



FCC CONSTRUCCION UK TAX STRATEGY

December 2020

This document sets out the UK FCC Construcción subgroup Tax Strategy, in order to comply with the requirement of paragraph 16 (2) and paragraph 25 (1), Schedule 19 Finance Act 2016.

The following companies are members of the UK FCC Construcción subgroup:

1. FCC Construcción, S.A., UK Branch
2. FCC Construction Northern Ireland Ltd., 100% held by the Spanish company FCC Construcción, S.A.
3. FCC Industrial UK Ltd, 100% being FCC Construcción S.A. its ultimate parent company.
4. FCC Elliot Construction Partnership, 99% held by FCC Construction Northern Ireland Ltd and 1% by FCC Industrial UK Ltd.

This Tax Strategy applies to all UK taxes as set out in s15 of Schedule 19 Finance Act 2016 and any reference to 'tax', 'taxes', or 'taxation' are to all taxes as defined within.

1. Background

UK FCC Construcción subgroup belongs to FCC group, which is a leading group in the sectors of infrastructure, environmental services and water treatment, with presence in more than 30 countries.

As a part of the FCC Group, the tax policy of the UK FCC Construcción subgroup derives from the FCC Group Tax Code of Conduct and the Tax Control Framework approved by the Board of Directors of FCC, S.A., dominant company of the whole FCC Group.

According with the FCC Tax Code of Conduct, aligned with the Ethical Code and the social responsibility police of the FCC Group, FCC Group aims to add value for its stakeholders on a sustainable basis. Consequently, FCC Group will always carry out operations for business reasons, according to the applicable regulations, and considering the possible impact of its tax decisions in the different communities in which FCC operates.

On that basis, all the employees of FCC Group connected with the tax function are obliged to accomplish with the following obligations:

1. Meet the tax legislation and regulations applicable in each jurisdiction, by virtue of interpretations sufficiently reasonable and reasoned, and on the basis of facts sufficiently checked.
2. Respect the FCC "Tax Control Framework Rule", as well as all the specific procedures defined for the tax area.

3. Make sure that all the relevant tax decisions are supervised by the Senior Managers of the FCC Group and are duly supported, on the basis of a global and holistic approach which takes into account all the different business drivers and the possible risks assumed.
4. Develop and foster a trustful and transparent relationship with the tax authorities of every country.
5. Participate actively in the fiscal fora of business associations and international organizations oriented to achieve a fairer and more harmonized tax system, for the interests of the Group, and for the society as a whole.

2. Risk management and governance

The UK FCC Construcción subgroup assumes the principles envisaged in the FCC Group tax risk management policy. Said policy is construed on (i) an adequate tax control environment, (ii) a system to identify and control tax risks, and (iii) a “continuous improvement” monitoring process of controls established.

When taking tax decisions, the following factors will be taken into account: (i) the technical risks assumed, considering the likelihood of acceptance of the relevant criteria adopted, by the tax Administration or the courts and (ii) the associated reputational risk, according to the standards defined by the FCC Group.

To accomplish with these principles and values, the Directors of the UK FCC Construcción subgroup assign compliance tax tasks to employees with the appropriate experience and request on-going external support in tax matters. Also, relevant tax matters are reported to the Tax Department of the FCC Group, for their review and consideration.

3. Tax planning

According to the FCC Group Tax Control Framework Rule, tax planning strategies designed exclusively for tax reasons are unacceptable. Agreements that might be considered “artificial” from a tax viewpoint are also unacceptable. FCC Group is committed to implement solely transactions which are perfectly justifiable from a commercial standpoint, and whose design might be made public.

4. Attitude towards risk

When taking tax decisions, the following factors will be considered: (i) the technical risks assumed, according to the likelihood of acceptance of the criteria taken, by the tax Administration and/or

the Courts; and (ii) the associated reputational risk, according to the standards defined by the FCC Group.

The approach to technical tax risk is always conservative, and based on interpretations sufficiently reasonable and reasoned, which aim to respect the spirit of the Legislative Power when approving the applicable law. Also, if a tax option were sufficiently justified on legal grounds but in any case might be deemed “illegitimate” by certain stakeholders, then reputational risk should be assessed, to evaluate the adequacy of the tax option considered with the FCC Group Tax Code of Conduct.

5. Relationships with HMRC

The UK FCC Construcción subgroup aims to keep a trustful and transparent relationship with the HMRC, following the Tax Code of Conduct of FCC Group.

In fact, in recent years the UK Construcción subgroup has not received any significant challenge from HMRC in any UK taxes applicable.