10

About this report

About this report

This FCC Integrated Report, provides information about the management of key aspects (environmental, social and economic) of the company and its business during the year 2016, according to the principles of the International Integrated Reporting Council (IIRC) framework.

The Corporate Social Responsibility Policy of the company determines the structure of the non-financial information of this report, structured in three policy pillars (exemplary commitment, smart services, citizen connection); and the specific content addresses the exercise of materiality carried out in 2016. The information on the performance in the ethical, environmental and social areas at FCC has been prepared for the fourth consecutive year, according to the Guidelines for the Drafting of Sustainability Reports of the Global Reporting Initiative (GRI), version G4 in accordance with its Comprehensive option, including the additional information required by the supplement “Construction and Real Estate”. The information contained in this report provides a balanced, comparable, accurate, reliable, regular (annual) and clear view on the economic, social and environmental performance of the company.

To ensure the alignment of the contents of the report with the expectations of stakeholders, the information has also been prepared based on the AA1000 Accountability Principles Standard.

Principles of the AA1000 Standard

1. Inclusiveness. Each one of FCC’s businesses conducts regular consultations with its stakeholders. Therefore the information contained in this report, in accordance with this principle, is particularly relevant, with a special emphasis on the information produced by FCC Aqualia, whose stakeholder management, especially its customers, has maximum relevance to its business.
2. This report is structured according to the three pillars of the Corporate Social Responsibility Policy. The design of the pillars of this Policy was carried out by means of an analysis of sustainable trends that should be met by FCC as a citizen services company. This trend analysis, was based on reports from benchmark sources such as the World Economic Forum, Slim cities: Sustainable Buildings; Smart Energy; Water Resources Group; or the 2011 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.
3. Response capability. FCC has designed a series of actions to respond to the challenges that have been identified as key to the company. The response to the challenge of combining the company’s activities with the development of sustainable cities of the future, is geared to serving citizens better, putting professionals at the heart of the strategy and placing greater emphasis on the sustainability of the suppliers chain.

Scope of the 2016 Integrated Report

[G4-18], [G4-20], [G4-21], [G4-22], [G4-23]

The scope of the information provided in this report corresponds to the integration parameter which is used for financial consolidation, according to which, data is considered from 100% of the investee companies over which FCC has management control, regardless of the holding.

For the first time, in 2016, in response to changes in the structure of the company, information from Construction Services, Environmental Services and Integral Water Management Services is included in the FCC’s infrastructure section.

In 2016, some of the companies belonging to Aqualia GIA and ASA were excluded from the scope, as it wasn´t possible to gather information except for the occupational safety and employee turnover indicators. The companies excluded from the scope are as follows:

- Aqualia GIA in Romania, Algeria, Egypt, Montenegro, Chile, Saudi Arabia, United Arab Emirates and Mexico and ASA Romania.
- In addition, it has not been possible to gather information related to procurement from local suppliers for ASA.

In the case of Joint Ventures, the values of those whose operations are controlled are included, applying the holding percentage.

FCC Group, characterised by its geographical diversity and activities, is working to increase the scope of information to all companies within the Group.

The list of FCC Group companies as of 31 December 2016, and a description of each one, appears in the Exhibits of the annual accounts.

Reliability of the information disclosed

The ESG information in this report has been verified by KPMG in accordance with international standard ISAE 3000. The scope, description of the work and conclusions of this audit can be found in the section entitled Letter of Verification.

Materiality Study 2016

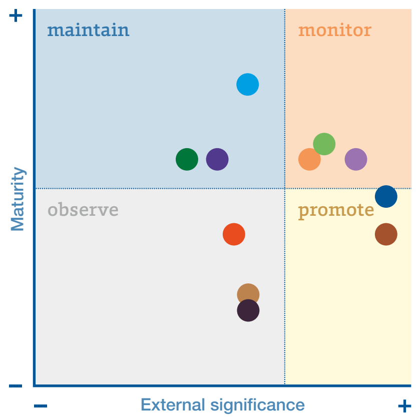
[G4-19], [G4-20], [G4-21]

FCC understands the materiality study to be an ongoing process (updated every year) that focuses on issues of a social, environmental and/or economic nature, which are relevant to its business and that influence the decisions of their stakeholders.

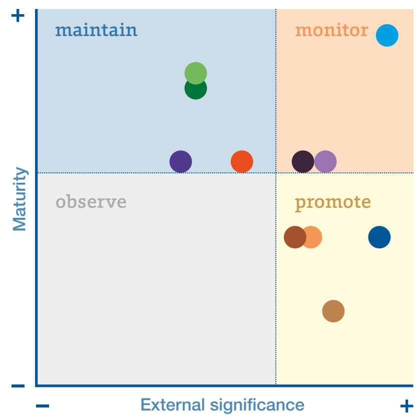
FCC's materiality analysis is presented in three matrices, one for each line of business. Given the unique characteristics of each business, the priorities of the material issues are in different orders, depending on the impacts of the Environmental Services, Water and Infrastructure activities.

Each matrix distinguishes the material issues through classification into four quadrants (maintain, monitor, observe and promote) depending on the action that the company should perform in order to manage them properly. For example highly relevant external issues, as well as maturity in the high-level management on the part of FCC, should be monitored. Those highly relevant external issues that are of average or low maturity in their management, must be promoted.

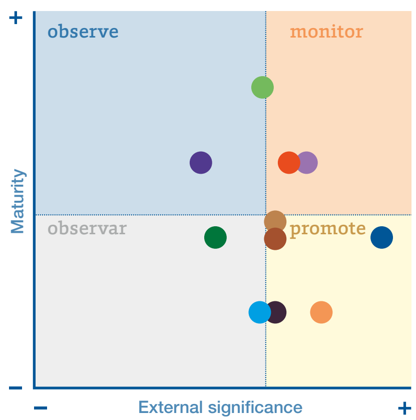
Relevant Issues in the Environmental Services Business



Relevant issues Integrated Water Management Business



Relevant issues In the Infrastructure Business



- Promotion and respect for human rights
- Technological development and the prevention of cyber-attacks
- Employees welfare and professional growth
- Occupational Health of employees and contractors
- Protection of scarce natural resources
- Systems to prevent and mitigate corruption
- Responsibility for suppliers and contractors
- Policies to contain the effects of climate change
- Innovation and sustainability
- Customer Experience
- Local development

Methodology

1
Identification of relevant issues

The identification of the aspects with the highest relevance takes as a starting point, the specific aspects defined by the Global Reporting Initiative in its "Guide for the Preparation of Sustainability Reports, G4" applied to the infrastructure, water and services sectors, reference documents (1) for these sectors, and the learning acquired from materiality exercises carried out in previous years.

2
Prioritisation / contrast of external sources

The external prioritisation of these issues has been made based on reference documents related to sustainability (ASB Materiality Maps), global risks (Global Risks 2017, from the World Economic Forum), and the sectoral documents for each of FCC's lines of business referred to earlier.

3
Comparison with the sector

Internal prioritization of each of the issues defined from their degree of maturity within the company itself compared with competitor companies in each sector, including the conclusions drawn from interviews with institutional investors conducted in 2015.

4
Development of matrices by business

The analysis has resulted in the formulation of 11 material issues common to all FCC businesses, prioritised according to the specificities of each business. The cases were represented in matrices via external and maturity relevance variables.

(1) Infrastructure 100 World Markets Report by KPMG, Water and Employment 2016 by UN Water, Water for Sustainable Development 2015 and Global Waste Management Outlook by the ISWA.

Prioritising material issues according to business in 2016

[G4-20], [G4-21]

Below are the material matters according to line of business, and arranged according to the level of relevance[2].

Business	Relevance	Material issues
Environmental services	Very high relevance	Protection of scarce natural resources. Responsibility for suppliers and contractors. Occupational health of employees and contractors. Customer experience.
	High relevance	Local development. Policies to contain the effects of climate change. Systems to prevent and mitigate corruption. Innovation and sustainability.
	Medium relevance	Employees professional growth and welfare. Promotion and respect for human rights. Technological development and prevention of cyber-attacks.
Infrastructure	Very high relevance	Occupational health of employees and contractors. Responsibility for suppliers and contractors. Employees professional growth and welfare. Protection of scarce natural resources.
	High relevance	Promotion and respect for human rights. Systems to prevent and mitigate corruption. Policies to contain the effects of climate change. Innovation and sustainability.
	Medium relevance	Local development. Technological development and prevention of cyber-attacks. Customer experience.
Water management	Very high relevance	Customer experience. Responsibility for suppliers and contractors. Technological development and prevention of cyber-attacks. Protection of scarce natural resources.
	High relevance	Innovation and sustainability. Occupational health of employees and contractors. Employees professional growth and welfare. Local development.
	Medium relevance	Policies to contain the effects of climate change. Systems to prevent and mitigate corruption. Promotion and respect for human rights.

Very high relevance

High relevance

Medium relevance

[2] Very high, high and medium relevance has been established based on percentiles 33 and 66.

Additional information

For further information relating to the sustainability of the three Group businesses, the reader is invited to visit the website for further corporate information www.fcc.es.

In addition, FCC Group publishes an Annual Report, an Annual Corporate Governance Report and an Annual Report on Directors' remuneration for the financial year 2016, which is available on the corporate website.

GRI Table of Contents

GRI Empowering Sustainable Decisions
Materiality Disclosures
Fomento de Construcciones y Contratas, S.A.
May 2017 Service

Main basic contents

General basic	Page	Omissions	External verification
Strategy and analysis			
G4-1	2-7		
G4-2	37-40		
Profile of the organization			
G4-3	Front page		
G4-4	9		
G4-5	Av. Del Camino de Santiago, 40 28050 Madrid, Spain		
G4-6	10		
G4-7	11, Corporate Governance Report, page 1 and section A		
G4-8	5-6, 108-109		
G4-9	44-48, 187		
G4-10	187-188		
G4-11	192		
G4-12	202-204		
G4-13	2-7, 110		
G4-14	39		
G4-15	122		
G4-16	179,114,182-183		

General basic	Page	Omissions	External verification
Material aspects and cover			
G4-17	Annual Accounts 2016, page 342		
G4-18	212		
G4-19	213		
G4-20	212, 213, 215		
G4-21	212, 213, 215		
G4-22	212		
G4-23	212		
Stakeholders participation			
G4-24	120-122		
G4-25	120-124		
G4-26	120-124		
G4-27	120-124		
Annual Report profile			
G4-28	212		
G4-29	2015		
G4-30	Anual		
G4-31	**rcorporativa@fcc.es**		
G4-32	Comprehensive		
G4-33	Independent review report		
Governance			
G4-34	Corporate Governance Report 2016, section C, Pages 547-549, 565-571		
G4-35	115-116		
G4-36	115-116		
G4-37	115-116		
G4-38	547-553		

General basic	Page	Omissions	External verification
G4-39	547-548, 565-566		
G4-40	571-574		
G4-41	576-577		
G4-42	115, 14-15		
G4-43	16-17, 115-116		
G4-44	556		
G4-45	37		
G4-46	578-583		
G4-47	578-583		
G4-48	115-116		
G4-49	593-594		
G4-50	593-594, 185-186		
G4-51	FCC reports on the remuneration of the members of the Board of Administration, through the Annual Remuneration Report of the Board of Administration, available on the Spanish National Securities and Exchange Commission's website (CNMV)		
G4-52	FCC reports on the remuneration of the members of the Board of Administration, through the Annual Remuneration Report of the Board of Administration, available on the Spanish National Securities and Exchange Commission's website (CNMV)		
G4-53	Annual Remunerations Report 2016		
G4-54	Annual Remunerations Report 2016		
G4-55	Annual Remunerations Report 2016		
Ethics and integrity			
G4-56	185-187		
G4-57	185-187		
G4-58	593-594, 185-186		

Specific basic contents

Material aspects	Information on the management approach and indicators	Omissions	External verification
Category: economics			
Material aspect: economic performance			
G4-DMA	23-27		
G4-EC1	206		
G4-EC2	21-22, 37-39		
G4-EC3	There are no employee pension plans		
G4-EC4	206		
Material aspect: indirect economic impacts			
G4-DMA	125-130		
EC7	125-130		
EC8	125-130		
Category: environment			
Material aspect: materials			
G4-DMA	155-157		✔
G4-EN1	207		✔
G4-EN2	207		✔

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: energy			
G4-DMA	141-143		✓
G4-EN3	141-143		✓
G4-EN4	141-143		✓
G4-EN5	Energy consumption per employee was 680.3 GJ		✓
G4-EN6	141-143		✓
G4-EN7	Not applicable	FCC's main activity is related to infrastructure construction. Therefore there are no certificates to ensure less consumption by the end user.	
Material aspect: water			
G4-DMA	161		✓
G4-EN8	207		✓
G4-EN9	161-162		✓
G4-EN10	161-162, 207		✓
Material aspect: biodiversity			
G4-DMA	164		
G4-EN11	164		
G4-EN12	164		
G4-EN13	164		
G4-EN14	164		
Material aspect: emissions			
G4-DMA	137-138		✓
G4-EN15	141, 209		✓
G4-EN16	141, 209		✓

Material aspects	Information on the management approach and indicators	Omissions	External verification
G4-EN17	143		
G4-EN18	Emissions per employee were 192.3 t CO_2eq		✔
G4-EN19	141, 144-147		
G4-EN20	Not applicable	The materiality studies performed by FCC according to its activities and for each key environmental impact indicator, have not determined as a material issue for FCC's activities, emissions that deplete the ozone layer.	
G4-EN21	159-160		✔
Material aspect: effluents and waste			
G4-DMA	162		✔
G4-EN22	162, 207		✔
G4-EN23	162-163, 208		✔
G4-EN24	The were no significant spillages		
G4-EN25	162-163, 208		✔
G4-EN26	There were no water bodies affected by discharges or runoffs from the organisation		
Category: social performance			
Subcategory: internships and decent jobs			
Material aspect: employment			
G4-DMA	187-188		✔
G4-LA1	187-188, 209-210		✔
G4-LA2	All employees are provided with full benefits		
G4-LA3	Not available	FCC does not currently have systems to measure this type of information.	

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: relations with workers and the management			
G4-DMA	121		
G4-LA4	Not available	Confidential information	
Material aspect: occupational health and safety			
G4-DMA	196		✔
G4-LA5	Not available	Currently the company does not have the exact percentage of the total staff that are part of the safety and healthcare committees in some countries, although the Health and Safety Policy and the monitoring of accidents and the effectiveness of the actions cover the entire staff.	
G4-LA6	197-199, 210		✔
G4-LA7	Not available	Currently the company does not have this information. The intention is to have it in 2017.	
G4-LA8	196		✔
Material aspect: training and education			
G4-DMA	189-191		✔
G4-LA9	190		✔
G4-LA10	191		
G4-LA11	Not available	FCC Group is working on the design and implementation of the development function, using a competencies model that covers an evaluation of the performance, career plans and succession plans. Work is being carried out on the implementation of an agile and global system that supports performance evaluations and selection processes.	

Material aspects	Information on the management approach and indicators	Omissions	External verification
Material aspect: diversity and equal opportunities			
G4-DMA	193-195		✔
G4-LA12	16,187, 193-195		✔
Subcategory: society			
Material aspect: local communities			
G4-DMA	125-130		
G4-SO1	125-130		
G4-SO2	125-130		
Material aspect: fight against corruption			
G4-DMA	185-186		
G4-SO3	185-186		
G4-SO4	185-186		
G4-SO5	No aplicable	There were no cases of corruption in 2016.	
Material aspect: claims mechanisms for social impact			
G4-DMA	185-186		
G4-SO11	185-186, 206		✔

KPMG

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Informe de Revisión Independiente para la Dirección de Fomento de Construcciones y Contratas, S.A.

A la Dirección de Fomento de Construcciones y Contratas, S.A.

De acuerdo con nuestra carta de encargo, hemos revisado la información no financiera contenida en el Informe de Responsabilidad Social Corporativa de Fomento de Construcciones y Contratas, S.A. (en adelante FCC) del ejercicio cerrado a 31 de diciembre de 2016 (en adelante, "el Informe"). La información revisada se encuentra indicada como verificada externamente en la tabla del capítulo de "Triple cuenta 2016" e "Índice de contenido GRI".

Responsabilidades de la Dirección

La Dirección de FCC es responsable de la preparación y presentación del Informe de conformidad con la Guía para la elaboración de Memorias de Sostenibilidad y el Suplemento Sectorial *"Construction and Real Estate"* de Global Reporting Initiative, versión 4.0 (G4), según lo detallado en el punto G4-32 del Índice de contenidos GRI del Informe. Asimismo, es responsable del cumplimiento de los criterios de *Materiality Disclosure Service* habiendo obtenido, confirmación de Global Reporting Initiative sobre la correcta aplicación de los mismos. La Dirección también es responsable de la información y las afirmaciones contenidas en el mismo; de la determinación de los objetivos de FCC en lo referente a la selección y presentación de información sobre el desempeño en materia de desarrollo sostenible, incluyendo la identificación de los grupos de interés y de los asuntos materiales; y del establecimiento y mantenimiento de los sistemas de control y gestión del desempeño de los que se obtiene la información.

Estas responsabilidades incluyen el establecimiento de los controles que la dirección considere necesarios para permitir que la preparación de los indicadores con un nivel de aseguramiento limitado esté libre de errores materiales debidos a fraude o errores.

Nuestra responsabilidad

Nuestra responsabilidad es llevar a cabo una revisión limitada y, basado en el trabajo realizado, emitir este informe, referido exclusivamente a la información correspondiente al ejercicio 2016. Hemos llevado a cabo nuestro trabajo de conformidad con la Norma ISAE 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, con la Norma ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* emitidas por el International Auditing and Assurance Standard Board (IAASB) y con la Guía de Actuación sobre trabajos de revisión de Informes de Responsabilidad Corporativa emitida por el Instituto de Censores Jurados de Cuentas de España (ICJCE). Estas normas exigen que planifiquemos y realicemos nuestro trabajo de forma que obtengamos una seguridad limitada sobre si el informe está exento de errores materiales.

KPMG aplica la norma ISQC1 (*International Standard on Quality Control 1*) y de conformidad con la misma mantiene un sistema integral de control de calidad que incluye políticas y procedimientos documentados en relación al cumplimiento de los requerimientos éticos, estándares profesionales y requerimientos legales y regulatorios aplicables.

Hemos cumplido con los requerimientos de independencia y otros requerimientos éticos del *Code of Ethics for Professional Accountants* emitido por el International Ethics Standards Board for Accountants, el cual está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Revisión limitada sobre indicadores con nivel de aseguramiento limitado

Nuestro trabajo de revisión limitada se ha llevado a cabo mediante entrevistas con la Dirección y las personas encargadas de la preparación de la información incluida en el Informe, y la aplicación de procedimientos analíticos y otros dirigidos a recopilar evidencias, como:

- La comprobación de los procesos que dispone FCC para determinar cuáles son los aspectos materiales, así como la participación de los grupos de interés en los mismos.
- La comprobación, a través de entrevistas con la Dirección y con otros empleados relevantes, tanto a nivel de grupo como a nivel de las unidades de negocio seleccionadas, de la existencia de una estrategia y políticas de sostenibilidad y Responsabilidad Corporativa para atender a los asuntos materiales, y su implantación a todos los niveles de FCC.
- La evaluación de la consistencia de la descripción de la aplicación de las políticas y la estrategia en materia de sostenibilidad, gobierno, ética e integridad de FCC.
- El análisis de riesgos, incluyendo búsqueda en medios para identificar asuntos materiales durante el ejercicio cubierto por el Informe.
- La revisión de la consistencia de la información que responde a los Contenidos Básicos Generales con los sistemas o documentación interna.
- El análisis de los procesos de recopilación y de control interno de los datos cuantitativos reflejados en el Informe, en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión en base a muestreos.
- La visita al vertedero de Salamanca, seleccionada según un análisis del riesgo, teniendo en cuenta criterios cuantitativos y cualitativos.
- La revisión de la aplicación de los requerimientos establecidos en la Guía para la elaboración de Memorias de Sostenibilidad G4 de Global Reporting Initiative para la preparación de informes según la opción de conformidad exhaustiva.
- La lectura de la información incluida en el Informe para determinar si está en línea con nuestro conocimiento general y experiencia, en relación con el desempeño en sostenibilidad de FCC.
- El contraste de la información financiera reflejada en el Informe con la incluida en las cuentas anuales de FCC, auditadas por terceros independientes.

Nuestro equipo multidisciplinar ha incluido especialistas en el desempeño social, ambiental y económico de la empresa.

Los procedimientos llevados a cabo en un encargo de aseguramiento limitado varían en naturaleza y tiempo empleado, siendo menos extensos que los de un encargo de revisión razonable. Consecuentemente, el nivel de aseguramiento obtenido en un trabajo de revisión limitado es inferior al de uno de revisión razonable. El presente informe en ningún caso puede entenderse como un informe de auditoría.

Conclusiones

Nuestra conclusión se basa, y está sujeta a los aspectos indicados en este Informe de Revisión Independiente. Consideramos que la evidencia que hemos obtenido proporciona una base suficiente y adecuada para nuestras conclusiones.

En base a los procedimientos realizados y a la evidencia obtenida, tal y como se describe anteriormente, no se ha puesto de manifiesto ningún aspecto que nos haga creer el Informe de Responsabilidad Social Corporativa de Fomento de Construcciones y Contratas, S.A. del ejercicio cerrado a 31 de diciembre de 2016 no haya sido preparado, en todos los aspectos significativos, de acuerdo con la Guía para la elaboración de Memorias de Sostenibilidad y el Suplemento Sectorial "*Construction and Real Estate*" de Global Reporting Initiative, versión 4.0 (G.4), según lo detallado en el punto G4-32 del Índice de contenidos GRI del Informe, lo que incluye la fiabilidad de los datos, la adecuación de la información presentada y la ausencia de desviaciones y omisiones significativas.

En otro documento, proporcionaremos a la Dirección de FCC un informe interno que contiene todos nuestros hallazgos y áreas de mejora.

Propósito de nuestro informe

De conformidad con los términos y condiciones de nuestra carta de encargo, este Informe de Revisión Independiente se ha preparado para FCC en relación con su Informe de Responsabilidad Social Corporativa y por tanto no tiene ningún otro propósito ni puede ser usado en otro contexto.

KPMG Asesores, S.L.

José Luis Blasco Vázquez

24 de mayo de 2017

Legal notice

This document may contain forward-looking statements regarding the intentions, expectations or forecasts of FCC Group or its management on the date of preparation, referring to a variety of aspects, such as the growth of the different business lines, the results of FCC Group or other aspects related to its activities and situation.

These forward-looking statements or forecasts do not constitute, by their very nature, a guarantee of their fulfilment in the future, and are conditional upon risks, uncertainties and other relevant factors, which could lead to developments and end results substantially different to those indicated in these intentions, expectations or forecasts.

This document does not constitute an offer or request for the acquisition or subscription of shares, pursuant to the provisions in Act 24/1988, of 28 July, on the Securities Market, in Royal Decree-Act 5/2005, of 11 March, and/or in Royal Decree 1310/2005, of 4 November, and the regulations implementing them.

Also, this document does not constitute an offer for the purchase, sale or exchange, or a request of an offer for the purchase, sale or exchange of securities, nor a request for any vote whatsoever or for approval in any other jurisdiction.

What is laid down in this statement must be taken into consideration by all the individuals or entities that may have to adopt decisions or prepare or disseminate options in relation to securities issued by FCC Group. All of them are welcome to consult the documentation and public information communicated or recorded by FCC Group at the Spanish National Securities Market Commission (CNMV).

This document contains financial information prepared in accordance with the International Financial Reporting Standards (IFRS). It is unaudited information, meaning that it is not definitive and could be amended in the future.