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# PROCUREMENT REGULATIONS

FCC-DC-NC-01.9\_Procurement Manual

Purchasing Department

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Version	Date	Supervisor	Description of the change
1	February 2014	Purchasing Department	Creation of the document
2	July 2014	Purchasing Department	New PD structure
3	March 2015	Purchasing Department	Amendment to procedure codes Elimination of the abbreviated purchasing procedure Amendment to the purchasing-process chart Adaptation of the procedure according to the Construction Purchasing Department's requirements Adaptation to the new duties of the Procurement Department Adaptation of the document to the new scope of the Department
4	October 2015	Purchasing Department	Adaptation to all purchasing areas Explanation of how the right of first refusal is exercised
5	May 2017	Purchasing Department	Changes to the right of first refusal
6	July 2020	Purchasing Department	Update and adaptation to operations in the Group's purchasing activity and the new purchase management systems
7	July 2021	Purchasing Department	Update to several definitions and operations
8	September 2022	Purchasing Department	Incorporation of sustainability aspects
9	September 2025	Purchasing Department	Update to Procura_ and other platforms

## 1. Purpose and scope of application

This manual is the basic working document that establishes the bases underpinning the operations of the Purchasing Department (hereinafter "PD"), which provides the foundations for drawing up all other regulations and for developing all other procedures.

It includes the main principles of the model, the responsibilities and duties, and the processes that must be followed.

It is applicable to the management of all Business Purchases, Central Purchases and Aggregate Purchases, as defined in Chapter 10 of Section 50 of the Internal Regulations Manual.

The products and the amounts according to which these purchases must be managed, applying the provisions of this Manual and its accompanying procedures, are defined in each scope of application of the different business areas (Central Services, Aqualia, Construction and Environment).

## 2. Regulations for consultation

The structure and content of this Manual and the accompanying documents are in line with the UNE-CWA 15896 "Value-added purchasing management" and ISO 20400 "Sustainable procurement" standards.

The Purchase-Management Manual is also in line with *Section 50: Purchases and Supplier Relations* of the FCC Group *Internal Regulations Manual* (IRM), higher-level general regulations that are binding on all FCC Group companies. As it is of a higher order, in the face of differences between the two, Section 50 prevails over this manual, as well as over all the documents referred to throughout it.

## 3. Vision, Mission and Purchasing Policy

The Purchasing Policy, Mission and Vision defined by the Purchasing Department are in line with those defined at FCC Group level. They are reviewed at the beginning of each business year in order to check for alignment and make appropriate adjustments.

### 3.1. Vision

The FCC Group's Purchasing Department must work in collaboration with the Business Units to identify and promote the Group's value-creation levers, contributing to the vision and profitability of the businesses: being an international benchmark group in Citizen Services.

### 3.2. Mission

- Increase and take advantage of the Group's negotiating capacity by managing aggregate purchases.
- Extend the purchase conditions agreed to the FCC Group companies.
- Collaborate in establishing policies and procedures that allow for easy integrated management of the Group, create synergies and build a corporate culture, based on FCC's historical values: work, responsibility and initiative.

- Ensure that its Purchasing Model complies with the management parameters that bring them into compliance with FCC's internal regulations (such as Internal Regulations Manual, Code of Ethics and Conduct, Crime Prevention Manual, Information Security, and CSR) and laws resulting from its application.
- Manage, at the request of the corresponding Business Unit, "Business Purchases", based on the established financial, technical or other criteria.
- Encourage the Group's suppliers to improve their performance in terms of sustainability.

### **3.3. Specific policies and principles of the Procurement Model**

The FCC Group's strategy for managing its purchases is based on the application of a centralised management model, in which Purchasing staff is assigned to each Business Area to ensure compliance with the procedures defined in this document, ensuring that there is compliance with the internal and external Regulations that apply to the FCC Group and to the principles of the Strategic Plan and the general policies of the Group.

The Purchasing Department has defined a Purchasing Model based on the following principles:

- Classification of duties among all the parties participating in the purchase process.
- Transparency in the process and in decision-taking.
- Traceability of actions carried out and decisions made.
- Strict compliance with the FCC Group's internal regulations and current laws.
- Rigour and confidentiality in handling information.
- Concurrence of suppliers and competition.
- Objectivity and unanimity of those participating in decision-making processes.
- Focus on internal and external clients.
- Meeting the requirements to become a supplier.
- Incorporation of sustainability considerations into the purchase process.
- Looking to continuously improve processes and team skills.

In order to comply with these principles, a series of management procedures and operations have been developed, which complement this manual.

### **3.4. Code of ethics and conduct**

The FCC Group's Code of ethics and conduct is an instrument used to guide the actions of employees in matters of a social, environmental and/or ethical nature, which are of particular importance for FCC. The principles of conduct established in the Code are mandatory for all FCC employees. The Code of ethics and conduct is available on the corporate website (<http://www.fcc.es>).

Supplementing the FCC Group's Code of ethics and conduct, is the Purchasing Department's *Code of Conduct and Confidentiality (FCC-DC-PR-01\_Code of Conduct and Confidentiality)*, which aims to establish the principles that should guide the behaviour of the Purchasing Department's staff when performing their duties in greater detail and more specifically.

### 3.5. Sustainability in the Purchasing function

The FCC Group implements its Purchasing function with a view to achieving the greatest possible positive environmental, social and economic impact and minimising adverse impacts.

The Group makes its purchases by applying the principles of ethical behaviour, respect for laws and regulations, respect for human rights and for the interests of the parties involved, and continuous improvement in economic and sustainability results, based on the seven keys aspects of sustainable purchases:

- Organisational governance: suppliers must accept the FCC Code of Ethics and an assessment will be performed to check whether they have drawn up their annual Corporate Social Responsibility (CSR) reports.
- Human rights: our suppliers will be required to formally commit to safeguarding basic human and labour rights. Policies, measures and certifications covering this will also be assessed.
- Labour practices: all suppliers with access to FCC work centres must have an internal or external OH&S service. An assessment will also be performed to check whether suppliers have a health and safety training plan for their employees.
- Environment: an assessment will be performed to check whether suppliers have an ISO-14001-certified or equivalent Environmental Management System. An assessment will also be performed to check whether suppliers promote measures for using resources efficiently within a circular economy or for lessening or eliminating the environmental impact of their activities.
- Fair operating practices: an assessment will be performed to check whether suppliers have a Code of Conduct covering social, environmental and ethical aspects, including the prohibition of child and forced labour, as well as whether they have a documented policy for corruption, bribery and fraud prevention.
- Consumer affairs: an assessment will be performed to check whether suppliers take measures to safeguard end users of their product or service against any potential impacts, which are properly outlined to consumers and/or end users. Suppliers must also commit to complying with the data protection regulations in force at all times and should also have their own data-protection procedure in place.
- Active participation and community development

The Group intends to enhance the sustainability of its suppliers, firstly by example, and secondly through official-approval requirements. The contractual terms and conditions also include aspects of sustainability, such as identifying and reporting human-rights and environmental risks within their own operations and for the rest of their supply chain, which suppliers must accept and follow during their commercial relationship with the Group, which will be monitored through periodic follow-up during the term of the contract.

The concept of sustainability must also apply to supplies within the Group, with sustainable practices adopted in relation to:

- optimising purchase volumes, by avoiding procuring more than is actually needed

- optimising how often deliveries are made in order to reduce unnecessary packaging and emissions
- assessing the impacts of the different packaging types on supplies
- managing the waste created from procurement

#### 4. General mandatory criteria

- a) The purchase process and its formalisation will be undertaken in accordance with FCC's internal regulations and applicable legislation.
- b) The principles of the FCC Code of Ethics and Conduct and the Purchasing Department's Code of Conduct (*FCC-DC-PR-01\_Code of Conduct and Confidentiality*) will be observed at all times.
- c) Only goods and services that cannot be produced or delivered internally by Group staff will be purchased or contracted, unless this implies a higher cost than that of contracting it with a third party.
- d) In the case of purchases of a transversal nature, the purchases of the Group companies will be managed in coordination between such companies, making joint purchases or sharing conditions already existing in the Group, in order to take advantage of synergies and achieve the best results, both globally for the Group and for each of the companies making the purchase.
- e) A financial commitment must be established with the supplier only for those amounts covered by the budget and previously authorised by the supervisors of the corresponding area.
- f) In no case may purchasing requirements be split to reduce or modify the scopes in which they must be managed, according to the approval thresholds.
- g) As a general rule, purchases cannot be limited, neither at the technical definition level nor at the supplier level. There must be at least three suppliers submitting their offer to supply a good or service, provided that the characteristics of the purchase allow for this to happen. In exceptional cases in which this cannot be fulfilled, a written justification will be required from the unit that wishes to purchase goods or services.
- h) The Purchasing Department will work in coordination with the technical department of the corresponding business area to request and receive offers and negotiate with suppliers for purchasing the amounts and products/services established within its competence, in the scope of application for each area (Central Services, Construction, Aqualia and Environment).
- i) Products and services purchased outside a bidding process and which must be supplied/delivered internally by a Group company will be defined by the Group's Management. In any case, Group companies will always have the right of first refusal against the selected supplier of all purchases under equal conditions.
- j) The Purchasing Department must ensure that the conditions included in the document for the formalisation of the commitment with the supplier (contract and/or letter of award) are exactly the same as those negotiated and selected.
- k) Invoices corresponding to purchases that have not been approved in accordance with these regulations and/or procedures arising therefrom may not be approved or paid. Exceptionally, and with a single signature, the Managing Director of the user area may,

with justification, authorise the payment of such invoices. The payments will not be made for an amount greater than the approved amount under any circumstances.

- l) Commitments with suppliers shall be formalised or signed by the unit using the product or service, on the basis of the document provided by the Purchasing Department, which shall cover the conditions agreed with the user unit for the supplier. Under no circumstances shall the user or management unit modify the selected suppliers or the selection conditions unilaterally.
- m) All interaction and processes will be carried out electronically with suppliers, whenever this is possible.
- n) The Purchasing Department must ensure that there is a due record of all purchases negotiated by the PD and a file registered in the tool that supports the Purchasing function.

## 5. Responsibilities and competencies within the Purchasing Model

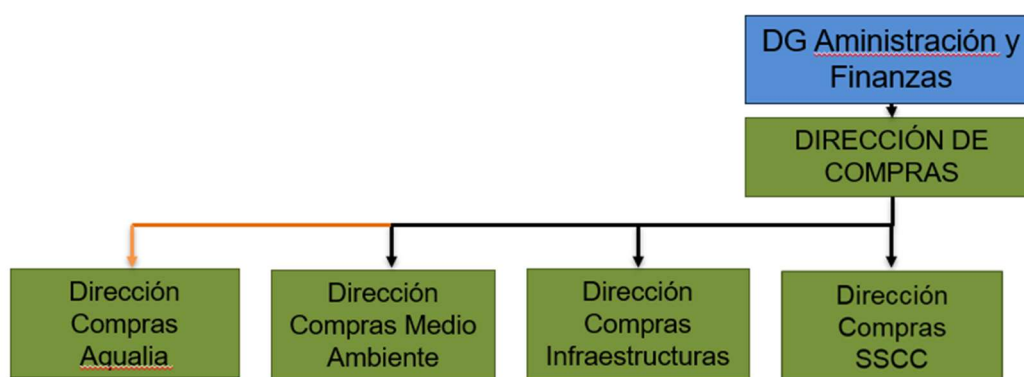
### 5.1. Management commitment

The FCC Managing Committee authorises the Purchasing Department to manage the FCC Group's Operational Purchases through the approval of Section 50 (chapters 10 and 20), as established in the scopes of application of each area (Central Services, Construction, Aqualia and Environment).

### 5.2. FCC Group organisation chart

The FCC Group's Purchasing Department is integrated into the Group's General Administration and Finance Department.

The general organisation chart of the Purchasing Department within the FCC Group is shown below.



Dependencia jerárquica  
 Dependencia funcional

### 5.3. Description of duties in the Purchasing Model

#### 5.3.1. User and management units

User and management units establish the need to purchase and have the budget for its execution. Their responsibilities and competences are:

- Draw up the technical specifications.
- Process/report the purchase need <sup>(1)</sup> to the Purchasing Department.
- Suggest suppliers to invite (optional) and collaborate with the Purchasing Department in defining the purchasing strategy.
- In purchases negotiated by the Purchasing Department, inform users who, after the contract award, will assess the supplier.
- Rationalise the product catalogue, if necessary.
- Conduct the technical analysis of all the offers received.
- Actively participate in the Purchasing Board, coordinating negotiation strategies and selection decisions with the PD.
- Issue orders derived from awarded purchases.
- Collaborate with the Purchasing Department in the assessment of the quality and service levels of selected suppliers.

(1) The PD must be informed as soon as the user or management area is aware of the possible need for a good or service, and **at least** 30 business days in advance of the supplier selection deadline, without prejudice to the period established by the specific regulations of each area.

#### 5.3.2. Duties of the Purchasing Department

##### 5.3.2.1. FCC Group Purchasing Department Manager

- Ensure that the purchasing regulations and the FCC Group's Purchase Models and Processes are used across all areas of the Group.
- Lead and coordinate purchases, participating directly or indirectly in the decision to choose a specific supplier.
- Ensure an adequate formalisation of the commitment with the supplier.
- Promote the development and proper and responsible use of the supplier base.
- Promote and contribute to the standardisation of product specifications with the aim of taking advantage of existing synergies.
- Plan purchases to identify and make joint purchases possible.
- Supervise and monitor the FCC Group's Purchase Models and Processes.
- Standardise Purchase Processes and Models.
- Promote digitalisation and sustainability policies within purchasing models and processes.

##### 5.3.2.2. Purchasing Departments of business areas

- In cooperation with the user unit, propose suppliers to be invited and define the purchasing strategy.
- Prepare or gather all of the necessary information for the offer request.
- Draw up the general conditions of the offer request
- Request offers from suppliers and receive them.
- Negotiate with suppliers.

- Propose the negotiation and selection strategy to the members of the Purchasing Board.
- Submit the letter of award or letter of intent.
- Collaborate with the Legal Department in the drafting the contract and manage its signature (only in purchases processed from the Central Services).
- Collaborate in the supplier approval process.
- Related activities needed for the purchase.
- Apply the digitalisation and sustainability policies devised for the purchasing models and processes.

### ***5.3.2.3. Procurement, Purchase Processes and Vehicle Fleet Department***

#### ***5.3.2.3.1. Purchase Process Area***

- Manage the methodological development of the FCC Group's Purchasing Model and drawing up and developing its associated Regulations and Procedures.
- Coordinate the Purchasing Boards, ensuring compliance with the principles of the model and the regulations, and ensuring unanimous decisions are reached.
- Define and monitor the indicators and objectives, as well as the reporting on purchases.
- Supervise the purchases managed by the Purchasing Department.
- Assess and monitor internal client satisfaction with purchase management.
- Assess and monitor internal client satisfaction regarding the selected supplier.
- Support for the management of purchase negotiation and management tools.
- Train the staff of the Purchasing Department, as well as the areas that require it, in compliance with the Purchasing regulations.

#### ***5.3.2.3.2. Procurement Area***

- Ensure that the conditions for awarding the Purchases managed by the Purchasing Department are faithfully reflected in the order/contract, identifying deviations.
- Monitoring and control of the consumption of current Global Group Purchase contracts managed by the Purchasing Department.
- Collaborate with the Purchase Processes Department in developing indicators and objectives, identifying potential product and service synergies, reporting on the status of orders and the associated cost.
- Monitoring and controlling the budget, periodically informing the purchasing manager or the unit managing the costs.
- Manage all FCC Group Central Services purchase orders.

#### ***5.3.2.3.3. Vehicle Fleet***

- Vehicle Management – Receipt of vehicle requests, for vehicles of up to 3,500 kg, for vehicle purchases or flexible rental, in order to process registrations/cancellations/changes with the service operator.
- Fuel Card Management – Receipt of the fuel card request for processing it with the different fuel hydrocarbon-fuel operators, verification, use and consumption monitoring, control, incident resolution and issuance of monthly reports.
- Bulk Fuel Management - Receipt of requests for fuel tank facilities and supply of bulk fuel, monitoring, control, incident resolution and issuance of monthly reports.

- Vehicle Fleet Management (maintenance contract) - Receipt of requests for incorporating vehicles into the Fleet Management contract, verification, processing with the service operator, monitoring, control, incident resolution and issuance of reports.

#### ***5.3.2.4. Travel and Suppliers Department***

- Regulate the conditions under which the employees of FCC Group companies will travel, in accordance with Travel Regulation FCC-DC-PRI-04 and establish the administrative procedures for authorising trips and managing bookings.
  - Manage authorisations and bookings.
  - Management of the applications that monitor and control the purchase processes and the official approval of suppliers.
  - Management of volume discounts associated with the services that are managed from the Department, including those related to the framework agreements for office supplies and courier services.
  - Corporate Transportation Management – Receipt of corporate transportation requests for processing with the service provider, verification, monitoring, control, incident resolution and issuance of annual reports.
- Support service for suppliers who start the official-approval process.

#### ***5.3.2.5. (Gas and Electricity) Service Management Support***

It is responsible for managing the new, cancelled and amended contracts that require particular services where a specific contract is needed:

- Electricity Management - Receipt of requests, verification, processing with the service provider, monitoring and incident resolution.
- Gas Management – Receipt of requests, verification, processing with the service provider, monitoring and incident resolution.

#### ***5.3.2.6. Purchasing Applications Department***

- Support service for purchasing managers on using applications, most notably the Procura\_ purchase-management platform.
- Analysis or assessment of new needs to be included in these applications.

### ***5.3.3. Purchasing Board***

The Purchasing Board ensures that all decisions-making processes are transparent, objective and based on FCC's values. It is the body responsible for:

- Analysing the comparison of offers submitted by the buyer.
- Validating, qualifying or changing the purchasing strategy.
- Choose to whom each purchase is awarded.

#### **Members of the Purchasing Board:**

- For purchases negotiated by the PD:
- Purchasing Department Manager

- Purchase Processes Area of the Procurement, Purchase Processes and Vehicle Fleet Department.
- Area Purchasing Manager.
- Management Unit and/or User Unit (in all cases, at least one member representing the company or purchasing unit with decision-making capacity must participate).
- Other parties participating in the purchase process. The user area or the PD could establish the need to involve other departments, due to the nature of the purchase to be managed.
  - For purchases not negotiated by the PD: the corresponding approval procedure must be followed by authorised individuals, according to the purchase amount and procedure for the corresponding area.

#### 5.3.4. Other areas involved

a) The Finance Area will be responsible for:

- Establishing the payment deadlines and methods for the FCC Group which must appear in the suppliers' offers.
- Participating in the selection decisions of the Purchasing Board, if necessary.

b) The corporate Legal Advice area will be responsible for:

- Providing contract forms and letters of award for each type of product or service, as well as documents of general conditions of a legal nature for both the supply of goods and services.
- Collaborate with the Purchasing Department in drawing up the contract for Central Services purchases.

#### 5.4. Skills of the PD's staff

The PD's staff is assessed according to the following criteria:

- Technical purchasing competences
- General purchasing competences
- Behavioural competences

### 6. Decision-making structure and approvals in the Purchase Process

- **Authorisation of the purchase need:** It will be authorised by a supervisor of the requesting unit or by a committee, as appropriate, according to the authorisation levels established in regulation *FCC-NI-01\_ Purchase authorisation thresholds*.
- **Selection:** it determines the selected supplier(s), the unit prices and amounts, the selected supplier volumes and all other contracting terms and conditions. The decision to select a supplier must be taken by mutual agreement between the participating units and the Purchasing Department, materialising this agreement of the Purchasing Board with the positive vote of all of its members. If a unanimous decision is not reached, the members of the board who differ from the majority must state the reasons for their discrepancy.
- **Formalisation of the commitment to the supplier:** the company, area and/or unit that requires the need will be responsible for this in all cases, since these are ultimately the ones accepting the commitment, and specifically one or two managers, depending

on the case, who will have the power (authorisation) to formalise the contract, depending on the amount of the purchase/order or the nature of the good or service.

## 7. Classification of purchases

The following types of purchases are defined, based on their initial characteristics and the type of management processes they require. The Purchasing Department will classify each purchase into one of these three categories:

- **Ordinary or individual purchase**  
Purchase in which all the conditions of the same are specified: units, amount, product specifications, delivery and payment conditions, etc. and which are materialised in a single order or contract. Under no circumstances shall an open order be accepted against an ordinary or individual purchase.
- **Framework agreement**  
Agreement in which only general conditions are established: prices, supply conditions, volume discounts, etc., without establishing any purchasing amount commitment. The framework agreement may be national or international, global (for the entire national territory) or local/partial (for a geographical area or for one or more specific companies). For framework agreements on goods or services whose characteristics make it impossible to forecast the amount and composition of the order, open orders shall be accepted for a period limited to one year. The purchasing department may also accept the use of open purchase orders whenever deemed necessary for operational reasons. The Purchasing Department shall draw up a list of purchase types for each Area when the consumption outlook is unpredictable and unknown until the corresponding invoice is received (as in the case of energy supplies, fuel and travel), for which cost accounting without an order shall be allowed.
- **General purchase**  
Purchases in which all the general supply conditions are specified for a CECO or project and for a specified period of time, such as delivery times, service levels, guarantees and payment terms. There will also be discussions on a unit-price list. The amount will be estimated according to budget/planning and may vary according to actual need, but there will always be consumption, unlike framework agreements where there is no commitment to purchase. Given the nature of these purchases, the open order may be necessary to issue a single purchase order.

For the purposes of this Manual, purchases shall not include property purchases, insurance and financial/banking services, legal services, fees or taxes, association dues and conference attendance, image rights, donations, sponsorships, royalties, court-appointed-expert fees, notary and solicitor fees, and rentals of offices, warehouses and parking spaces.

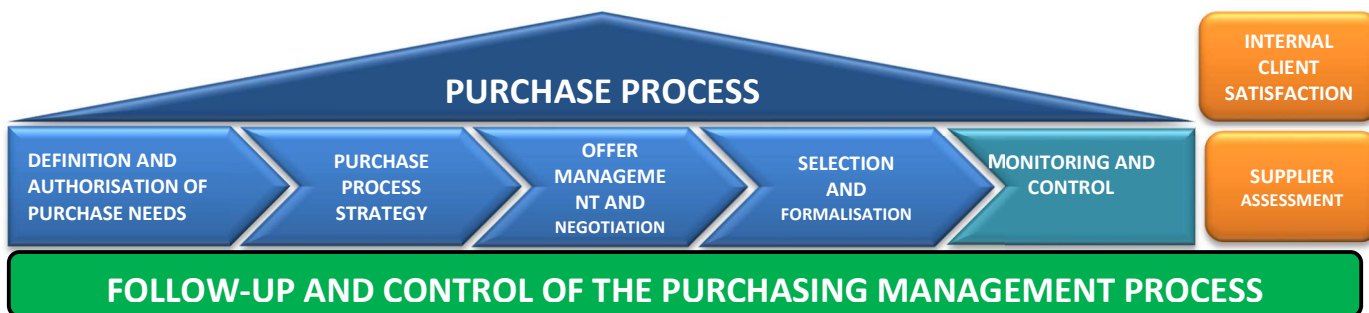
## 8. Strategic purchasing

Strategic purchases are considered to be purchases that have a high impact on results and supply risk. Every year, the Purchasing Department shall define which purchases are in line

with these characteristics for each business area in order to establish the appropriate strategy, ensure supply continuity, and also build supplier loyalty by improving communication channels.

### 9. Purchase Process. Purchases negotiated by the PD

All purchases covered under this regulation that are not passed on to the Business Units must comply with the specifications of the Purchase Process defined below:



This process is explained in detail in the lower-level rules and procedures that develop this manual.

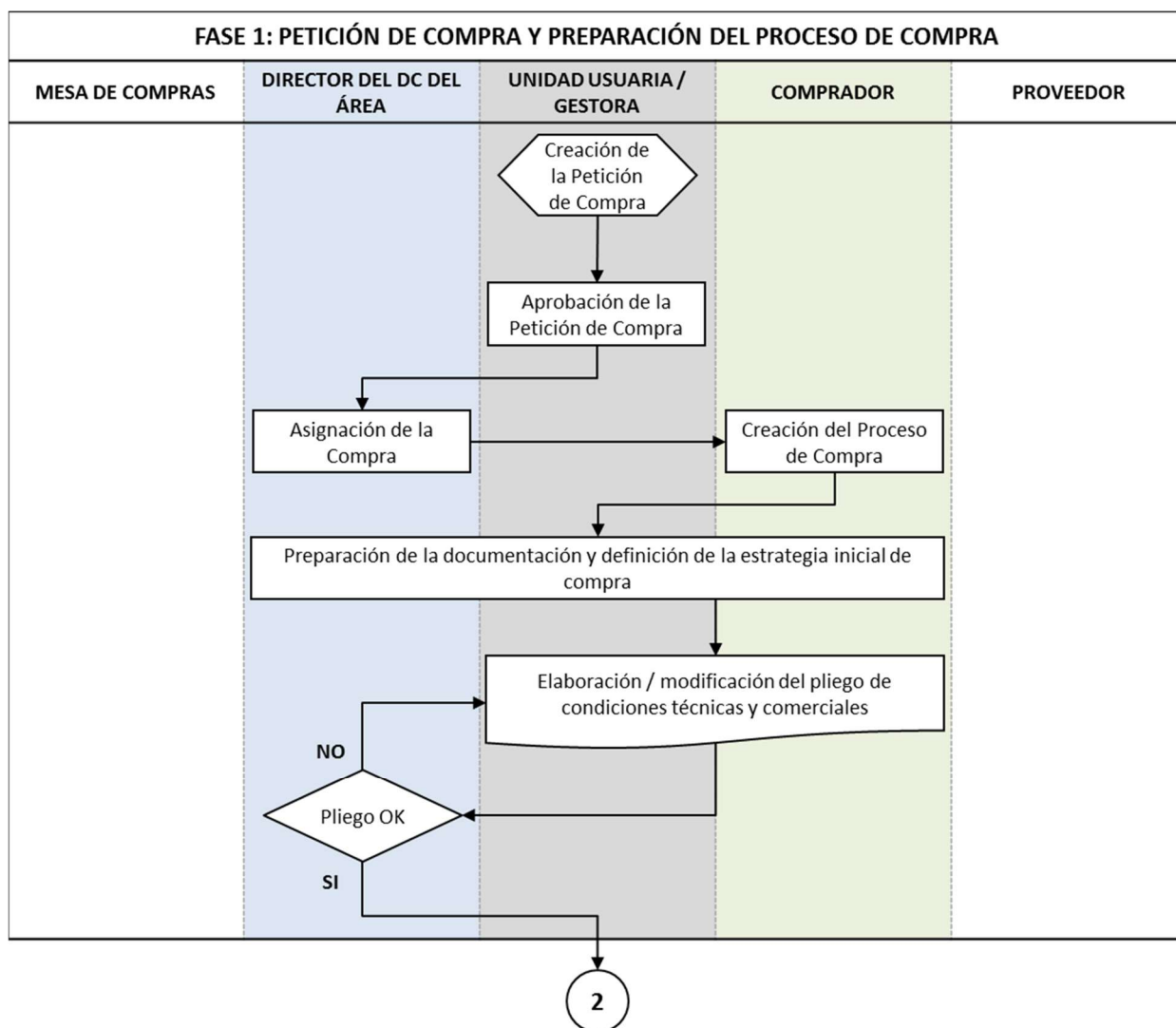
#### 9.1. Phases of the Purchase Process

The Purchase Process is supported by the purchasing tools available to the Purchasing Department.

A general representation of the purchase process is shown in the following flowcharts. This process can be divided into three phases, as described below:

- **Phase 1:** Processing the purchase need and preparing the purchase process.
- **Phase 2:** Negotiation and selection.
- **Phase 3:** Contract.

### 9.1.1. Phase 1. Processing the purchase need and preparing the purchase process



#### a) Communication and approval of the purchase need

It is defined in the scopes of application of the different business areas (Central Services, Aqualia, Operations and Environmental).

In cases where procurement is not certain, the request for initial offers to suppliers may be initiated without needing to process the purchase need. If the procurement is confirmed, the purchase will need to be formalised, and this must always take place before the contract is submitted to the Purchasing Board in order to determine the negotiation strategy, where applicable.

#### b) Budget validation of the purchase need

The Management and/or User unit must ensure that the purchase need has the corresponding budget validation or approval of the estimated amount of the purchase by the authorised managers.

In the case of framework agreements, budget validation will not be necessary.

#### **c) Creation of the purchase process**

Once the purchase need is approved, the Purchasing Manager of the area will assign the purchase process to the most appropriate buyer, taking into account the buyer's knowledge and degree of specialisation, as well as any circumstance or need that may arise at the time.

The buyer will generate a "purchase process" in the purchase tool, which will be used as a single repository, and which will keep a record of all of the necessary activities and actions for managing the purchase, whenever technically feasible, from receiving the purchase need to selecting the supplier, through the request for offers, negotiation (where appropriate), offer analysis and submission to the Purchasing Board.

The purchase process will be managed in accordance with the provisions of procedure *FCC-DC-PR-03\_Purchase Process Management*.

#### **d) Preparation of documents and definition of the initial strategy**

Once the documents received through the purchase need form have been analysed, the buyer will contact the User/Management Unit to agree on the purchasing details, sharing any knowledge:

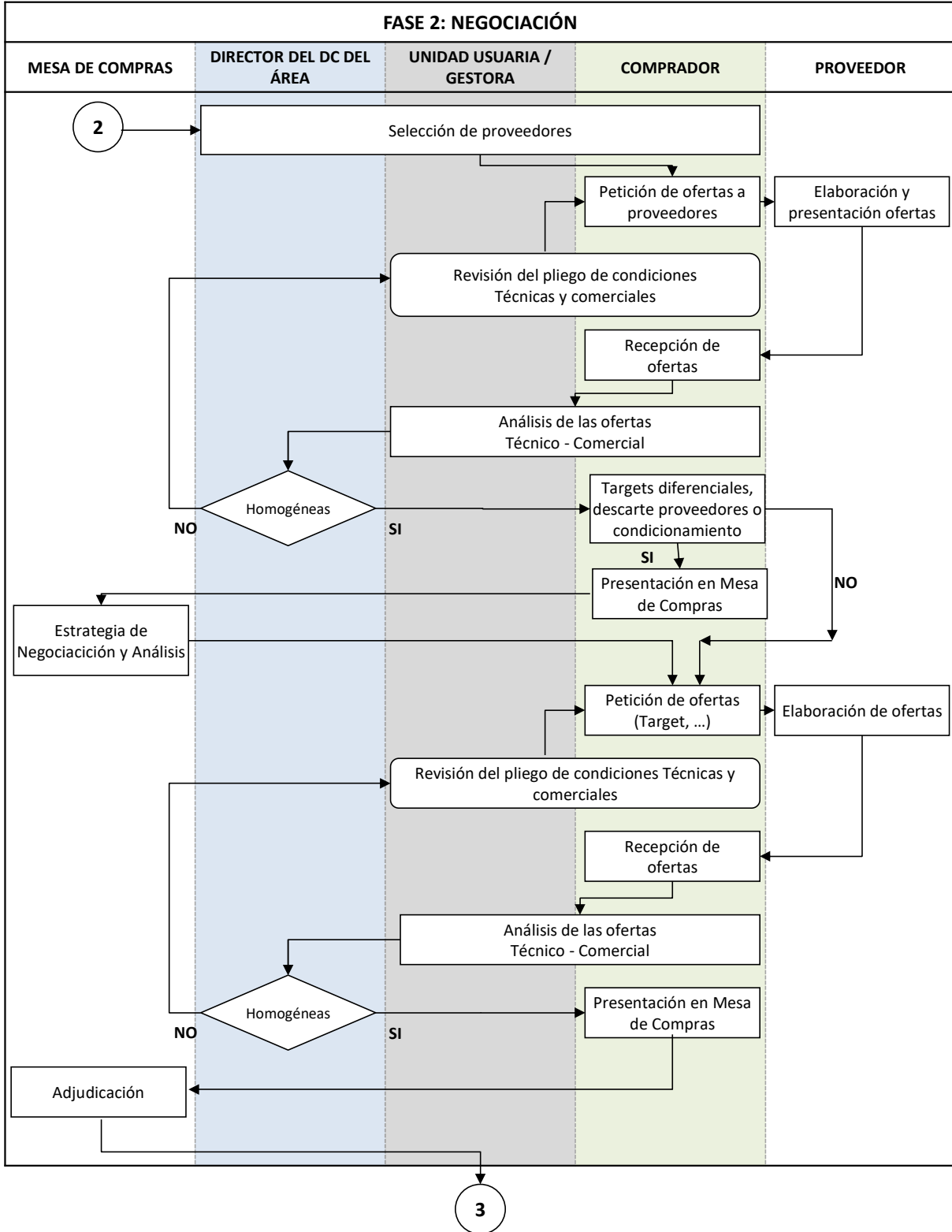
- Technical specifications.
- Commercial terms and conditions.
- Draft contract; it is recommended to include a draft of the contract from the first round of request for offers.
- List of suppliers to invite.

All relevant communications with the User/Management Unit must be recorded in the Purchase Process.

#### **e) Drawing up the technical specifications and commercial terms and conditions**

Once the aspects to be taken into account in the purchase have been agreed upon, the buyer will proceed to specify the commercial conditions and the User/Management Unit shall adapt the Technical Specifications (if necessary). Both parties will collectively validate them.

### 9.1.2. Phase 2. Negotiation and selection



#### **f) Offer request to suppliers**

Once the technical specifications, the strategy to be followed and the suppliers to be invited have been agreed with the User/Management Unit, the buyer will request the offers that respond to the defined needs, following the specifications established in *FCC-DC-PR-03\_Purchase Process Management*.

By submitting an offer, all suppliers and service providers undertake to submit to the FCC Group approval process, in the event of being selected (as established in procedure *FCC-DC-PR-04\_Supplier management*).

In every request for an offer, the conditions for submitting the offer must be indicated: submission deadline, form and procedure, buyer and contact details. All relevant communications with suppliers must be recorded in the Purchase Process management tool.

Care must be taken to ensure that all possible suppliers offer the same conditions in aspects such as quantity, quality and payment terms and methods, in order to perform a consistent comparison.

#### **g) Receipt of offers**

The buyer will receive the offers sent by the suppliers and shall analyse them together with the User/Management Unit. The deadline for receiving offers will be the same for all suppliers.

#### **h) Offer Analysis (Technical - Commercial)**

After the deadline for receiving offers, the buyer and the User/Management Unit will jointly analyse the offers received; the buyer shall focus on the economic and commercial analysis. The user and/or manager will be responsible for the analysis and technical validation of the offers.

Based on the offers received, a comparison is made, showing all the relevant aspects, both in the technical analysis and in the economic and commercial analysis.

Before submitting the purchase to the Purchasing Board, it may be necessary, in order to have uniform offers tailored to actual needs, to carry out an additional round of request for offers (standardisation or clarification rounds).

All comparisons, technical and commercial analysis documents, as well as any other relevant documents, must be part of the purchase process.

#### **i) Submission to the Purchasing Board: submitting offers and choosing the strategy in the last round**

Once the offers have been standardised, the negotiation strategy, which must only be submitted to the Purchasing Board for approval, will be defined, in cases where the strategy includes establishing any of these options:

- differential targets,
- restrictions,
- rejections.

In this submission, the buyer must set out:

- The most important aspects of the purchase: what is purchased and for whom, terms, selected suppliers, etc.
- The analysis of the offers received, both in technical, economic and commercial terms.
- The strategy proposal for the last round, including the rules which will provide the basis for making the supplier-selection decision (such as determining factor, differences between suppliers, and the option to select various suppliers). These rules must be established prior to receiving the offers. It is advisable to agree the proposal that is going to be submitted to the Purchasing Board with the management and/or user unit in advance.

The *FCC-DC-PR-03\_Purchase Process Management* procedure establishes how the Purchasing Board approvals will be managed and the information that the offer-submission document and the negotiation and/or selection proposal must contain.

With the information on the purchase submitted, the members of the Purchasing Board will unanimously decide the strategy for the last round and the conditions for selecting the supplier.

The technical requirements and restrictions of any kind that may involve the conditional selection of a supplier must be duly justified in a documented manner, the request for said conditioning being signed by a representative of the user or managing area.

Exceptionally and with the proper documented justification, the User/Management Unit may propose economic differentials for the different bidding suppliers.

There is an option, and it is at the discretion of the buyer, together with the Area Purchasing Department Manager, to request the prior approval of a Purchasing Board in order to agree on the initial purchasing strategy (such as selection of suppliers and definition of commercial criteria).

If it is necessary to modify any of the agreements reached, a decision of the members of the Purchasing Board will be required again, which will be attached to the purchase process.

#### ***i.1) Right of first refusal***

In the event that the goods or services can be produced or delivered internally by any company of the Group or partner of the Group in a JV or project, the company will have a right of first refusal on the best resulting offer, as long as the first offer of the Group company/partner does not exceed the average amount of all other offers by more than 30%, as established in Section 50 of the FCC Internal Regulations Manual.

#### **j) Request for offers for the selection**

The buyer will request new offers from suppliers according to the strategy, either by agreement of the Purchasing Board (when this is required as specified in point i)), or by agreement of the Purchasing Manager of the business area with the area in question. The deadline for receiving offers must be the same for all suppliers.

#### **k) Receipt and analysis of bids in the selection phase**

The purchaser shall receive the offers from the suppliers and shall analyse them (in terms of technical, economic and risk aspects) together with the User/Management Unit, taking into account the conditions defined at the Purchasing Board.

Depending on the result of the analysis of offers received, the buyer may request a new Purchasing Board meeting to be held or deepen the analysis.

#### **l) Submission to the Purchasing Board: selection proposal**

The buyer will make a selection proposal to the Purchasing Board with the results obtained; it is advisable to previously agree on this proposal with the management and/or user unit (based on the terms agreed in the previous Purchasing Board meeting, where applicable).

#### **m) Selection**

The Purchasing Board will decide which supplier to select unanimously, based on the proposal submitted by the buyer. In cases where an agreement is not reached unanimously, work must continue among all the parties involved to submit an option to the Purchasing Board that is unanimously accepted. If an agreement cannot be reached, such circumstance must be escalated to the hierarchical superiors.

The general selection criteria will be the choice of the offer or offers that, among those that meet the quality and service criteria required in the request for offer, present the lowest Total Cost of Ownership or Service.

The Total Cost of Ownership or Service is defined as the total cost of a product throughout its entire life cycle, taking into account direct costs (such as investments and licences), indirect costs (such as maintenance, administration, training, development and support) and recurring costs (such as consumables, electricity and rent).

In general, the best value for money criterion will not be considered. Financial differentials may be established by the management and/or user areas for the different bidding suppliers in exceptional and duly justified cases.

Once the decision to select a supplier has been made, the buyer must inform all suppliers through messages sent through the purchasing tool:

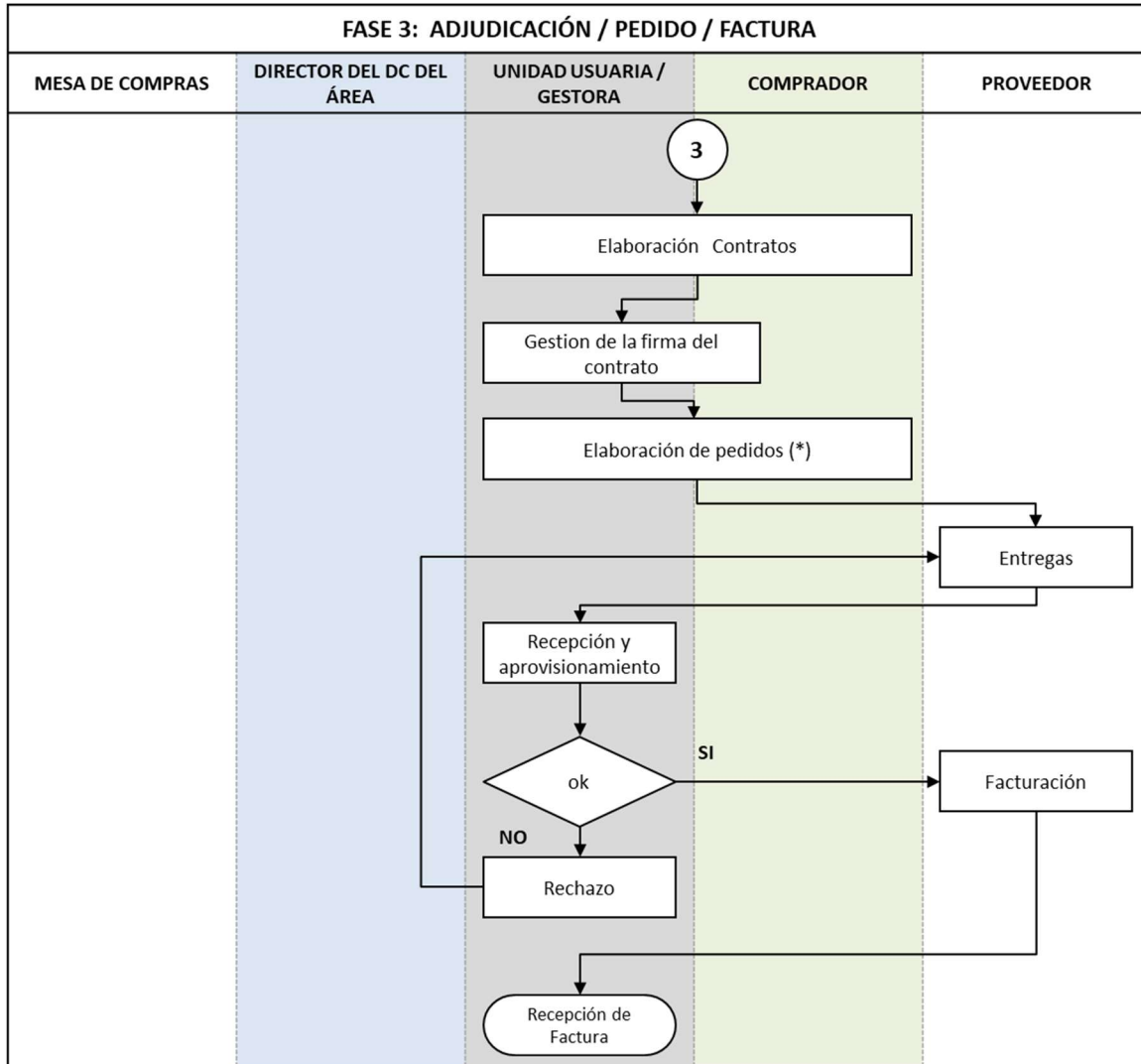
- to the selected supplier, communicating the intention to contract,
- and to the non-successful suppliers, thanking them for their participation in the process.

#### **n) Modifications to the selection**

If, for any reason, any modification to the selection is required (such as change of the selected supplier, unit prices, amounts awarded, distribution of the volume awarded, extensions or reductions of validity), this must be changed as established in the *FCC-DC-PR-03\_Purchase Process Management* procedure.

For a commercial and/or corporate change of any kind by the Supplier, the potential consequences of this must be checked with the corresponding Departments, prior to formalising the changes to the selection.

**9.1.3. Phase 3. Contract**



(\*) Only in the case of Central Services purchases, the PD will place the order.

**o) Drawing up contracts**

Corporate Legal Advice in the case of purchases made from the Central Services area and others made across the Group, the buyer and the user unit in the business purchases area will be responsible for drawing up the draft contract, based on the conditions approved by the Purchasing Board, which in turn, correspond to the conditions requested in the specifications and offered by the selected supplier.

Once the contract has been prepared and its content approved, the managing unit of the business unit will make the final validations and will manage the signatures of the purchasing company's and the supplier's legal representatives.

Amendments to contracts must be documented through an annex to the initial contract, after approval by the Purchasing Board (if this amendment affects the procurement conditions). The

appendix will be drawn up following the guidelines used to draw up the initial contract, described in this point.

#### p) Signature and filing of the contract

The contract will be signed by the proxies of the company making the purchase and by the supplier. Contracts will be filed by the business unit.

The framework agreements, applicable to several or all FCC Group companies, will be signed by the corresponding representatives of the Central Services, and will be filed by the Purchasing Department.

#### q) Formalisation of commitments (order processing)

The formalisation process involving placing orders corresponding to central purchases will be undertaken by the PD, as per the contract conditions and as established in the *FCC-DC-NC-04\_Procurement management for Central Services of the FCC Group* procedure.

All other orders will be issued from the corresponding user unit.

## 10. Delegated purchases

The PD may, at its own discretion, pass on specific purchases to the user area. In this case, the process described above shall not apply, but the user area will be obliged to follow the principles established in Section 50 of the Internal Regulations Manual and to conveniently document and formalise all purchases. Purchases exceeding €3,000 must have at least three proposals from different suppliers (where possible) that meet the required conditions and are comparable, and the most economical proposal must be selected. In extraordinary cases where this cannot be done, written justification shall be required from the unit looking to enter into a contract. These offers will be compared (or proof of these not existing) and filed in a traceable and auditable repository. All other documents associated with these purchase processes will be filed by the User Unit and will be available to the PD and the individuals assigned procurement duties at all times. The PD shall assign a "Purchase ID" to delegated purchases prior to the negotiation process. **The "Purchase ID" is a unique identifier of the process, assigned only by the PD and, as such, must be included in all documents created in connection with the purchase process (such as emails with suppliers or any other person about the purchase, comparisons, contracts, orders and information in SAP). Contracts and orders must contain this code. The ID aims to make documents that are part of the process traceable.** If the PD provides the "Purchase ID", this will authorise the start of the purchase process. No purchase process will be started or any future purchase commitment made without the above-mentioned code.

Annex 2 contains a list of purchases which, due to their nature, are treated as automatically passed on.

## 11. Follow-up and control of procurement processes

The PD monitors and controls purchases. This monitoring process includes, among others, aspects such as:

- a) Control of committed expenditure
- b) Control of meeting the requirements to become a supplier.

In addition to Global Purchases managed by the PD, regular follow-up processes will be carried out to detect possible incidents and to be able to implement the necessary corrective actions.

## 12. Supplier management

### 12.1. Supplier official approval

The Purchasing Department uses the following methods to analyse and understand the market and learn about new suppliers and products:

- Knowledge of the business-management areas and of the Group's specialised technical departments.
- Previous experience in other purchases and buyer specialisation.
- Attendance to specialised trade fairs.
- External databases and supplier catalogues.
- Meetings with potential suppliers.
- Use of the Internet and specialised networks.
- Specialised magazines.
- Continuous updates to and monitoring of the approval system

The successful bidders will receive appropriate information about the FCC Group process for officially approving suppliers.

For the official approval of suppliers, the operation described in the *FCC-DC-PR-04\_Supplier management* procedure will be followed.

### 12.2. Supplier assessment

Once the supplier has fully or partially delivered the service or provided the good, it will be assessed by managing its performance, as indicated in the *FCC-DC-PR-04\_Supplier management* procedure.

The data obtained from the supplier assessment will be taken into consideration for future contracts.

## 13. Management Objectives of the Purchasing department

The Purchasing Department's objectives are in line with FCC's strategic objectives and are structured around three pillars:

- a) satisfaction of internal clients with the purchase management process,
- b) optimisation of the total cost between technically and commercially valid offers, and
- c) quality and performance of selected suppliers

The management objectives of the Purchasing Department in each business year are established by the Purchasing Department Manager and approved by the General Department of Administration and Finance. These objectives are assessed using indicators. The

measurement procedure and the reference values are included in the document *FCC-DC-PR-06\_Purchasing Department management indicators*.

## **14. Management Review of the Purchasing Department**

The Purchasing Department will monitor, control and supervise the processes by following the operations indicated in the *FCC-DC-PR-07\_Review and monitoring of purchase-management processes* document.

The Purchasing Department Review Committee holds Purchase-management review meetings annually.

This committee is made up of:

- FCC Group Purchasing Department Manager
- Purchasing Department Managers of different Business Areas
- Procurement, Purchase Processes and Vehicle Fleet Department Manager.
- Head of the Travel and Suppliers Department
- Head of the Applications Department

In addition, the Purchasing Department Manager will arrange follow-up meetings with these members to track the objectives set by the Review Committee at its previous annual meeting, and to regular follow-up meetings of the management and the purchase processes in progress.

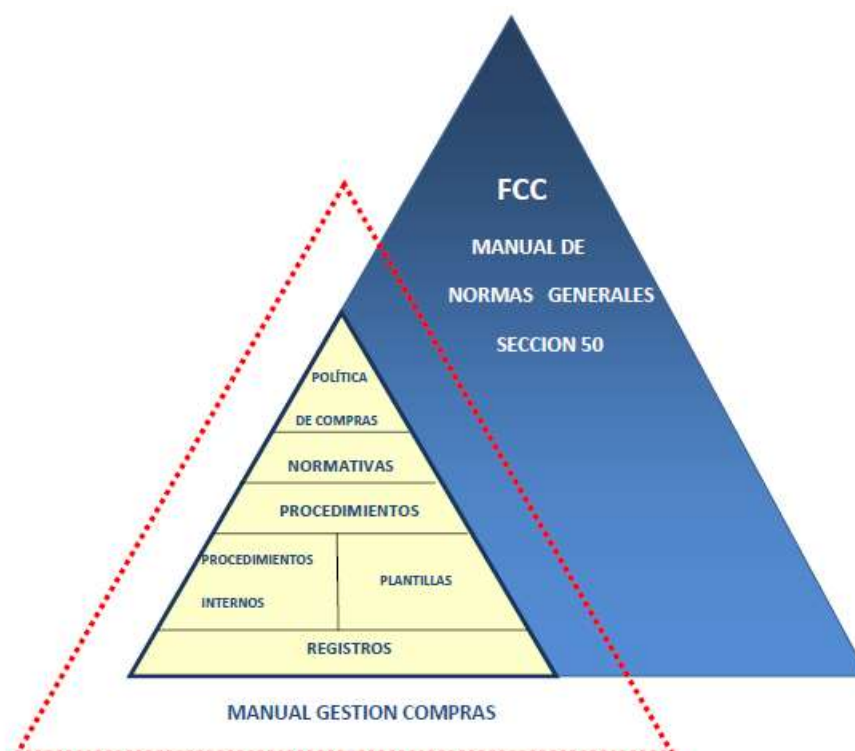
The Review Committee shall establish the necessary actions to address possible evidence of inadequate performance in relation to the purchasing function.

## **15. Purchasing audit**

Purchasing audits are the responsibility of the FCC Group's Internal Audit department, which will determine the date and scope in each case.

## **16. Document structure of the purchase management system**

The document structure of the Purchase-Management System is represented by the following chart:



## 16.1. Documents and Filing

### 16.1.1. Basic documents

The basic documents of the purchase-management system include:

**Purchase Management Manual:** document containing the purchasing policy, the main principles of the model, the responsibilities and duties, and the description of the purchase process. It is disseminated to all FCC Group employees.

**Regulation:** any specific written Purchasing instruction to which the actions, processes or behaviours must conform, given on a permanent basis and directed to a large number of persons associated with the purchasing function. It is disseminated to all FCC Group employees.

**Procedures:** general description of how to carry out an activity, basically describing what to do, how to do it, who should do it and what records must be completed to show what has been done. It is disseminated internally.

**Internal procedures:** detailed and specific description of how to undertake a Purchasing Department internal activity, for example, how to manage the fuel or electricity supply contracts. It is disseminated internally to all PD staff.

**Forms:** base documents or templates used to load or process information. They will be disseminated publicly or to a restricted number of persons, depending on its application in procedures or regulations.

Basic documentation is identified by its logo, title, edition, effective date and location.

The correct identification of draft documents, original copies and cancelled documents is guaranteed.

The following individuals/areas are responsible for the phases associated with drawing up basic documents:

DOCUMENT	PHASES	
	DRAWING UP/MODIFICATION	REVISION/APPROVAL
Purchase Management Manual	Group PD Manager, Procurement and Purchase Processes Department	FCC Administration and Finance Manager
Purchasing regulations	Division of the supervising PD	FCC Administration and Finance Manager for the Central Services and GM of each area, for each specific regulation, along with the Group PD Manager
Procedures	Procurement and Purchase Processes Department	Group PD Manager
Procedures Internal	Head of the affected PD	Group PD Manager
Forms	Purchase Processes	Not required

Once a document is final (either after its wording is changed or it is updated), the interested parties are informed of its existence and it is published in the "Purchasing Area" of the FCC Group Intranet or in the "Aggregate-Purchase Network Folder", depending on whether it is a document of interest to the FCC Group or only of interest and application to the Purchasing Department.

The document protection and recovery processes and mechanisms comply with the information and data security policies established by the organisation for the applications of the Information Systems and Technologies Area.

It is distributed in a controlled way, guaranteeing that each document is available, at points where the main operations are undertaken to ensure the effective operation of the purchase-management system, and that there are no outdated or obsolete copies in the Intranet or the Aggregate-Purchase Network Folder.

The document managers and distribution method are detailed in the following table:

DOCUMENTS	DISTRIBUTION AND FILING MANAGER			
	DISTRIBUTION MANAGER	COMMUNICATION	PUBLISHING	FILE INTERNAL NETWORK

Purchase Management Manual	Purchasing Manager	Email	Purchasing Area of the Group Intranet	Network folder of the Purchasing Department
Regulation	Purchasing Manager or Area Management	Email	Purchasing Area of the Group Intranet	Network folder of the Purchasing Department
Procedures	Purchase Processes or Purchasing Manager	Email	Network folder of the Purchasing Department	Network folder of the Purchasing Department
Internal procedures	Head of the affected PD or Purchase Processes	Email	Network folder of the Purchasing Department	Network folder of the Purchasing Department
Forms	Head of the affected PD or Purchase Processes	Not required	Network folder of the Purchasing Department	Network folder of the Purchasing Department

Editing a modified document will always create a newer version. The new editions follow the same drawing-up and revision/approval phases.

### 16.1.2. Identification

The naming convention used for the different documents is as follows:

- Regulation: FCC-DC-NC-nn.e
- FCC-DC-PR-nn.e procedures
- Internal Procedure FCC-DC-PRI-nn.e
- Forms: FCC-DC-OP-nn.e

Where "nn" is a document number and "e" is the edition number.

### 16.1.3. Records

A *record* is defined as any document that contains information, in any type of format, which provides evidence of activities carried out or results obtained, demonstrating compliance with the requirements and the effectiveness of its operation.

Records are filed duly identified, in document and/or electronic format.

All records are dated, legible and easily identifiable, maintaining traceability with respect to the activities they document.

**As a general rule, records must be incorporated into the Purchase tool in the corresponding sourcing project (purchase process).**

When this cannot be done or for records predating management through the tool, the file system provides easy access to records not included in this purchase tool.

RECORD IDENTIFICATION	CODING OR IDENTIFICATION CRITERIA	FILE MANAGER	FILING PERIOD
Purchase Need		Buyer	10 years
Communications with the User Unit		Buyer	10 years
Summary document of the Purchase Process	Purchase code	Buyer	10 years
Purchasing Board meeting document		Purchase Processes	10 years
Emails sent to the Supplier	Supplier folder	Buyer	10 years
Purchase contract		Buying company	10 years
Order	SAP internal number	The user	10 years
Continuous assessment of suppliers	Business name	Purchase Processes	10 years

The basic documents include how to obtain the records, the individuals responsible for validating their content, the individuals authorised to access them and any exceptions to the following basic concepts:

- The basic way to differentiate one record from another with the same identification is by the date on which it is completed or to which its content refers.
- Once the minimum filing time has elapsed, the person responsible for filing it will destroy it unless they decide to keep the record for an additional period of time.
- Access to computer records must be made by authorised personnel only.
- Those responsible for safeguarding and filing the records must keep them in a way that prevents their deterioration. When they are stored in electronic format, they must have a back-up copy of them.

## 17. Waste management

The FCC Group's Code of Ethics and Conduct establishes the company's commitment to informing its suppliers and contractors about it and to encouraging, among other things, environmental good practices. This is also reflected in the contracts that include a statement

from the supplier about their knowledge of the content and scope of the Group's Code of Ethics and Conduct.

One of the organisation's environmental-performance commitments relates to waste management: "FCC reuses, recycles and turns waste into energy after it is generated, instead of eliminating it or depositing it in a landfill".

## 18.Environment of the organisation

The Purchase-Management System takes into account everything related to other corporate management models implemented at FCC:

- Health and Safety
- Environment
- Quality Management
- Information Security
- Corporate Responsibility, Sustainability and the United Nations' Global Compact. The main aim of the FCC Group in relation to responsible contracting, managed by the Purchasing Department, is to consolidate and extend the integrity and sustainability standards across the company's supply chain, with the purpose of establishing stable business relationships and with full guarantees. Therefore, FCC's ethical principles are applicable in our relationship with suppliers. In fact, FCC's Purchase-Management Model constitutes a structural solution that facilitates integrity and efficiency across the Purchasing and Supply Chain. FCC has also established the obligation for all suppliers and subcontractors to learn about and adhere to the content of the FCC Group's Code of Ethics and Conduct in their relationship with Group companies. Suppliers must also assume the commitment to comply with the 10 Principles of the United Nations' Global Compact, which FCC adhered to in 2007.

## Annex 1: TERMS AND DEFINITIONS

**Corrective Action:** Measure taken to eliminate the causes of nonconformities and prevent them from being repeated.

**Preventive action:** Measure taken to eliminate the potential causes and issues behind nonconformities.

**APAT:** Technical action planning report.

**Purchasing Auditor:** Individual qualified to perform purchase audits.

**IMC:** Invoice Management Centre.

**Purchase code:** Alphanumeric code assigned by SAP for each purchase made.

**Company / Organisation / Business / Group:** Grupo Fomento de Construcciones y Contratas (FCC).

**Review Committee:** It works to ensure that the Purchase Management System is maintained and developed properly.

**Purchase:** process which analyses the user/management areas and covers the most appropriate solutions for the FCC Group from those available on the market.

**Business Purchases:** purchases associated with the specific activity of the Business Unit.

**Central Purchases:** purchases associated with the specific activity of the Central Services (Administration, DSTI, Finance, General Services, etc.).

**Aggregate Purchases:** purchases of goods and services used across the entire FCC Group, of which their aggregation levers (volume, specialisation of the buyer, market knowledge, etc.) may represent a competitive advantage.

**Delegated Purchases:** purchases under the responsibility of the Purchasing Department, which shall pass on their management, and which shall be managed under the general principles established in Section 50 of the Internal Regulations Manual.

**Contract:** document signed by the company and the supplier, in which the negotiated and previously agreed prices and other terms and conditions are set forth.

**TCO:** Total Cost of Ownership or Service.

**DA:** Procurement Department.

**PAD:** Purchase Assignment Document.

**PD:** Purchasing Department.

**COAPD:** Construction Area Purchasing Department.

**AQAPD:** Aqualia Area Purchasing Department.

**ENAPD:** Environment Area Purchasing Department.

**FCC Group Purchasing Department:** Department reporting directly to the General Department of Administration and Finance. It works to manage purchases under its responsibility and collaborate in establishing policies and procedures that allow for easy integrated management of the Group, create synergies and build a corporate culture based on FCC's historical values.

**Disposal:** elimination of unwanted or surplus obsolete products, waste and equipment.

**Incoming goods:** validation in SAP of the good or service received against which the invoices will be issued. Several goods can be received (partial receipt) against the same order. The quantity received does not always have to coincide with the quantity that appears in the order. In the case of receiving a larger quantity than the one appearing in the order, an additional order must be formalised (annex).

**Invoice:** administrative document issued by the supplier that serves as proof of a sale of a good or service and, in addition, includes all of the information about the transaction.

**Leadership:** for the FCC Group, leadership in purchasing involves establishing the strategies on the Group's Purchasing function based on FCC's general guidelines and policies, promoting the development and application of best purchasing practices, based on ethical, rigorous and transparent criteria, taking advantage of the Group's negotiating capacity, capitalising on market knowledge and representing the Group with our suppliers and subcontractors.

**Purchasing Board:** management committee responsible for analysing, validating, qualifying or modifying the purchase strategy (Offer Analysis Board), as well as the method followed to select suppliers (Selection Board).

**IRM:** Internal Regulations Manual.

**€M:** millions of euros.

**Purchase Need:** document issued by the User Unit that includes the estimate available for the purchase, as well as the description of the good to be purchased and the start and end dates of the need.

**Negotiation:** process whereby a buyer and a supplier agree on the aspects to be considered in the contract which must satisfy the purchase needs of a management user, following the guidelines set out by the Purchasing Board.

**Order:** purchase order or request which is issued to the supplier with previously negotiated and agreed prices, and which is processed via SAP. If a contract is associated with the order, the order in SAP represents its formalisation. As many invoices as necessary will be issued for the same order.

**Purchase Processes:** methodological support unit of the purchasing function reporting directly to the Purchasing Department.

**Procura\_:** purchase-management tool based on SAP Ariba and tailored to the FCC Group's specific needs.

**Supplier:** contractors and subcontractors or equivalent entities that agree to supply products/services in exchange for a specific price or consideration.

**SAP:** software tool designed for purchasing and procurement used by the FCC Group to support the purchasing function and for the procurement process.

**Target:** price that, under certain commercial and technical conditions, will be agreed as a result of the negotiation.

**Management unit:** individual(s) or department responsible for managing the purchased good or service.

**User unit:** individual(s) or department which need to buy a good or service and which will have to pay the cost for this good or service.



## Annex 2: DELEGATED PURCHASING BY NATURE

The following purchases shall be considered as automatically delegated by their nature:

- Advertising inserts.
- Medical and health services.
- Raw and treated water.\*
- Mechanical, hydraulic, pneumatic, electrical, electronic and any other type of general maintenance services for rolling stock.
- Press, magazines, books and publications.

They will be governed by section 10, Delegated Purchases, with the exception of purchasing raw and treated water in the Aqualia area.

*\*Except in the Aqualia area, where it is a "Publicly Owned Operational Resource".*

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