

supply chain

Commitment

- Treat the supply chain as a key factor in the company's sustainable development strategy.

Lines of Action

- Encourage suppliers and subcontractors to adopt principles increasingly in line with the Corporate Responsibility policy.
- Base relations with suppliers on a methodology that includes Corporate Responsibility criteria.

2012 Milestones

- Introduced procedure to classify suppliers according to their risk in terms of Corporate Responsibility, in order to properly identify and manage high-risk suppliers in terms of these criteria.
- Developed a Purchasing Policy and a Code of Buyers for Ferrosfer.
- Launched a new Organizational Purchasing Procedure for Ferrovial Agroman, which establishes a new category of coordinated purchase management at international level. The Purchases Department must necessarily be involved in this management, regardless of the country in which the project for which the purchase is going to be made is located.

2013 Goals

- Extend the analysis of high-risk suppliers in terms of Corporate Responsibility criteria throughout the entire company.
- Extend Social Responsibility criteria to all incident and accident research and business activity coordination departments.

Supply chain	2012	2011	2010	Var 12-11
Number of suppliers*	57,458	61,354	60,911	-6%
Suppliers evaluated	8,402	8,415	9,876	-0.15%
Suppliers rejected	773	685	735	13%
Supplier incidents	508	607	303	-18%

*This figure has been obtained by using country-specific revenue data, so there are suppliers that have been counted more than once, although the impact of this is very limited.

Ferrovial considers its supply chain an essential stakeholder in the development of its business. Both sides seek mutual benefit by joining forces in order to offer customers higher quality services, while guaranteeing compliance with the Principles of the Global Compact and respect for the environment.

Ferrovial aims to establish long-term relations with its suppliers as far as possible. It encourages greater communication and collaboration with its suppliers and subcontractors.

In 2012 a procedure was introduced to establish the criteria for classifying suppliers and identifying those of high risk according to Corporate Responsibility criteria. It is based on the Principles of the Global Compact, Ferrovial's Corporate Responsibility Policy, and the FTSE4Good Supply Chain standards.

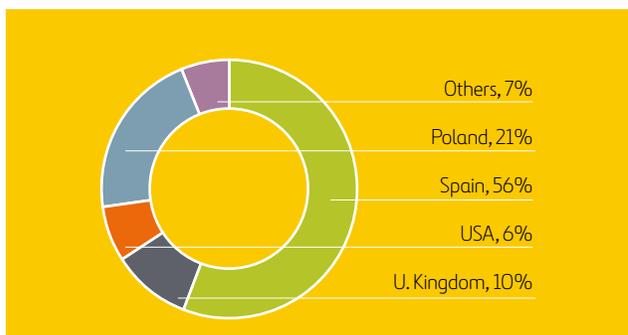
Profile of Ferrovial suppliers

In 2012 Ferrovial had dealings with 57,458 suppliers, including not only suppliers, but also leasers and subcontractors. It is worth highlighting the fact that most Ferrovial suppliers belong to OECD countries, so they are considered low-risk in terms of Human Rights violations and compliance with labor and environmental regulations. At the same time, the sectors in which Ferrovial operates through its different divisions are related to activities in which there are no significant risks in the supply chain, according to the criteria of the aforementioned institutions.

By geographical area, 56% of all suppliers are contracted in Spain, 21% in Poland, 10% in the United Kingdom and 6% in the United States. Local suppliers represent the majority in all the markets in which Ferrovial operates.

Ferrovial's different businesses promote the use of local suppliers, and the number of local suppliers used in each country is 94% of the total on average.

However, given that the company operates worldwide, in the case of the most important purchases prices are checked internationally to take advantage of the competitiveness offered by other markets around the world.



Management of the supply chain is one of the basic aspects of Ferrovial's environmental management in some business areas, such as Construction and Services, where the level of subcontracting can be significant and the sustainability of many projects depends largely on the performance that the company can demand from suppliers and contractors.

Global Procurement Committee

A new corporate-level committee called the Global Procurement Committee, was created in 2011. Its aim is to ensure the continued coordination, monitoring and control of global procurement activity in Ferrovial, in order to:

- Take advantage of synergies between businesses.
- Share good practices.
- Improve the global procurement function.
- Increase mutual knowledge.

The committee is headed up by Ferrovial's CIO, and is composed of all the purchasing managers of the different business divisions. It is responsible for approving procedures, guides and recommendations on purchasing in the company.

A manager is appointed for each purchasing project, making it easier to identify the synergies in the group and use volume aggregation in purchasing practices, thus saving costs. The Global Procurement Committee meets every four months. It also has other objectives, such as promoting studies of Best Practices within the industry, and participating in workshops and conferences with experts.

Sustainable standards

Controlling the origin of wood

In its contracts, Ferrovial requires its wood suppliers to provide information and guarantees on the origin of their materials. Since 2005, all orders and purchasing contracts include clauses setting out the contractual obligation that the material supplied must be of a guaranteed origin. Ferrovial uses wood as an auxiliary material, and it thus does not constitute a critical element for its commercial operations, except in the case of housing construction. In this case purchasing specifications establish the technical, quality, environmental etc. requirements that must be met by the materials supplied, among them wood and materials that use wood in the manufacturing process. Wood from the tropics, which poses the highest risk, has been managed since October 2011 by following very strict specifications to ensure that it is legally sourced and that its traceability is available until it is received on site.

Given that in most of the work executed by the construction business the projects are designed by another company (not Ferrovial) contracted by the client, the use of certified materials depends on the client, although if Ferrovial's advice is sought it always recommends the use of certified wood.

Recycled materials

Ferrovial undertakes to increase as far as possible the use of recycled materials or products manufactured using recycled materials in its operations. With this aim, in 2011 Ferrovial Agroman carried out a survey of its main suppliers, covering the activities in which these products are most likely to be included. This list will be supplemented on an ongoing basis.

The aim of these surveys was to have systematic information available on the use of these materials in its operations.

As a result of these surveys, a Supplier Database was created in 2012 to include certificates that prove that the suppliers use recycled materials in their construction products, and to identify to what extent these products can be recycled. Authorized personnel from the Purchases Department, Environment Services, Contracts Department and Line Management can access this database.

Green purchasing

Ferrovial pays attention to the environmental aspects of construction activity, particularly in terms of the use of recycled and recyclable materials. The Purchases Department has an IT knowledge management application called "icompras", which enables information to be exchanged between national and international production centers.

The Services Division has prepared its own green purchasing guide that includes specific products, equipment and manufacturers for its own needs.

The database is a useful tool for preparing construction bids for clients, and also after the project has been assigned. All the tender bids include the greatest proportion possible of construction materials that are recycled, reused or environmentally-friendly, backed up by the certificates that guarantee these characteristics. The database provides information quickly and simply and is constantly updated during the process of preparing the bids.

Once the project has been assigned, the information contained in the database is used to identify the best opportunities in terms of costs.

Buyers' Code of Ethics

Supplier management and relations in Ferrovial should be based on a rigorous, ethical and effective bond.

The Buyer's Code of Ethics for the Purchases Department in the Construction division was updated in 2009. Among the changes was the need to pay particular attention to compliance with the Corporate Responsibility rules in procurement, both from the point of view of the source of products and the labor force that has been used in their manufacture. This code was implemented in Ferroser in 2012, in the services business.

The document supplements Ferrovial's Code of Ethics and applies to all staff in the Purchases Departments in which it is in force. The staff are trained in the Code and required to acknowledge their commitment to it in writing.

The aim of the document is to draw up the general lines of action for day-to-day work in purchasing, without aiming to cover all the possible situations exhaustively. The Code specifically establishes the following principles, which must be taken into account in all purchases:

- Ferrovial's general interest. This goal must be present in any negotiation.
- Integrity. An immediate supervisor must be advised of any direct or indirect conflicts of interest arising from family connections, personal ties, financial interests or other factors. Employees involved in purchasing are prohibited from accepting special discounts or gifts valued at over € 90 in one year. Gifts of a lesser value may only be accepted if they are delivered to corporate headquarters. The immediate superior must give prior approval for any invitations for trips and events, or payment of company meals. The Code requires the purchaser to ensure compliance with the Corporate Responsibility rules and to promote the Principles of the Global Compact among suppliers.
- Professionalism. Professionalism is required to prevent overly-personal relationships outside the strictly professional realm with suppliers from interfering in negotiations. Information that may influence the final result of a concession must be treated in a formal way by the purchaser. The purchaser must also maintain an appropriate level of professional training.
- Confidentiality. Confidentiality is required for commercial or technical information related to the purchase in question, and for any other aspects that may affect the company's position in the negotiation, or benefit a particular supplier over others.

Corporate Responsibility Clauses

In 2008, Construction introduced a specific Corporate Responsibility clause into its supplier-partner agreements. These agreements are made with major suppliers.

In 2012, Services included the clause in its contracts, in order to extend Ferrovial's Corporate Responsibility commitment to its supply chain.

Ferrovial has informed its suppliers of its adherence to Global Compact Principles, presented them with a copy of those principles and urged them to take them into account in their operations.

- The new Corporate Responsibility clause includes the following commitments for the supplier: Compliance with the Global Compact Principles.
- Comply with all environmental and sector-based legislation applicable to any aspect of Ferrovial's activities or services.
- Comply with all health and safety rules and occupational safety commitments established at Ferrovial workplaces.
- Study possible collaboration with Ferrovial to carry out joint aid projects for disadvantaged groups.

Failure to comply with the requirements established in this clause could lead to a prohibition on contracting with the supplier in question.

It is also important to note that during 2012 a clause to require compliance with the Global Compact Principles was introduced into orders and contracts with suppliers worldwide.

Human Rights Compliance

An analysis of the profile of suppliers, products and countries of origin carried out by the different company businesses does not reveal significant changes with respect to previous years. Most of Ferrovial's investments are in OECD countries or in upper-middle or high income countries according to the World Bank classification. Their legislation recognizes and guarantees respect for Human Rights, which is why the risk of Ferrovial's supply chain has been rated as low.

Construction

Approximately 60% of all Ferrovial's suppliers are in the construction industry. In this business, the Purchases Department is responsible for managing relations with major suppliers so that customers can be offered higher quality and better services. In addition, long-term relationships can be achieved wherever possible that provide the maximum benefit for both parties. One of the division's responsibilities is to improve communication between suppliers and project managers, in order to help solve any problems that may arise.

The construction business, which is the Ferrovial business that deals with the largest number of suppliers, worked with a total of 34,719 in 2012, of which approximately 46% are Spanish.

The total number of suppliers with which Ferrovial Agroman (not including Webber and Budimex) worked in 2012 is 20,455, of whom about 79% are Spanish; but in the

breakdown by countries the number of local suppliers is over 95% of the total, given that the nature of the construction business tends to encourage the use of local suppliers.

The Purchases Department is part of Ferrovial Agroman's Corporate Resources Department, which also includes Quality, Prevention and the Environment to ensure coordination between them. In addition, it coordinates purchasing policy at a global level and manages purchases in which global negotiation (through economies of scale) and/or international market knowledge contribute value.

The Purchasing Manager is one of the members of the new Global Procurement Committee.

Ferrovial's established purchasing principles, policies and processes aim to comply with customers' requirements by optimizing prices and meeting deadlines and the quality, prevention and environmental requirements specified, while at the same time maintaining the greatest possible profitability.

Purchasing policy and procedures

Purchasing policy is based on common basic operating standards and principles in all regions in which Ferrovial operates (organizational procedure), adapted to the particular features of each country and company by means of operational procedures that regulate the entire purchasing process, with the aim of optimizing it by:

- Taking advantage of economies of scale and centralized purchases when they add value.
- Coordinating purchasing between different countries.
- An international/global vision of the supplier market.
- Transparency in the purchasing process.
- Using company IT systems to manage purchasing knowledge and help control the purchasing process in itself.

Corporate Social Responsibility and Quality and Environment policy are being increasingly mainstreamed into purchasing policy. In Ferrovial Agroman, the purchasing procedures form part of the Quality and Environment System, which is certified under ISO 9001 and ISO 14001 standards.

A new internationally applicable organizational purchasing procedure was approved and implemented in 2012, and Operational Procedures of different countries have been adapted to include the changes introduced by it. The most relevant changes include:

- The creation of a new Purchases category, called Coordinated Management at international level. It will be managed jointly between the purchasing managers of each country and the Purchases Department of Ferrovial Agroman.
- Changes to the criteria for scoring evaluation factors in the Supplier Quality Monitoring File. The idea is to establish more clearly the differences between the different score levels and thus simplify the evaluation by the project manager.

<p>Principle 1</p>  <p>Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p>Principle 2</p>  <p>Make sure that they are not complicit in human rights abuses.</p>	<p>Principle 3</p>  <p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>Principle 4</p>  <p>The elimination of all forms of forced and compulsory labour.</p>	<p>Principle 5</p>  <p>The effective abolition of child labour.</p>
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<p>Principle 6</p>  <p>The elimination of discrimination in respect of employment and occupation.</p>	<p>Principle 7</p>  <p>Businesses should support a precautionary approach to environmental challenges.</p>	<p>Principle 8</p>  <p>Undertake initiatives to promote greater environmental responsibility.</p>	<p>Principle 9</p>  <p>Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Principle 10</p>  <p>Businesses should work against corruption in all its forms, including extortion and bribery.</p>
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Purchasing management

In order to optimize the purchasing process, the Construction Division has unified purchasing procedures and supplier quality monitoring at a global level in those countries where it operates. The common principles and working methods allow treatment of key aspects that are uniform at company level, yet tailored to each country's specific features. As a result, purchasing can be managed globally. Each country's main purchases are known, and needs can be aggregated worldwide for the most important products and services. This ensures that all purchases are made in the best possible price conditions from suppliers that accept the technical, quality, social, environmental, etc. requirements, thus guaranteeing equal opportunities in the contracting process.

The procedures apply to all purchases (or leases) of products and services included in the Process Monitoring Plans / Quality Plans that call for specific environmental requirements, or those with a significant economic impact. The following is guaranteed in all cases:

- Wide range of bidders.
- Equal access to information and fair treatment of suppliers.
- Justified concession process, with established approval levels based on competitiveness.
- Strictly professional relationship with suppliers.
- The procedure regulates the complete process, as indicated above.

Purchasing Policy classifies purchases into four categories for management purposes:

1. Coordinated purchase management at international level: A list based on the Organizational Purchasing Procedure, which must be managed jointly by the site, the Purchases Department of the country in question and Ferrovial Agroman's Purchases Department.
2. Centrally managed purchases (at company/country level): These are for products or services that are uniform across different projects, with a reduced number of suppliers in the market and a high purchase volume. They are managed centrally in each country to obtain the best conditions by negotiating large volumes.

3. Purchases managed jointly between the Purchases Department and the corresponding country and project sites. Those that correspond to non-uniform products or services (different at each site) with a reduced number of suppliers in the market and a high purchasing volume: here the best conditions can be obtained by coordinated negotiation with the projects.
4. Decentralized purchasing management: The rest of the purchases are managed directly with the project sites, with the support of the Purchases Department of the country in question, at the request of the project managers.

In all cases, the purchasing system guarantees that the purchases and services comply with requirements regarding quality, environmental performance, safety and prevention, and delivery times, in the best possible purchasing conditions.

The purchasing process is as follows:

- Identification of purchasing needs and purchasing planning.
- Request for bids.
- Reception of bids, preparation of the comparative table, negotiation and selection of the best bid.
- Award of the purchase, approval and permits.
- Preparation of the order or contract.
- Acceptance of materials and work carried out by subcontractors.
- Invoicing and payments.
- Supplier evaluation: monitoring of supplier quality.

Selection and continuous evaluation of suppliers

The Construction Division controls and monitors the quality of suppliers through evaluations carried out by project managers when the supplies/projects are complete, or annually for long-term supplies or projects, or when incidents occur, as soon as they are detected.

The factors evaluated are:

- Meeting targets
- Product quality
- Technical capability
- Meeting price specifications
- Compliance with occupational health and safety
- Environmental performance

An incident is defined as when the average score of the evaluation carried out by the project manager (with Supplier Quality Monitoring Files) does not meet the requirements established by the parameters (equal to or under 2.5 out of 5), or when the score is 1 out of 5 for any of the evaluation factors. If a supplier has three incidents in a year, it becomes a "rejected supplier". However, suppliers can also be rejected if a very serious incident takes place, defined as such by the Purchasing Manager, with an analysis by the corresponding service when it concerns areas such as quality, health and safety, or the environment. Suppliers are rejected at international level centrally by the Purchases Department. The Purchasing Manager is responsible for making this decision.

When a supplier is rejected it cannot be contracted again for at least three years. The computer systems that issue orders and contracts do not allow the issue of any purchasing documents to rejected suppliers. If a contract with a rejected supplier is required for exceptional reasons, authorization is required from the Purchases Manager.

When a file with incidents is received, the supplier is informed of this situation and ordered to take appropriate measures to prevent the problem from recurring. The supplier is also informed that if it happens again it may become a "rejected supplier", with the consequences explained above. All the project managers working with the supplier are also informed, so the appropriate measures can be taken to prevent the incident from happening again, and to ensure the Purchases Department is made aware of the situation.

The Supplier Quality Monitoring Files and all the information on the supplier evaluation are recorded in the supplier quality monitoring computer application. This information is available to be checked in real time from any project site or center worldwide by authorized personnel.

In 2012, 300 supplier quality monitoring files were registered with incidents relating to suppliers in the Construction Division. Of all the incidents, 94 were related to the environment and/or health and safety.

Around 15% of all the suppliers and subcontractors working with the company in 2012 underwent an evaluation process. Of the total evaluated, 285 registered incidents and were therefore warned as indicated above.

Services

Approximately 35% of the suppliers belong to the Services division, 75% of them in Spain. Local suppliers tend to be used in the Services division as well, because of the nature of its activity. This business promotes stable bonds with its suppliers through the creation of framework agreements that strengthen communication and guarantee the purchasing and concession processes.

Ferroser, which operates mainly in Spain, uses Spanish suppliers due to the logistical costs involved, and because of the better service and response capacity. The supplier selection criteria are registered for each case in our purchasing portal, in which all the bidding processes are included. Ferroser implemented a purchasing policy and a mandatory Code of Buyers in 2012.

The rate of local contracts in Cespa, with 46% of the division's suppliers, is 78%.

Amey, Ferrovial's UK infrastructure and public service management subsidiary, considers its supply chain to be an essential element for the provision of efficient and profitable services, with the aim of being its suppliers' "customer of choice". Amey is highly committed to working proactively with its suppliers. It is concerned with protecting the environment and promoting innovation, offering its customers quality products and services that are reliable and respect the highest ethical standards.

In line with Ferrovial's philosophy, the Services Division maintains a policy of supplier diversity and promotes local purchases and contracts, thus supporting the societies where it operates. The Services Division carries out most of its business in Spain and the United Kingdom.

Since 2008, the Management Committee of the Services Division has unified its business with the main aim of increasing synergies between both units and increasing earnings. The Purchases Department was created at the same time to improve purchasing management as part of the integration process of these companies, thus unifying processes and making the most of synergies to achieve improvements in purchasing power.

From then on, the Purchases Department set the following objectives for the NOA (negotiation + optimization = savings) project:

- Standard processes and support systems for the purchasing function.
- Implement full traceability throughout the purchasing cycle, from the source of the order to reception and payment.
- Optimize the authorization process, with information received in real time.
- Optimize supplier payment monitoring, thus reducing the number of invoices and improving efficiency.
- Improve control of documentation of the subcontracts and agreements within the organization.
- Obtain savings through improved purchasing conditions by taking full advantage of the volume of business.

The characteristics of the organization and the NOA project made it essential to involve the different areas of the company (finance, quality, and systems), as well as the Purchasing area. The team carried out an exhaustive analysis of all the contracting tools in the organization, in addition to the tools existing in the market.

The foundations for optimizing the procurement system and the Ferroser Purchasing Model were established with the participation of Ferrovia's Systems Department and an external agent.

The main levers for improvement were as follows:

- Strengthening and reorganizing the purchasing organization model.
- Unifying and standardizing authorization, procurement and the purchasing process throughout the whole organization.
- Implementing a standard support system for the new procedure.
- Establishing a negotiation plan for services and supply activities.
- Full e-management of the order-invoice cycle.

This design of an efficient purchasing model covers the whole process, from the detection of a need to payment. All purchases above a certain volume are now automatically referred to the new Purchases Department to be negotiated. There is also an online supplier communication portal, for which suppliers must be authorized by the purchasing heads before registration.

Given the diversity of suppliers and the need for local contracting, the Purchases Department has developed a significant centralized negotiating procedure that reduces the number of suppliers of products and services such as safety barriers, painting, signing, prevention of Legionnaires' disease, elevator maintenance and cleaning products. This has been supplemented by negotiations with local suppliers for fire protection, equipment tools and electrical equipment.



Street lighting in Sheffield, United Kingdom

Selection and continuous evaluation of suppliers

Ferroser has in place a process by which all suppliers must enter their details and receive classification in the structure of materials. Once registration has been requested, the Purchases Department decides whether the registration should be granted, depending on whether there is an agreement already in place with an endorsed supplier or not, and whether the supplier is able to carry out the service. Once the supplier has been approved it will be authorized to work with Ferroser.

When the price is under € 10,000 there is no further supervision, but if the annual cost is higher than that, the Purchases Department organizes a bidding process and invites these suppliers, based on the criteria it considers necessary according to our bidding terms and conditions.

Ferroser developed a supplier quality application in 2012, which has defined basic supplier validation requirements from the standpoint of Administration, Health and Safety, Corporate Responsibility, Quality and Purchases. Each department must validate this information and if the supplier complies with these requirements, the Purchases Department can invite this supplier to tender. Otherwise, the supplier is not validated and must send the mandatory documentation within a certain period of time. Lastly, a supplier may be vetoed, based on the incidents that may have occurred: three incidents in a year and the supplier is blocked.

A total of 204 incidents relating to suppliers in the Services Division were registered in 2012. Of all the incidents, 70 were related to the environment and/or health and safety.

Around 12% of all the suppliers and subcontractors working with the company in 2012 underwent an evaluation process. Of the total evaluated, 77 registered incidents and were therefore warned as indicated above.