

An absolute must

FERROVIAL'S ACTIONS AND THOSE OF ITS DIRECTORS AND EMPLOYEES MUST ADHERE STRICTLY TO THE PRINCIPLE OF ZERO TOLERANCE TOWARDS CRIMINAL ACTIONS.

Ferrovial has a Compliance Model in place that aims to provide a transversal process spanning the entire company for monitoring and controlling compliance risks under the principle of zero tolerance toward criminal acts. This due diligence framework embodies the company's firm commitment to observing applicable law and to applying the highest ethical standards when going about its business. The independent and highly specialized Compliance Department is tasked with managing and analyzing this model.

The Compliance Model comprises the policies, procedures and organization and control systems needed to foster and promote professional conduct that is both lawful and ethically right. Notably, it includes the following policies, procedures and internal rules:

Code of Business Ethics*; Regulations of the Board of Directors*; Internal Code of Conduct in the Securities Markets*; Compliance Policy; Crime Prevention Model; Anti-Corruption Policy; Policy on Risk Control and Management; Human Rights Policy*; Health and Safety Policy*; Corporate Responsibility Policy*; Anti-Trust and Competition Policy; Quality and Environment Policy*; Corporate Procedure for the Protection of Ferrovial Assets and Fraud Prevention; Approval and Monitoring Procedure for Sponsorship, Patronage or Donation Projects; Corporate Procedure for the Complaints Box; Procedure on Representation Expenses; Due Diligence Procedure for the Ethical Integrity of Partners; Procedure For Due Diligence With Respect To Supplier Integrity; Due Diligence Procedure For Candidate Selection, Hiring and Mobility; and Decalogue of confidential information treatment.

Code of Business Ethics

The Ferrovial Code of Business Ethics, which applies to all Group companies, sets out the basic principles and commitments governing the conduct of all such companies and their directors, managers and employees:

- Respect for the law: Ferrovial's activities will be carried out in strict compliance with applicable legislation.
- Ethical integrity: the business activities of Ferrovial and the actions of its employees shall be based on the values of integrity, honesty, avoidance of every form of corruption and respect for the individual circumstances and needs of all parties involved. Ferrovial shall see to it that its employees recognize and embrace types of conduct that reflect the principles enshrined in the Code.
- Respect for Human Rights: all actions of Ferrovial and its employees shall scrupulously respect the Human Rights and civil liberties enshrined in the Universal Declaration of Human Rights.

These principles are based on compliance with a series of commitments toward stakeholders of Ferrovial's business activities.

All employees must adhere to the principles and requirements contained in the Code and shall ensure that other individuals or groups that carry out activities on behalf of Ferrovial, including contractors, agents, consultants and other business partners, follow suit.



DUE DILIGENCE PROCESSES FOR THIRD PARTIES

Ferrovial has due diligence processes in place to ensure the ethical integrity of its business partners and suppliers. These procedures require the subject enterprise to conduct an integrity due diligence process before it can enter into a business relationship with Ferrovial, S.A. or any of its subsidiaries. The company also has systems to monitor the commercial relationship from start to finish. These procedures are essentially there to extend Ferrovial's values — as set out in its Code of Business Ethics — across its entire business, so as to ensure that all company activities are performed in strict accordance with applicable domestic and international laws, particularly anti-corruption laws that prohibit active or passive bribery. The system contains a series of warning signs and good ethical practices to be monitored closely when selecting potential Ferrovial partners and suppliers.

Meanwhile, and to further complement the processes just described, a due diligence process has been approved for the selection, hiring and mobility of candidates. This procedure includes the selection criteria to be taken into account when incorporating new employees or promoting or moving employees within the Group, along with a training process and clause to be signed by all successful candidates accepting the terms of the company's Code of Business Ethics and Anti-Corruption Policy.

*Available at www.ferrovial.com

Compliance Policy

The main objective of the Compliance Policy is to erect a common and standard framework for monitoring, controlling and managing compliance risks (especially measures to prevent criminal conduct). It also fosters a culture of business ethics across the organization and permeating all decision-making processes in order to shape and guide the conduct and intentions of directors, managers and employees. The policy also develops the different phases of the Compliance Model in place at the company and stipulates the competencies and remit of its governance and management bodies and those of its employees in relation to regulatory compliance.

The Compliance Model is structured around the following phases:

- Identifying compliance risks based on the company's activities.
- Assessing risks based on their impact and probability of occurrence.
- Identifying the surveillance and control measures put in place to avoid or mitigate the occurrence of risks.
- Training for company employees and executives in the principles and commitments enshrined in the Code of Ethics, the Compliance Policy and the other policies supporting the model.
- Periodic evaluation of control measures to detect possible shortfalls or areas of improvement that require specific action plans.
- Reporting to the company's governing bodies on the functioning of the Compliance Model and monitoring the action plans put in place to ensure that they remain up-to-date at all times.
- Reporting, assessing and investigating any breaches detected and applying appropriate disciplinary measures.
- Supervision of the model by an independent body.

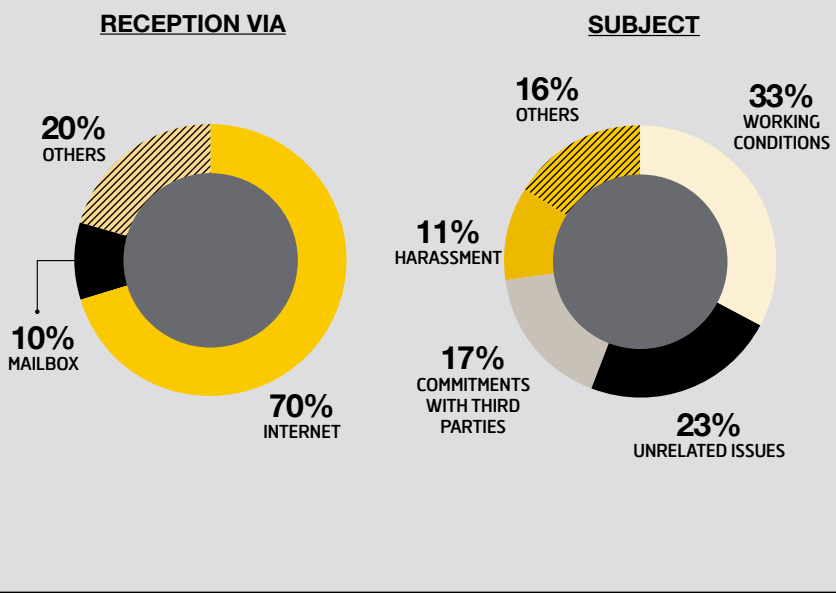
The Compliance Model includes a Crime Prevention Model designed to prevent or significantly reduce the risk of committing criminal acts, especially those that would lead to the company being held criminally liable, in accordance with Organic Law 1/2015 reforming the Criminal Code.

ETHICS CHANNEL

Ferrovial has set up an Ethics Channel to complement its other internal channels. Its purpose is to facilitate the reporting of any possible irregularity, non-compliance or behavior that runs contrary to the ethics, law and policies governing Ferrovial. The channel allows for anonymous whistleblowing and is accessible to employees through the intranet and to non-employees through the corporate website. A total of 64 reports were received in 2018, of which 21 were anonymous and 43 made by name.

All complaints and reports lead to an investigation by the Oversight Committee, guaranteeing confidentiality and anonymity (if applicable) while respecting the rights of the parties involved and ensuring the absence of any kind of reprisal.

The Oversight Committee regularly reports to the Audit and Control Committee on the communications received and the steps taken.



Anti-Corruption Policy

Ferrovial has an Anti-Corruption Policy in place that governs the behavior of all directors, managers and employees, and their collaborators in going about company business. A "zero tolerance" policy has been implemented to eradicate any practice that might qualify as active or passive corruption or bribery.

The policy insists on compliance with anti-corruption laws throughout the world, notably the Spanish Criminal Code (and that of the other jurisdictions in which Ferrovial operates), the US Foreign Corrupt Practices Act, the UK Bribery Act and the United Nations Convention against Corruption.

Training

Training for employees in the values and principles enshrined in the Code of Ethics and the Compliance Policy is one of the cornerstones of the company's Compliance Model. A training plan was implemented in 2018 to raise awareness of the values and principles that must govern the actions of all Ferrovial employees. Selected anti-corruption training programmes have also been implemented based on the level of risk exposure of certain groups of employees. Together, these courses were completed by 4,216 employees, with a total training volume of 7,456 hours. 📌

Zero tolerance towards discrimination

THE UNIVERSAL DECLARATION OF HUMAN RIGHTS UNDERPINS FERROVIAL'S ACTIONS IN THIS REALM. THEY ARE RESPECTED ACROSS THE ENTIRE ORGANIZATION AND MADE TO PERMEATE THE ENTIRE VALUE CHAIN.

Ferrovial has a Human Rights Policy in place and the resources needed not only to enforce compliance but also to raise awareness of the principles among its stakeholders. It also guarantees respect for the labor rights of all its employees and contractors in all countries where it operates, in accordance with local law and regulations.

CORPORATE POLICY

Ferrovial's values mean it is fully committed to the highest standards of integrity, transparency, respect for the law and Human Rights. Ferrovia approved its Human Rights Policy in 2014, which is aligned with the company's Code of Business Ethics, the principles of the UN Global Compact, the Guiding Principles for Business and Human Rights, the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the rules and regulations of the International Labor Organization.

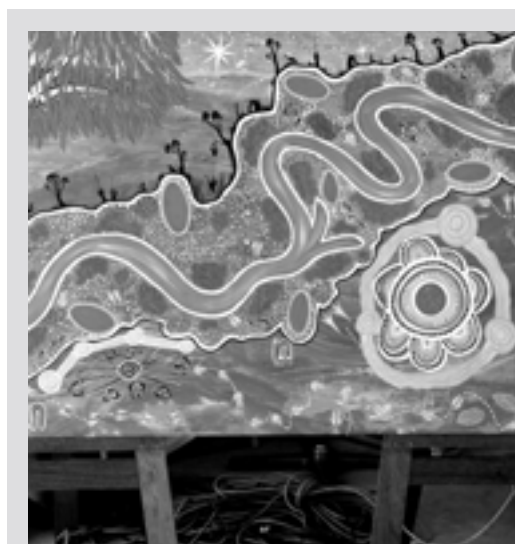
FERROVIAL BUILDS ITS HUMAN RIGHTS POLICY ON THE PRINCIPLES OF PROTECTION, RESPECT AND PROVIDING SOLUTIONS

The senior management is absolutely committed to enforcing compliance with the Human Rights Policy in order to support and raise awareness of Human Rights across all lines of business. Ferrovia's commitment to Human Rights embraces the entire value chain: employees, customers, suppliers and contractors. Ferrovia has defined a set of procedures to provide each type of stakeholder with the elements and information needed to honor and observe its Human Rights Policy.

Ferrovia refuses to tolerate any kind of discrimination and champions respect for Human Rights in the societies and communities where it operates. It also fosters a respectful and suitable working environment for all related people through training and awareness-raising activities. In order to promote labor integration, all work centers are adapted to be accessible spaces according to the commitments of the inclusion strategy as well as to particular demands that may exist in response to the diversity of the workforce.

In 2017, the company's Ethical Channel was upgraded to address various key aspects relating to Human Rights. The new functionalities are there to identify and report cases of harassment (broadly meaning any kind of abusive, hostile or offensive conduct) and to report and denounce discriminatory practices or behavior based on culture, political ideas, religious beliefs, race or other types of discrimination. Ferrovia is therefore promoting and enabling compliance with Human Rights in all the countries where it operates.

To identify, prevent, mitigate and respond to potential breaches of Human Rights, and given that



RECONCILIATION ACTION PLAN 2018-2021: STRENGTHENING RELATIONS BETWEEN AUSTRALIAN AND ABORIGINAL PEOPLE

Broadspectrum has launched its fourth Reconciliation Action Plan (RAP) alongside Reconciliation Australia, a non-profit NGO that is seeking to reconcile Australian and aboriginal people within the country. Under this new RAP supported by 22 Australian companies, over 40 actions will be undertaken to help build relations and opportunities. Broadspectrum launched the RAP project in 2009, and during the nearly 10 years this plan has been in place, it has managed to increase indigenous employment from 2.2% to 4.8%. It has also contributed AUD88 million to the Australian economy through its indigenous employment scheme and received an award for its endeavors at Supply Nation 2018. Broadspectrum's is now committed to hiring a further 450 aboriginal employees over the coming two years.

The commitment goes beyond generating employment. There is a genuine desire to create career opportunities for aboriginal Australians to access positions of responsibility and leadership. The target for 2020 is to ensure that 4% of employees flagged as high potential are aboriginal.

the associated risks can change over time, Ferrovial conducts a continuous due diligence process of its own business activities and of those directly related to its operations and services. In the case of infrastructure projects involving vulnerable communities, it analyzes the social and environmental impact on the affected communities. Following the initial diagnostic, the company designs contingency plans with measures to mitigate and/or offset the impact.

All the acquisitions that Ferrovial has made to date, and those that it will make in the future, have always included, will continue to include, a comprehensive analysis process so as to ensure that they respect the company's policies on Human Rights, corporate responsibility and the Code of Business Ethics.

The connection of the United Nations Guiding Principles on Business and Human Rights with the Sustainable Development Goals (SDGs) –in which more than 90% of the SDG agenda concerns human rights– has allowed Ferrovial to strengthen its commitment to both initiatives.

Spain

In Spain, Ferrovial is committed to the 31 principles enshrined in the National Business and Human Rights Action Plan developed by the Spanish Government. This plan is framed within the EU Action Plan on Human Rights and Democracy 2015-2019.

Meanwhile, Ferrovial's II Equality Plan remained in effect throughout 2018. It aims to guarantee equal treatment and opportunities between men and women while helping to identify and reduce any existing salary gap between both genders. Within the framework of this plan, the company is fostering the co-responsibility of all employees in their personal and family life, encouraging a well-balanced assumption of family responsibilities and ensuring a suitable work-life balance.

The company also has a Procedure for the Prevention of Occupational and Sexual Harassment, which is disseminated among all its employees. Similarly, Ferrovial is adhered to the "Businesses for a society free from gender-based violence", an initiative promoted by the Ministry of the Presidency, Relations with the Cortes and Equality.

Ferrovial has reiterated its commitment to this initiative in 2018. The charter is essentially a European initiative, falling within the anti-discrimination directives enacted by the European Union in 2000 and supported directly by the European Commis-

FERROVIAL HAS PLANS TO GUARANTEE EQUAL TREATMENT AND OPPORTUNITIES BETWEEN WOMEN AND MEN

sion's Directorate-General for Employment, Social Affairs and Equal Opportunities.

United Kingdom

Ferrovial Agroman UK, Amey, AGS and Heathrow Airport have commitments aligned with the UK Parliament's Modern Slavery Act, which is there to prevent events related to slavery in any of its forms and human trafficking. This commitment not only covers their own business activities but permeates the entire value chain.

Australia

Broadspectrum, Ferrovial's Australian subsidiary, has implemented its fourth plan under the wider Reconciliation Action Plan of the Australian Government. The plan envisions specific measures and concrete indicators to better reconcile Australian and Aboriginal people.

RAISING AWARENESS OF HUMAN RIGHTS

The company takes part in international forums and working groups to help promote Human Rights across the business world and the rest of society, assuming positions of responsibility in different initiatives to support corporate responsibility and Human Rights in Spain. Examples here include the Secretariat of the Executive Committee of Forética, its seat on the Executive Committee of the Global Compact Network and its involvement in the Human Rights Labs of Fundación Seres.

COMMITTED TO LABOR RIGHTS

Ferrovial guarantees the right to strike, freedom of association and the right to collective bargaining by appointed workers' representatives and unions. Ferrovial employees are protected by collective employment regulations in each of the different countries. Of total employees, 69% are adhered to collective bargaining agreements.

Ferrovial has put in place internal communication channels, internal social networks and the corporate intranet (known as Ferronet) to help create collaborative, dynamic and flexible working environments that promote healthy habits and behaviors among employees. 🗣️



VIDEO: RECONCILIATION ACTION PLAN
Support to indigenous communities

Helping decarbonize the economy

FERROVIAL CONTINUES ITS EFFORTS TO OFFER SERVICES AND INFRASTRUCTURES THAT RESPOND TO CHALLENGES SUCH AS CLIMATE CHANGE, WATER FOOTPRINT MANAGEMENT, THE ENERGY CRISIS, THE REUSE OF WASTE AND THE LOSS OF BIODIVERSITY, TO CREATE VALUE BY LESSENING ITS ENVIRONMENTAL IMPACT AND TO DISCOVER NEW BUSINESS OPPORTUNITIES

Ferrovial offers services that help reduce the environmental impact of users and customers alike. The company is aligned with the global agenda of championing and promoting a low-carbon economy. It actively seeks to minimize the use of natural resources when going about its business.

CLIMATE STRATEGY

Ferrovial's climate strategy forms part of the company's wider business strategy. Matters relating to climate change has been analyzed and discussed by the Board of Directors and the Management Committee. The task of implementing the climate strategy is entrusted to the Quality and Environment Committee, which comprises the heads of quality and environment officers of the various business units. The strategy comes to life through the development of innovative products and low-carbon services, through the company's commitment to reducing its carbon footprint and to collaborating with stakeholders when transitioning toward a low-carbon economy.

RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE

During 2018, the company conducted a review of the risks and opportunities associated with climate change across all its business units worldwide, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This analysis covers three different scenarios based on the degree of implementation of policies to combat climate change. They are known as the current policies scenario, the new policies scenario and the sustainable development scenario, the latter being

REDUCTION IN GHG EMISSIONS

54%
in relative terms since 2009

...

ELECTRICITY CONSUMED CO-MES FROM RENEWABLE SOURCES

44.1%

...

the one that considers an increase of the temperatures with respect to preindustrial levels of 2° or less. The study reveals that Ferrovial faces various transition risks due to policy change and physical threats in the short, medium and long run.

The business opportunities detected relate to the range of possible solutions in the fields of water, energy efficiency, urban mobility, circular economy and conserving biodiversity. A quantification of the economic needs linked to these opportunities has also been carried out.

CARBON FOOTPRINT

The duty to calculate and report the carbon footprint extends across the entire company and covers all business units and subsidiaries. The calculation method is based chiefly on the GHG Protocol (WRI&WBCSD), which is the most internationally accepted approach, while also adhering to ISO14064-1 standards. The market-based method was used to calculate scope 2.

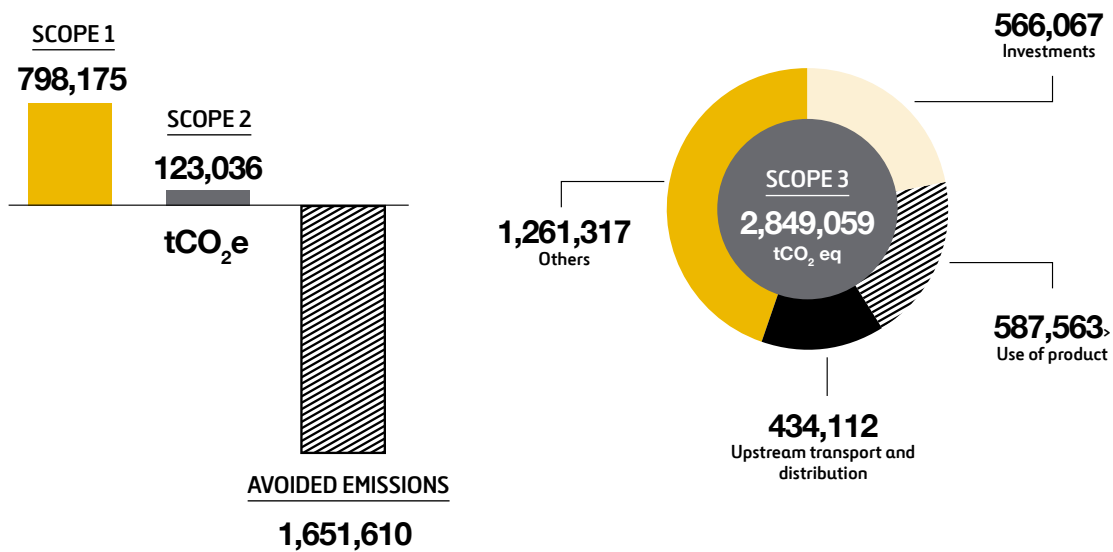
By 2030, the target approved and endorsed by SBTi is to reduce scope 1 & 2 emissions in absolute terms by 32% and in terms of intensity by 42.9%. In 2018, scope 1 & 2 emissions were reduced by 54% in relative terms of intensity and by 14% in absolute terms since 2009, which reflects Ferrovial's commitment to the roadmap established for the fulfillment of the established objectives.

Absolute and relative emissions (Scope 1+Scope2), by business area, are as follows:

BUSINESS UNIT	BASE YEAR (2009)	2016	2017	2018	18 vs 09
Toll roads	15,684	13,739	10,091	8,164	-48%
Construction	251,375	245,981	264,407	246,216	-2%
Services	724,816	584,528	620,677	589,358	-17%
Corporate	941	748	725	636	-32%
Total (tCO₂eq)	1,070,232	922,412	990,303	921,211	-14%
Relative Emissions (tCO₂eq/M€)	162.36	66.30	69.62	74.13	-54%

A progressive reduction of absolute emissions can be observed, in general terms, because of the different initiatives to promote energy efficiency, sustainable purchases or purchase of renewable energy in each of the divisions.

GREENHOUSE GAS (GHG) EMISSIONS



SCOPE 1: GHG from sources that are owned or controlled by the company. They mainly come from the combustion of fuels in stationary equipment, diffuse emissions, channeled and fugitive emissions.

SCOPE 2: GHG because of the consumption of electricity purchased from other companies that produce or control it.

SCOPE 3: GHG issued indirectly by Ferrovial attributable to the products and services acquired, or due to the use of products and services produced by third parties

SHADOW CARBON PRICING

Because of the nature of the infrastructure projects undertaken by Ferrovial, with an average concession life of 41.9 years, and because climate change legislation is in context flux, the company has developed a corporate tool that weighs up the financial risks associated with this aspect of its projects.

The tool uses a shadow pricing approach to consider variable prices for a ton of carbon over different time horizons and across different regions and project types, quantifying the potential economic risk facing the projects for which the company decides to use the tool. The tool helps reduce the inherent uncertainty associated with legislation relating to climate change and provides a realistic quantification of the possible costs associated with each project.

TRANSITION TO A LOW CARBON ECONOMY

Ferrovial maintains an active position with its most relevant stakeholders, particularly those that are or may be involved in the main climatic risks of the company's business activities across the globe.

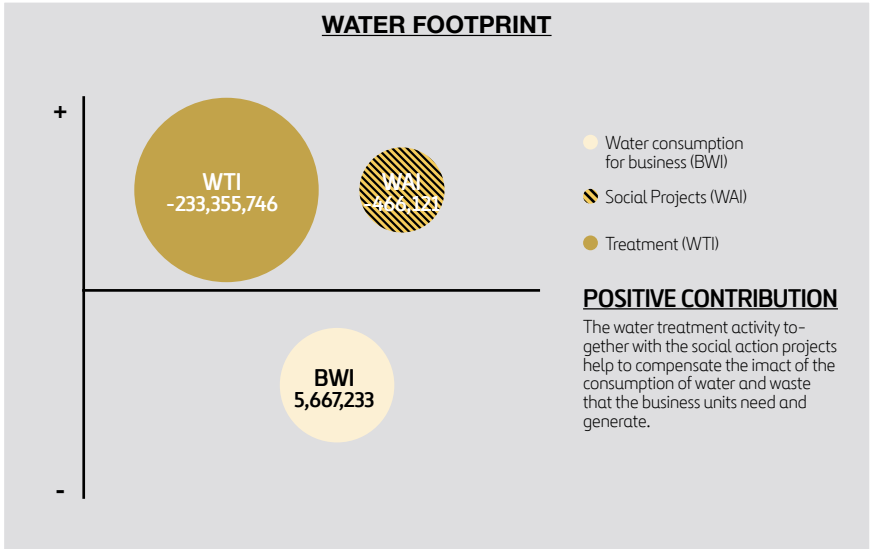
Ferrovial is involved in various think tanks and influence groups at European level to discuss and predict the future of the economic and environmental agenda for the 2030 and 2050 horizons. Notably, these include the Corporate Leaders Group (University of Cambridge Institute for Sustainability Leadership) and the EU Green Growth Group (platform

comprising representatives from the business world, members of the European Parliament, governments and commissioners).

In the realm of climate innovation, Ferrovial has been a co-partner of Climate-KIC, the largest European initiative focused on mitigating and adapting to climate change.

In Spain, Ferrovial chairs the Spanish Green Growth Group, which promotes public-private partnerships to make further progress in mitigating and adapting to climate change, decarbonizing the economy and championing the circular economy. A manifesto was signed in 2018, together with 35 other Spanish companies, to activate the energy transition and a conference titled "Opportunities of the energy transition for the Spanish and European economy" was organized in collaboration with the European Alliance to Save Energy.

The company is a member of Fundación Empresa y Clima, a strategic partner in the #PorElClima Community, which promotes the Spanish Platform for Climate Action supporting public-private partnerships. It is also an observer member of the United Nations Framework Convention on Climate Change (UNFCCC) and belongs to the Climate Change Cluster promoted by Forética.



ance of the ecosystems in which the resource is located.

CIRCULAR ECONOMY

Ferrovial works hard to incorporate the principles of the circular economy in all its processes, products and services by reducing the use of non-renewable natural resources, reusing waste as raw materials, recycling, incorporating eco-design criteria and raising public awareness.

The company embarked on various projects in 2018 in support of these principles:

- Zero Waste to Landfill project, to eliminate the volume of waste sent to landfills. Developed by Ferrovial Services in partnership with Ford.
- Transforming biogas obtained from waste treatment into biomethane at waste treatment plants.
- Developing long-lasting pavements by improving bitumens and asphalt binders.
- Obtaining recycled fibers from waste construction material through the Horbran Project, to encourage the use of recycled materials in construction.
- Obtaining plastic biopolymers of renewable origin from wastewater treatment sludge, within the framework of the DEMO B-PLAS project.

BIODIVERSITY AND NATURAL CAPITAL

Under the “Ferrovial, Natural Capital” program, the company undertakes different projects related to biodiversity with the aim of achieving zero net loss of biodiversity in its projects.

The company is working alongside Creando Redes and Climate Kic to develop a meth-

odology that will allow us to quantify impacts on the ecosystem. The objective of all the projects arising out of this program is to gear company business toward minimizing the impact of its activities following the principles of the mitigation hierarchy, while also looking for ways to improve the ecosystems in which the infrastructure lives.

During 2018 the company has been working in the development of a biodiversity initiatives catalogue, where the detail of them will be available.

It is also worth noting that Ferrovial has collaborated with the Spanish Business and Biodiversity Initiative, which is coordinated by Fundación Biodiversidad and which works with 22 large companies, important business and conservation bodies to integrate biodiversity into the business sector. This partnership led to the publication of the Practical Guide to Ecological Restoration. Meanwhile, the company has been undertaking ecological restoration and circular economy projects in partnership with Fundación para la Investigación en Etología y Biodiversidad and it signed a commitment against deforestation with WE MEAN BUSINESS.

WATER FOOTPRINT

In 2015, Ferrovial devised a methodology for calculating and reporting its water footprint, which guides and shapes the company’s water management strategy based on estimates and consumption standards in processes. The method allows it to identify the value of water to the processes and to the environment, taking due account of its availability and quality, as well as the bal-

Ferrovial has a Water Policy, in which it recognizes water as a limited and irreplaceable natural resource as well as a fundamental human right. The policy expresses the company’s firm commitment to using water responsibly and sustainably, integrating it under the principles of the circular economy and promoting access to clean and healthy water to the populations of developing countries.

The water footprint reveals that water consumption by the company’s business units is partial offset by the water treatment business, as well as the social action projects undertaken through the Social Infrastructure Program, which provide access to drinking water for communities located in developing countries.

REDUCING THE ENVIRONMENTAL IMPACT

Ferrovial’s business activities generate a number of impacts around the vicinity of its projects and facilities, including emissions into the atmosphere, effects on the surrounding biodiversity, earthwork and the generation of waste. The company implements corrective actions to help minimize or even offset these impacts.

For instance, reusing earth on the construction site effectively eliminates the emissions that would otherwise be generated by having it transported off-site, while also ensuring the project’s better integration with the landscape. Ferrovial has set itself an 80% earth reuse target for 2020. A further highlight is the increase in the amount of recycled waste, which, under the principles of reduction, reuse and recycling, amounted to 2.3 million m³, tree times more than the previous year.



PHOTO: Arch of La Regenta. Asturias (Spain).

A chain featuring 90,000 links

FERROVIAL IS WORKING TO DEVELOP A SUPPLY CHAIN THAT INCLUDES ONLY THE BEST PARTNERS AND SUPPLIERS, WHILE STRENGTHENING SUSTAINABLE PURCHASING, COLLABORATION, EFFICIENCY AND INNOVATION.

Ferrovial integrates ESG principles (environmental, social and good governance) into its supply chain by using a integrated model that aims to foster and improve efficiency, quality, sustainability, transparency, respect for human rights, non-discrimination and equal opportunities.

Selection, negotiation and purchasing processes are both objective and rigorous and are further bolstered with regular assessments and monitoring of the quality of the service provided.

To ensure that the entire process is traceable and transparent from start to finish, the company works with leading socially responsible companies and partners in order to forge long-term commercial relationships

STRATEGY AND MANAGEMENT PROCEDURES

Ferrovial has a Global Purchasing Policy, applicable to all Ferrovial companies and subsidiaries. The policy sets out the commercial, environmental, social and good governance principles that underlie the company's relations with all its suppliers. They are based on the Code of Business Ethics, the Corporate Responsibility to Respect Human Rights and the new due diligence process to ensure supplier integrity and ethics.

Overall coordination of purchasing activity rests with the Global Procurement Committee, which, led by Ferrovial's Chief Information and Innovation Officer (CIIO) and comprising the chief procurement manager of each business area, facilitates the sharing of good practices and the improvement of the procurement function on a global scale.

Another of the targets pursued is the professionalization of the function through specific training programs, presence at events and better communication with the various business lines.

NUMBER OF SUPPLIERS ASSESSED

14,588

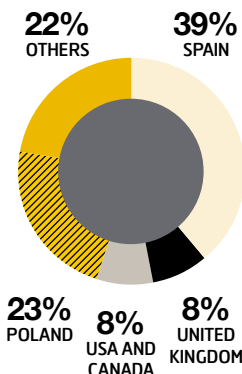
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NUMBER OF SUPPLIERS

88,857

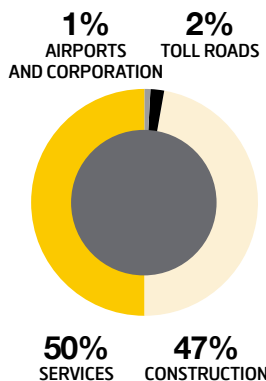
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SUPPLIERS BY COUNTRY



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SUPPLIERS BY BUSINESS



COMPREHENSIVE SUPPLIER MANAGEMENT

The task of selecting suppliers and partners and the company's working relationship with them is rooted in transparency, integrity, independence and sustainability with the clear goal of ensuring excellent and efficient levels of services. To achieve this, the company applies specific management, classification, assessment and risk control processes.

Supplier management gets started with a preliminary classification based on their degree of criticality. A supplier will qualify as critical when their purchasing volume is deemed significant in economic terms, or where the goods or services they provide could have a negative impact on business continuity in the event of an incident.

Meanwhile, the company ensures that all its suppliers comply with the Code of Business Ethics, the Corporate Responsibility to Respect Human Rights, the Anti-corruption Policy and the Due Diligence and Compliance Procedures in their applicable field of action. Contracts with suppliers include an anti-corruption clause that must be signed and accepted when entering into the contract.

The Construction and Services divisions, which account for 97% of the company's suppliers, have made certain procedural improvements to guarantee the ethical integrity of their suppliers, in line with the new procedure in place. The aim here is to help the company better track and monitor its regular suppliers and prevent risks from materializing. The aim is also to champion and promote green purchasing by providing information on suppliers of these types of product through the Green Purchasing Catalog drawn up by Construction, and the new Catalog of Responsible Purchases prepared by Services.

Further down the line, while the service is actually being provided, the company evaluates and monitors the quality of suppliers and subcontractors. This process includes an assessment of possible breaches of the obligations set out in the contract or purchase order where this leads to a change in how the service is provided. Incidents are classified as minor or serious and may lead to the blocking and/or exclusion of the supplier in future tenders.

In 2018, a total of 14,588 suppliers were assessed, of whom less than 1% were rejected. A total of 29,594 new suppliers were approved for use during the year. A total of 800 suppliers were considered critical, accounting for 21.55% of total supplier invoicing.

INNOVATION AND TECHNOLOGY

A commitment to innovation and use of new technologies is key to achieving a more agile, efficient and transparent supply chain. Collaboration with suppliers drives the improvement of the procurement processes and here the company brings its experience to bear in offering products and services that provide value, minimize risk and offer new opportunities.

For instance, Construction has drawn up a Catalog of Innovative Construction Products, which is made available for all construction projects across the globe. It provides valuable information on the improvements and developments detected by the Procurement Division and seeks to make innovation a bigger part of construction projects.

Meanwhile, Services has continued to implement its Smart Fleet project, which aims to improve efficiency and provide consumption control for fuel tanks, preventive and corrective maintenance and occupational and road safety for the company's vehicles and workshops. Two initiatives have been launched within the context of this project, the first relating to onboard electronics and the second governing active safety systems. The first of these initiatives promotes more proficient, more efficient and safer driving. Turning to the active safety systems, and in line with the Target Zero objective to promote road safety, the company's vehicles will all be fitted with active safety devices (advanced driver-assistance systems, known as ADAS), which alert the driver to any event or circumstance that might endanger their own safety or that of pedestrians or cyclists.

SUSTAINABLE PURCHASING

The procurement divisions at Ferrovial focus on renewable energies and on reducing fuel consumption by purchasing electric and hybrid vehicles. They also view energy consumption as a critical concern when making decisions. Services favors renewable energy with guarantee of origin ahead of other sources. Its goal is for renewable electricity to reach 88% of total power purchases by 2020.



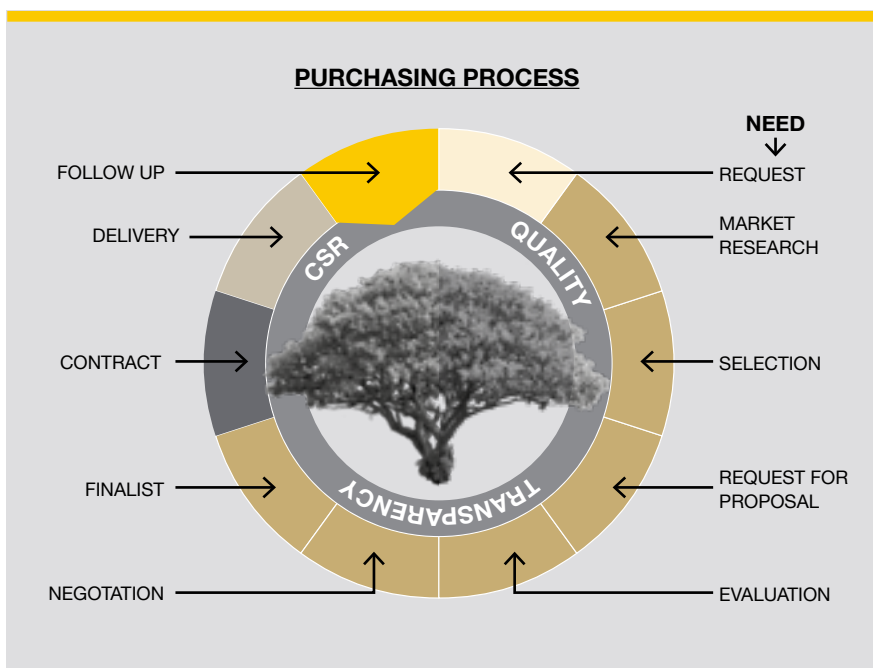
LONG-TAIL PROJECT AT FERROVIAL SERVICES SPAIN

The existing supplier base at Ferrovial Services Spain —with upward of 14,000 suppliers— is noteworthy because some 40% of the associated costs are not managed centrally. This type of decentralized management has prompted the company to launch its Long-Tail project, which aims to control and monitor all decentralized purchasing, reduce supplier risk and optimize operating costs.

Within the framework of this project, the company has implemented a Suppliers Panel to organize and sort all the information relating to the suppliers of Ferrovial Services Spain and to make it available across the entire company. The panel is essentially a tool to improve the daily management of the information. The panel gathers all available information on the suppliers. It then shares key information with the relevant businesses to ensure that it is suitably managed and helps them pick the suppliers best suited to the needs of each project. For more information on the new pane on this [video](#).

The Construction business continues to expand its Catalog of Green Purchases, which it uses to raise awareness and to encourage the procurement of environmentally-friendly products for construction projects and services.

Meanwhile, Ferrovial Services Spain has drawn up a Catalog of Responsible Purchases, which aims to identify and flag those suppliers capable of integrating ESG (environmental, social and governance) factors into the value chain, thus unlocking their value when it comes to selection and negotiation. 



Social investment for 200,000 people

FERROVIAL, AS A GLOBAL INFRASTRUCTURE OPERATOR AND ARRANGER OF SERVICES FOR CITIES, IS FIRMLY COMMITTED TO THE DEVELOPMENT OF CITIES AND SUSTAINABLE COMMUNITIES. IT STRIVES TO REDUCE TERRITORIAL IMBALANCES, WHILE AIDING DEVELOPMENT, GENERATING EMPLOYMENT, FAVORING LOCAL SUPPLIERS, PAYING ITS TAXES AND SHARING SKILLS, KNOWLEDGE, INNOVATION AND TECHNOLOGY.

Aside the positive social impact of its business activity —providing service to cities and their inhabitants— Ferrovial operates various community investment programs specifically aimed at improving the living conditions of people at risk of exclusion. In addition to the investment in the community, Ferrovial contributes to other associations and non-profit entities for approximate amount of 1.2 million euros.

Spain

In 2012, Ferrovial rolled out its Social Action in Spain initiative, through which it is helping to refurbish and modernize premises and facilities used to prepare and distribute food to extremely vulnerable segments of society.

In 2018, the company worked alongside the Spanish Red Cross in modernizing five centers located in Pinto, Getafe, Aranjuez, Totana and Cordoba. This scheme will ultimately benefit more than 7,000 people by giving them a basic, yet healthy and balanced diet, with special attention given to families with small children.

The company also promotes the **Stronger Together** project, now in its twelfth outing, in which employees can donate to social projects over the course of the year. On reaching the end of the year, Ferrovial doubles their contribution.

Four projects received support in 2018: the refurbishment of the Domingo Savio catering training center for young people at risk of social exclusion in Valencia; the refurbishment of a building used to provide free accommodation for families of children hospitalized for congenital cardiopathy and living away from home in Madrid; a comprehensive support program for women and young victims of sexual violence in armed conflict

NUMBER OF PROJECTS

357

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INVESTMENT IN THE COMMUNITY

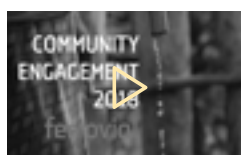
4.5 M€

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BENEFICIARIES OF WATER AND SANITATION PROJECTS

213,713

...



VIDEO: FERROVIAL 2018 COMMITMENT
Summary of the programs developed during the year

zone in Goma, North Kivu, DR Congo, and a project to help prevent blindness in children from Mali.

When it comes to integrating people with disabilities, Ferrovial and the Adecco Foundation are working together on their Family Plan to help the family members of disabled employees. Meanwhile, Cadagua is committed to advanced professional training for disabled people. It is also heavily involved in Unidos, a pioneering project that provides academic and career guidance, and in the Grants Program of the Adecco Foundation aimed at disabled students. It also has agreements in place with Fundación ONCE and Fundación Integra, which champion the labor market integration of people at risk of social exclusion, including disabled people.

United Kingdom

In the United Kingdom, Amey and the Duke of Edinburgh Foundation have been working together for 14 years now to improve the employment prospects of



STRONGER TOGETHER: WORKING TOWARDS A BRIGHT FUTURE IN MALI

In 2018, one of the projects selected by employees under the Juntos Sumamos program was “Working towards a brighter future: preventing blindness in children from Mali”, organized by the Eyes of the World Foundation.

The project has enabled 5,500 children, including 2,760 girls, from 35 primary and secondary schools in the Mopti and Douentza regions of Mali, to have their eyes checked for eye diseases and/or poor eyesight. The examinations are conducted by ophthalmological health personnel from the region, in collaboration with local heads of education. A visit to a specialist is arranged for those children whose eyesight problems require more specialized attention. In addition, 200 sets of glasses have been made and delivered free of charge to children from destitute and low-income families.

The case of Adama Ouedraogo, a 14-year-old student living in Koro IV, is a prime example of how the project can change children's lives for the better. He explained that his eyes would hurt much of the time and how reading a book would make his eyes watery. Eyes of the World detected refractory errors in his eyes and prescribed him corrective lenses. His average grades at school have since improved. In his own words: “I am very happy, because the glasses have helped me follow my classes. Without glasses, I couldn't read or write. Thank you so much!”

thousands of young adults at risk of exclusion. The program is being run in Staffordshire, Birmingham, Liverpool, Wales and Sheffield.

Also in Sheffield but this time in partnership with Sheffield College, the company has set up an internship scheme for young people with learning difficulties aged between 18 and 24. More specifically, a total of ten young men and women have benefited from this initiative by acquiring valuable work experience at offices, workshops and warehouses. The scheme, which runs for one school year, also seeks to improve the job prospects of these young adults.

Further highlights include the Amey Challenge Cup, a learning competition for careers in engineering. Aimed at girls aged 13 to 15, participants are asked to design and build a work of infrastructure, such as a bridge or college. Their projects are then put before a panel comprising of Amey volunteers and government representatives.

United States

In the United States, Ferrovia is involved in various educational projects by providing funding or getting its employees involved. For example, it collaborates with South Florida Construction Careers Days to raise awareness and arouse an interest in youngsters for careers in and around the construction trade. The company is also involved in the National Math and Science Initiative in Texas, which aims to education in science, technology, mathematics and engineering more attractive and successful for students and teachers alike.

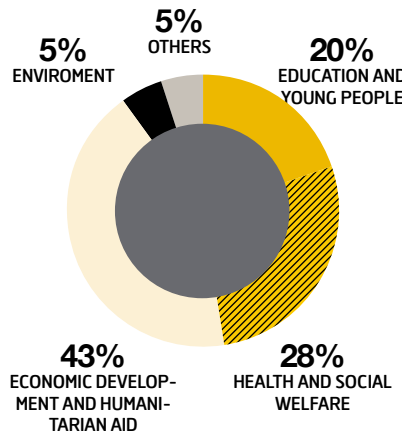
Poland

Budimex is working alongside Strefa Rodzica to help set up separate areas in the pediatric wards of hospitals where parents can spend time with their sick children. Also in the realm of child safety, the *DomofonICE* initiative provides pupils with identifiers, which can easily be linked up to a school satchel to locate the child rapidly in the event of an emergency.

Australia

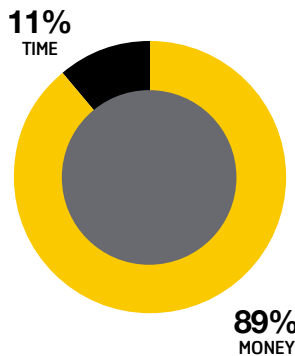
Aside from Broadspectrum's commitment to integrating indigenous people through its Reconciliation Action Plan, the company is

COMMUNITY SUPPORT PROJECTS BY AREAS



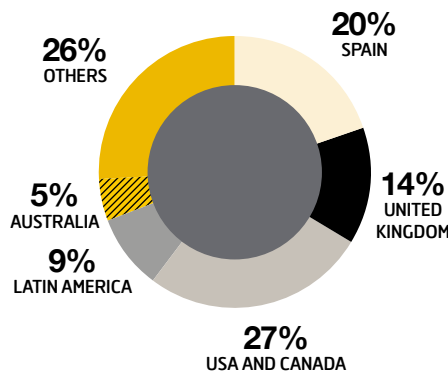
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COMMUNITY SUPPORT PROJECTS BY CONTRIBUTION



...

INVESTMENT IN THE COMMUNITY



seeking to raise awareness among its employees of the culture, history and values of Aboriginal Australians.

Meanwhile, in Australia and New Zealand, the company is busy training young people and readying them for the job market by expanding their knowledge of different job positions, arranging meetings with company workers and helping them acquire the different skills needed in a real working environment. To achieve this, it has rolled out various initiatives, including Career Trackers, Dismantle and Seymour-Puckapunyal Youth Partnership.

DEVELOPING COUNTRIES

Ferrovia has a Social Infrastructure Program in place since 2011, which promotes international cooperation and development projects to provide access to fresh water and sanitation in numerous African and Latin American countries. The company has come up with a method for measuring the social impact of the projects carried out from this year onward.

The program relies on the support of various interest groups, development NGOs, local authorities and employees, who are offered the opportunity to take part as volunteers by visiting the beneficiary country and applying their professional knowledge there. The initiative was granted the I Award for Corporate Volunteering by Fundación Telefónica and has now completed four projects benefiting a total of 14,237 people:

- Lwangu District, Tanzania. Construction of a gravity flow structure for the supply of water; construction of a 75 m3 tank and distribution through 15 km of pipeline to bring the water to 15 delivery points.
- Veredas 20 de Julio and La Encarnación, municipality of Urao, Antioquia, Colombia. Modernization of water capture facilities and installation of two water treatment plants.
- Community of San Benito, municipality of Lebrija, Santander, Colombia. Installation of a treatment plant to supply water fit for human consumption to 80 families and the local school.
- San Juan de Lurigancho, Lima, Peru. Modernization of five cisterns and construction of an elevated tank, replacement of pumps and pipeline and construction of six lavatories at five educational centers.

Transparency and efficient management

FERROVIAL'S TOTAL TAX CONTRIBUTION CAME TO EUR2,127 MILLION, INCLUDING MOST NOTABLY TAXES ON EMPLOYMENT (EUR1,182 MILLION) AND TAX ON BUSINESS ACTIVITIES (EUR685 MILLION). THE COMPANY IS GUIDED BY THE PRINCIPLES OF PRUDENCE AND TRANSPARENCY AND FULL COOPERATION WITH THE AUTHORITIES WHEN MANAGING ITS TAX AFFAIRS

In 2010, Ferrovial adhered to the Code of Good Tax Practices promoted by the Spanish Tax Agency. It follows these recommendations across all its activities worldwide through the Compliance Policy and Good Practices in Tax Matters. In February 2015, the Board of Directors approved the Ferrovial Tax Policy, thus complying with the provisions of Article 529 ter of the Spanish Corporate Enterprises Law.

PRINCIPLES

- **Transparency:** Ferrovial does not make use of any companies domiciled in tax havens or other non-transparent jurisdictions, except when a given activity –such as a construction project– is located in any such jurisdiction. In these cases, the company will provide information to the competent authorities in compliance with applicable law.
- **Compliance:** timely payment of all applicable taxes, in strict compliance with the law in each country.
- **Professionalism:** all taxes and the associated risks are managed by a team of specialized professionals, namely the Ferrovial Tax Advisory Division, which is aided in its work by a team of external advisors.
- **Efficiency:** taxes are managed consistently and coherently with the business strategy, thus maximizing the value for shareholders.
- **Cooperation:** the company maintains good relations with the tax authorities by proactively managing its tax affairs to avoid any possible conflict or dispute.

- **Sustainability:** Ferrovial has procedures and policies in place to manage its tax risks.
- **Participation:** Ferrovial offers its extensive international knowledge of tax matters to aid with legislative processes.
- **Market price:** all sales and transfers among Ferrovial companies are performed at arm's length.

PREVENTION OF TAX RISKS


Following the recommendations of the Code of Good Tax Practices, the company:

- Implements measures to prevent and reduce tax risks.
- Avoids conflicts arising from the interpretation of law and regulations by consulting regularly with the tax authorities and entering into preliminary valuation agreements.
- Collaborates with the competent tax authorities to detect and eradicate fraudulent tax practices.
- Provides all information and documentation requested by the tax authorities as swiftly as possible.
- Relies on inspection proceedings to settle possible disputes with the tax authorities.

THE ROLE OF THE BOARD

The company's Board of Directors, acting through the Chairman, CEO and senior executives, ensures that Ferrovial adheres to good

tax practices and principles. The Board is responsible for approving a control and management policy for tax risks, as well as for any operations that carry a special tax risk.

When drawing up the annual accounts, the Board is informed about the tax policies applied during the year and about the effective fulfillment of the commitments included in the Code of Good Tax Practices. This compliance is discussed and explained in the Annual Corporate Governance Report. For further information, please see section 6.6 of the Consolidated Financial Statements. 

TOTAL TAX* (M€)

2,127

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TAXES PAID BY BUSINESS (M€)

128

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* Incurred, paid and collected in 2018 (cash basis).

TAX CONTRIBUTION BY MARKET - 2018

This chart shows the amounts paid by Ferrovial in 2018. They are aggregate figures based on its percentage of participation or ownership of the assets (notably 43.23% in the case of the 407 ETR, 25% for Heathrow and 55.14% at Budimex). A distinction is drawn between input taxes (obligations assumed by Ferrovial) and output taxes (arising from its activity, but actually paid by other parties).

MARKET	PAID TAXES		COLLECTED TAXES ⁽²⁾	TOTAL (€)
	CORPORATE TAXES	REST ⁽³⁾		
Spain	€9,079,686	€356,623,272	€396,398,950	€762,101,907
United Kingdom	€24,244,699	€162,757,153	€410,610,479	€597,612,331
Australia ⁽³⁾	€6,242,129	€88,693,100	€257,680,983	€352,616,212
America ⁽⁴⁾	€69,797,960	€22,070,508	€79,349,842	€171,218,310
Poland	€7,200,868	€23,651,100	€135,980,999	€166,832,967
Rest of Europe	€11,813,898	€8,819,612	€52,585,463	€73,218,973
Others (<1%)	€67,972	€472,346	€2,501,074	€3,041,392
Total	€128,447,213	€663,087,091	€1,335,107,788	€2,126,642,092

(1) Includes Employment Taxes (Employer), Value Added Tax paid and Other Taxes.

(2) Includes Employment Taxes (Employee), Value Added Tax collected and Withholding Taxes.

(3) Includes Australia and the rest of the Pacific Islands.

(4) Includes United States of America, Canada, Brazil, Chile, Colombia, Mexico, Peru and Puerto Rico. 98% of corporate tax corresponds to Canada.

More information in notes 2.10 and 5.3 of the Consolidated Financial Statements