

SECTION 50: PROCUREMENTS AND RELATIONS WITH SUPPLIERS

CHAPTER 10: PROCUREMENT POLICY

1. Purpose and scope

This rule establishes the guidelines for Procurement Management at FCC Group, which will serve as a basis for drafting other regulations and procedures which apply to procurements in the various Business Units and the Central Services Procurement Department (hereinafter, "PD").

It is applicable throughout FCC Group and complements existing regulations, over which it will prevail until they are updated to ensure that they align with this regulation.

2. Definitions

- **FCC Group:** includes FCC and all companies belonging to the group whose parent company is FCC, in accordance with the criteria in article 42 of the Spanish Commercial Code.
- **Business Procurements:** those related to a Business Unit's specific activity.
- **Central Procurements:** those related to the specific activities of Central Services (Administration, Information Systems and Technology, Finance, General Services, etc.).
- **Aggregate Procurements:** those goods and services that are used throughout FCC Group, where aggregating purchases (for reasons of volume, buyer specialisation, market knowledge, etc.) can offer a competitive advantage.

3. Functions and Responsibilities in Procurement

3.1. Business Units

- To ensure that the Procurement Model conforms to the management parameters such as to allow compliance with FCC's internal regulations (General Regulations Manual, Code of Ethics, Information Security, CSR, etc.) and applicable legislation in each country (hereinafter, the "**Regulations**").
- To manage "**Business Procurements**" for each Unit based on its regulations and/or procedures and those "**Aggregate Procurements**" which, by consensus with the PD, are classified as "Business Procurements".

3.2. Procurement Department — Central Services

- To ensure that the Procurement Model conforms to the management parameters that allow for compliance with the **Regulations**.
- To manage "**Central Procurements**" and "**Aggregate Procurements**" in line with the procurement structure defined on the basis of the related regulations and/or procedures. Additionally, and at the request of a Business Unit, "Business Procurements" may be managed (procedure *FCC-DC-NC-01.1_Central Procurement Services Scope of Application* specifies in greater detail the type of procurements that are the responsibility of the PD)
- Providing the Business Units with advice and support in Procurement.
- Supervising and monitoring FCC Group's Procurement Models and processes.
- Standardising FCC Group procurement Processes and Models, in cooperation with the Business Units.

4. FCC Group Procurement Principles

- Separation of functions⁽¹⁾ between all parties involved in the procurement process.
- Transparency in the process and in decision-making.
- Traceability⁽²⁾ of all actions.
- Rigorous compliance with the Regulations.
- Rigour and confidentiality in the treatment of information.
- Competition between suppliers
- Compliance with the conditions of the award.

(1): Oversight which involves the division of functions between various people to reduce the risk of error or fraud, seeking a separation of responsibilities at all levels and in all functions through the organisation.

(2): The possibility of monitoring the process from the start and in each phase, identifying the people who participate in each activity within the process, as well as their time line and supporting documentation.

5. FCC Group General Procurement Criteria

- 5.1. Each Business Unit will be responsible for defining a procurement model and process to ensure compliance with the Regulations.
- 5.2. The defined procurement process must ensure transparency and traceability in all actions and decisions. It must establish the functions, responsibilities and competencies of each participant.
- 5.3. It is advisable to use procurement management software which allows traceability and process review with a view to documenting and justifying transparency throughout the process.
- 5.4. Only those goods and services which cannot be produced or delivered internally by Group personnel may be outsourced to third parties, unless production in-house is more costly than outsourcing. Where group companies compete in procurements with third parties, Group companies will have the right of first refusal, i.e. the opportunity to match the last best bid and to be awarded the contract on that basis. The Group company will not have the right of first refusal where its first bid exceeds the average amount of the other bids by over 30%.
- 5.5. Wherever possible, efforts will be made to coordinate Group companies' procurements, combining procurements or sharing pre-existing conditions within the Group so as to leverage synergies and obtain the best results for the Group as a whole and for each of the companies that participate in the procurement.
- 5.6. The Management Committee or the corresponding competent body in the Business Unit will define which products and services are not to be outsourced and must be supplied or provided internally by a Group company.
- 5.7. Procurement needs may not be divided to enable them to be managed at a lower echelon or a different approval level.
- 5.8. The requirements and specifications must guarantee a multiplicity of bidders and equal opportunities. Restrictions of any kind that may lead to the biased selection of suppliers must be duly justified in writing.
- 5.9. The Regulations and Procedures must consider the participation of those areas responsible for decision-making, such as Finance (methods of payment, etc.) and Legal (contract validation and drafting, etc.).

CHAPTER 20: PROCUREMENT OPERATIONS

1. Requirements that must be considered in the procurement process defined by the Business Units.

Every Procurement and Subcontracting Procedure and/or Regulation at FCC Group must comply with the sections detailed below.

1.1. Processing and approval of the procurement need

- The procurement need must be documented and registered.
- The procurement need must be approved approval in accordance with the levels of authorisation and/or the procedures defined in each Business Unit (in accordance with Regulation *FCC-NI-01_Procurement authorisation thresholds*). Approval must ensure that no procurements or commitments to procure are made without informing the people responsible beforehand.
- An economic commitment will be established with the supplier only for amounts for which there is a budget or which have been authorised by the area which is responsible for the budget; this authorisation may be obtained as part of the work flow for approving the procurement need or as a separate process.
- Monetary thresholds must be established which determine who is responsible for managing the procurement, as a function of the amount of the need.

1.2. Bid management

- The bids received and other related information (communication with the supplier, comparisons, technical reports, conditional reports, supplier evaluations, etc.) must be stored in a single repository that is traceable, auditable and accessible at all times.
- All suppliers must have access to the same information, generally at the same time. The information and the response time must be sufficient to draft their bids.
- The deadline for the presentation of bids will be the same for all suppliers.
- The following possibilities must be considered:
 - ✓ The supplier may submit its offer and all relevant information directly in the repository, which guarantees its acceptance of responsibility and authorship with respect to the content.
 - ✓ The chosen negotiation strategies (target prices, auctions, sealed bids, etc.) can be implemented electronically.

1.3. Adjudication decision

- The adjudication decision must be made by the people responsible for establishing the procurement procedures and/or regulations in each Business Unit or in the PD and must be justified and documented.
- The general approach is to adjudicate the contract to the bid(s), from among those which meet the quality and service criteria set out in the RFP, which have the lowest Total Cost of Ownership⁽³⁾. Broadly speaking, value for money will not be one of the criteria considered. User Units/Managing Units may establish different margins for different bidders only in exceptional and duly justified cases.
- Modifications to adjudications and/or contracts with suppliers following the initial procurement process (annexes, extension or reduction of the contract term, size increases, inclusion of new suppliers, changes in the distribution of the adjudication, etc.) must be made in accordance with the procedures established by the Business Procurement Unit or the PD, and must always conform to this General Regulations Manual.

(3) This is the total cost of a product or service throughout its complete life cycle, having consideration for direct costs (investments, licenses, etc.), indirect costs (maintenance, administration, training, development, support, etc.) and recurring costs (consumables, electricity, rent, etc.).

1.4. Contract signature

The procedure for signing contracts must ensure and faithfully reflect the conditions of the adjudication (maximum amount, unit prices, method of payment, etc.).

The conditions reflected in the document formalising the commitment with the supplier (contract, letter of adjudication and/or order) must be exactly the same as those negotiated and adjudicated.

1.5. Order Creation and Management

Orders will be created based on existing bids, contracts and/or catalogues, establishing approval workflows in accordance with Standard Regulation FCC-NI-01.

The entire order process, including sending, confirmation and the issuance of a delivery note (where applicable), must be electronic.

1.6. Reception of Goods and accounting record of reception.

A documentary record should be kept of whether or not the goods were received in proper condition, for the purpose of acceptance of the invoice on the basis of this information. This information must be entered in the accounting system, generating an accounting entry that controls the committed expenses.

1.7. Invoice management

The entire invoicing process, from issuance by the supplier to reconciliation, approval and payment, must be electronic⁽⁴⁾.

Invoices may not be approved or paid where procurements were not adjudicated in accordance with the Business Units' and/or the PD's Procurement Procedures. No amount may be paid in excess of the adjudicated amount.

(4) A grace period has been established in 2014 while systems are unable to receive electronic invoices, but the necessary corrective actions must be taken.

1.8. Evaluation and selection of Suppliers

The Business Units and the PD must establish the supplier evaluation criteria. The PD will ensure that the criteria are standardised.

The supplier evaluation information must be reliable and fully accessible to any Business Unit.

The information on suppliers must be considered when requesting future bids.

1.9. Reporting

The Business Units must assign the people responsible for obtaining reports in accordance with the type of procurement and the person who managed it.

These reports must detail the most significant aspects of the procurement so that the information can be used by FCC Group as a tool for analysis and for decision-making in the future.