcontracted personnel)					
Frequency rate		23.69	22.8	25.7	✓
Severity rate		0.68	0.65	0.6	✓
Incidence rate of workplace accidents		43.23	42.67	51.4	✓
Absenteeism rate		5.36	5.23	4.56	✓
Deaths caused by accidents in the workplace					
FCC Group total (own personnel + subcontracted personnel)	nº	7	9	10	✓
Subcontracted personnel	nº	3	6	6	✓
	nº	4	3	4	✓

(*) ND Not available.

IX. INDEPENDENT REVIEW REPORT



KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

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 2014 (hereinafter "the Report"). The information reviewed corresponds to the contents marked as external assurance with the symbol ✓, as referred to in the section of the Report entitled "FCC Group 2014 Performance Indicators".

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". Management is also responsible for the information and assertions contained within the Report; 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.

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:

- 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.
- 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.

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- 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.
- Corroborating 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 2014 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".

Under separate cover, we will provide FCC management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

3 June 2015

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