

CORPORATE GOVERNANCE

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ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER IDENTIFICATION DATA YEAR 2009

Tax ID number A28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Business address:

BALMES, 36

BARCELONA

08007

SPAIN

NOTE

This document includes the information contained in the Spanish Securities Market Commission model Annual Corporate Governance Report for 2009 for FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A, approved by the Board of Directors meeting on 25 February 2010. The figures in this document are identical to those in the approved Report; only the format has been modified. Additional comments included under Section G ("Other information") in the official model have been incorporated into the corresponding sections of this document.



A OWNERSHIP STRUCTURE

A.1. Complete the next table about the company's ownership structure:

Date of last change	Share capital (€)	No. of shares	Number of voting rights
30-06-2008	127,303,296	127,303,296	127,303,296

Please indicate if there are different types of shares, and if so their corresponding rights:

Yes ☐ No ☒

Class	No. of shares	Unit par value	Unit par value of voting rights	Different rights
-	-	-	-	-

A.2. Indicate direct and indirect owners of significant stakes, and their stakes at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
THE ROYAL BANK OF SCOTLAND GROUP PLC	-	4,330,938	3.402%

(*) Through:

Name of direct owner of stake	Number of direct voting rights	% of total voting rights
THE ROYAL BANK OF SCOTLAND PLC	4,323,586	3.396%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the operation
Inmobiliaria Colonial, S.A.	17-01-09	Stake reduced to less than 3%
The Goldman Sachs Group, Inc.	05-03-09	Stake reduced to less than 3%
Credit Agricole, S.A.	08-06-09	Stake reduced to less than 3%
Commerzbank, A.G.	12-08-09	Stake reduced to less than 3%

A.3. Complete the next tables regarding the members of the company's Board of Directors who own stock with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Gonzalo Anes y Álvarez de Castrillón	11,350	0	0.009
B 1998, S.L.	59,871,785	8,653,815 (1)	53.829
Miguel Blesa de la Parra	4,950	0	0.004
Cartera Deva, S.A.	100	0	0
Juan Castells Masana	17,509	8,100 (2)	0.020
Dominum Desga, S.A.	4,132	0	0.003
Dominum Dirección y Gestión, S.A.	10	0	0
EAC Inversiones Corporativas, S.L.	32	0	0
Fernando Falcó y Fernández de Córdova	8,390	0	0.007
Baldomero Falcones Jaquotot	48,473	85,150 (3)	0.105
Felipe Bernabé García Pérez	55,571	0	0.044
Larranza XXI, S.L.	10	0	0
Rafael Montes Sánchez	98,903	20,697 (4)	0.094
Marcelino Oreja Aguirre	14,000	0	0.011
Antonio Pérez Colmenero	35,323	0	0.028
Robert Peugeot	10	0	0
Javier Ribas	7,000	0	0.005

(*) Through:

Name of direct owner of stake	Number of direct voting rights	% of total voting rights
Azate, S.A (1)	8,653,815	6.798
Heather M. Randall Snell(2)	8,100	0.006
Oravla Inversiones, S.L. (3)	73,650	0.058
Amolap Inversiones Sicav, S.A. (3)	11,500	0.009
Josefa Fernández Mayo (4)	20,697	0.016
Total % of voting rights held by the board of directors		54.158

Complete the next tables regarding the members of the company's board of directors who own stock options in the company:

Name of director	Number of direct stock options	Number of indirect stock options	Number of equivalent shares	% of share capital
Baldomero Falcones Jaquotot	95,000	0	95,000	0.075
Felipe Bernabé García Pérez	72,500	0	72,500	0.057
Antonio Pérez Colmenero	72,500	0	72,500	0.057

NOTE:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter FCC) is controlled by B 1998, S.L., which owns 53.829% of FCC shares, of which

- 59,871,785 are held directly and 8,653,815 are held indirectly through subsidiary Azate, S.A.

Fomento de Construcciones y Contratas, S.A. (FCC) is controlled by B 1998, S.L., which is controlled by Esther Koplowitz Romero de Juseu, who holds an 83.927% stake:

- 54.610% directly and
- 29.317% indirectly, through Dominum Desga, S.A. (0.0001%) and Dominum Dirección y Gestión, S.A. (29.316%), both of which are 100% owned by Esther Koplowitz Romero de Juseu.

Esther Koplowitz Romero de Juseu also holds 123,313 FCC shares directly and 39,172 FCC shares indirectly through her wholly-owned companies Dominum Desga, S.A. (4,132 shares) and Ejecución y Organización de Recursos, S.L. (35,040 shares).

Various investors (hereinafter, the Investors) hold a 16.07% stake in B 1998, S.L., as follows:

- Cartera Deva, S.A. (5.01%)
- Simante, S.L. (5.73%)
- Larranza XXI, S.L. (5.33%)

A.4. Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the company, unless they are insignificant or are derived from ordinary commercial transactions:

Name of related shareholders	Type of relationship	Brief description
-	-	-

A.5. Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the company, unless they are insignificant or are derived from ordinary commercial transactions:

Name of related shareholders	Type of relationship	Brief description
-	-	-

A.6. Indicate if the company has been notified of any shareholders' agreements which affect the company as set out in Article 112 of the Spanish Securities Market Law. If so, briefly describe the agreements and agreement and the shareholders involved:

Yes ☒ No ☐		
Parties involved in shareholders' agreements	% of share capital affected	Brief description of agreement
Esther Koplowitz Romero de Juseu	52.483	Regulatory disclosure on 30/07/2004 www.cnmv.es (see note).
Esther Koplowitz Romero de Juseu	52.483	Regulatory disclosure on 13/01/2005 www.cnmv.es (see note).
Esther Koplowitz Romero de Juseu	52.483	Regulatory disclosure on 13/01/2005 www.cnmv.es (see note).
Esther Koplowitz Romero de Juseu	52.483	Regulatory disclosure on 19/07/2007 www.cnmv.es (see note).
Esther Koplowitz Romero de Juseu	52.483	Regulatory disclosure on 26/12/2007 www.cnmv.es (see note).
Esther Koplowitz Romero de Juseu	53.829	Regulatory disclosure on 04/02/2008 www.cnmv.es (see note).

NOTE:

A regulatory disclosure was published on 30 July 2004 on the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) website regarding the acquisition of part of Esther Koplowitz Romero de Juseu's stake in B 1998, S.L. by Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A., and the French family Peugeot, through Simante, S.L.

A regulatory disclosure was filed on 13 January 2005 on the agreement between Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) and Larranza XXI, S.L. (belonging to the Bodegas Faustino group) to transfer a portion of the former's minority stake in B 1998, which directly and indirectly owns 52.483% of FCC, to the latter.

A regulatory disclosure was filed on 13 January 2005 on the agreement between Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) and Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Ibersuizas Holdings, S.L., Cartera Deva, S.A., Arzubi Inversiones, S.A. and EBN Banco de Negocios, S.A. to transfer a minority stake owned by the former in B 1998, S.L., which directly and indirectly owns 52.483% of FCC, to the latter.

A regulatory disclosure was filed on 19 July 2007 on the novation modifying B1998, S.L. shareholder agreements, which does not alter Esther Koplowitz Romero de Juseu's direct and indirect stakes in B 1998, S.L. or the agreements between parties with respect to the governance of B 1998, S.L. and, indirectly, of Fomento de Construcciones y Contratas, S.A., or any provision regarding control of the two companies."

A regulatory disclosure was issued on 26 December 2007 on the reorganisation of the ownership structure of B 1998, S.L., whereby Esther Koplowitz Romero de Juseu, through wholly-owned company DOMINUM DIRECCIÓN Y GESTIÓN, S.A., signed an agreement with IBER-SUIZAS HOLDINGS, S.L. to purchase from the latter 10.55% of B 1998, S.L., which owns 52.483% of FCC, effective 30 January 2008.

The transaction totalled 381.5 million euro, valuing FCC shares at €55.94 each.

This move, which was initiated by Esther Koplowitz and increased her stake in FCC, entailed the divestment of Grupo Ibersuizas in B 1998, S.L. and, thus, in FCC Group. Ibersuizas Holdings, S.L. ceased being party to the shareholders' agreement regulating the relationships between shareholders of B 1998, S.L., and on 30 January 2008, resigned from the board of directors of that company. Ibersuizas Alfa, S.L. also left FCC's board of directors.

A regulatory disclosure was issued on 4 February 2008 regarding Esther Koplowitz's acquisition of Ibersuizas Holding's stake in B 1998, S.L., FCC's main shareholder (53.829%). The agreement was reached on 24 December 2007.

Following this restructuring, the ownership structure of B 1998, S.L. is as follows:

- Esther Koplowitz (direct and indirect) 83.92%
- Eurocis, S.A. 5.01%
- Simante, S.L. 5.73%
- Larranza XXI, S.L. 5.33%
- Total 100.00%

The above-mentioned regulatory disclosures reflect the main agreements reached between Esther Koplowitz Romero de Juseu and the Investors since the respective acquisitions regarding control of FCC and B 1998, S.L.:

- Esther Koplowitz Romero de Juseu will retain control of B 1998, S.L. and, therefore, of Azate, S.A. and FCC.
- The Board of Directors of B 1998 S.L. will comprise twelve directors. As a group, the Investors are entitled to appoint up to four directors, although under no circumstances may those directors appoint more than one third of the members of the Board of B 1998, S.L.
- At all events, Esther Koplowitz Romero de Juseu may appoint the majority of the members of the boards of directors of FCC and its subsidiaries. As a group, the Investors may appoint up to three members but never more than one-third of the total Board of Directors of FCC.
- Esther Koplowitz Romero de Juseu may appoint the Chairman of the Board of Directors of FCC, the Managing Director of FCC and at least two-thirds of the members of the Executive Committee.
- FCC's pay-out will be at least 50%.

Esther Koplowitz Romero de Juseu and the Investors have entered into a series of agreements to protect the latter's minority interest in B 1998, S.L.:

IN RELATION TO B 1998, S.L.:

As regards B 1998, S.L., although the general rule is that decisions (in the Shareholders' Meeting or the Board of Directors) be adopted by simple majority of capital, there are a number of special cases where consensus is required:

- Modifications to the Articles of Incorporation that entail moving the registered offices abroad, changing the corporate purpose or increasing or reducing capital, except where such operations are required by law or, in the case of capital reductions, when they occur through the acquisition of own shares by B 1998 S.L., (owned directly and indirectly by Esther Koplowitz Romero de Juseu and Dominum Dirección y Gestión, S.A.) for amortisation, or when the capital reduction is performed through amortisation of shares of B 1998, S.L. (held directly and indirectly by Esther Koplowitz Romero de Juseu and by Dominum Dirección y Gestión, S.A.) against reserves, which may only be performed by Esther Koplowitz Romero de Juseu, according to a clause in the Articles of Incorporation and otherwise.
- Any type of transformation, merger or spin-off or the total transfer of assets and liabilities;

- Dissolution or liquidation of B 1998 S.L.;
- Overriding of pre-emptive subscription rights in capital increases and the exclusion of shareholders;
- Modification of the regime of management of B 1998, S.L.;
- Establishment or modification of the dividend policy agreed by the Investors in connection with rights attached to their shares, as set out in the Articles of Incorporation or otherwise;
- Acts of disposal or encumbrance, by any means, of any significant assets of B 1998, S.L., specifically shares of FCC or shares of any other companies in which B 1998 S.L. holds or may hold a stake in the future;
- An increase in structural expenses which, on an annual basis, exceed those reflected in the company's balance sheet as of 31 December 2003, increased in line with the general annual CPI plus two percentage points; the foregoing calculation will exclude the remuneration paid to B 1998, S.L. as a result of that company being a member of the Board of Directors of FCC (hereafter, the "FCC Board Remuneration"), and remuneration of members of the Board of Directors of B 1998, S.L., as long as it does not exceed the FCC Board Remuneration;
- Granting or maintaining powers that allow for the disposal of FCC shares, by any means;
- Encumbering B 1998, S.L. with debt and obtaining or providing guarantees which, overall, exceed 500,000 euro;
- Creating or acquiring direct subsidiaries (other than FCC subsidiaries) or acquiring shares in entities other than those in which B 1998 S.L. already holds a stake

IN RELATION TO FCC:

As regards FCC, although the general rule is that decisions (in the Shareholders' Meeting or the Board of Directors) be adopted by simple majority of capital, there are a number of special cases where consensus is required:

- Modifications to the Articles of Incorporation that entail moving the registered offices abroad and increasing or reducing capital, except where such operations are required by law.
- Changing the corporate purpose when doing so includes the incorporation of activities not related to construction, services, cement and real estate.
- Any type of transformation, merger or spin-off.

- Any merger of FCC, Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. whereby B 1998, S.L. would no longer indirectly hold more than 50% of the voting rights in the post-merger company.
- Overriding of pre-emptive subscription rights in capital increases.
- Modification of the regime of management.
- Acts of disposal or encumbrance, by any means, of any relevant FCC assets unrelated to the company's object, and, at all events, the above-mentioned acts within the scope of FCC's object when the total or combined value is 700,000,000 euro or more (adjusted in line with the annual increase in the CPI), or entail a significant modification to the current structure of the FCC Group or represent more than 10% of the FCC Group's consolidated assets.
- Any transactions that may lead to or represent a variation of more than 20% of FCC's equity or over 10% of the FCC Group's consolidated assets.
- Granting of powers that permit, by any means, the above-mentioned disposals, encumbrance and acquisitions; the foregoing does not in any way limit Esther Koplowitz Romero de Juseu's right to appoint and remove the Managing Director of FCC.
- Encumbering FCC with debt and obtaining or providing guarantees (excluding, at all events, guarantees included in the normal course of ordinary business and non-recourse project finance) which, overall, exceed 2.5 times the EBITDA shown in FCC's most recent consolidated balance sheet.

In the event that Esther Koplowitz Romero de Juseu and the Investors are unable to reach a consensus to adopt resolutions in the above-mentioned special cases, the parties will take the necessary measures to maintain the pre-existing situation.

The full content of the shareholders' agreements are available on the CNMV website as Regulatory Disclosures dated 30 July 2004, 13 January 2005, 19 July 2007, 26 December 2007 and 4 February 2008.

Indicate if the company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes ☐ No ☒		
Parties involved in concerted actions	% of share capital affected	Brief description of agreement
-	-	-

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

A.7. Indicate if there is an individual or legal entity that exercises or can exercise control over the company in accordance with Article 4 of the Securities Market Law:

Yes	☒	No	☐
Name			
Esther Koplowitz Romero de Juseu			
Comments			

A.8. Complete the next tables about the company's own shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
5,182,582	4,131,961	7.317

(*) Through:

Name of direct owner of stake	Number of direct shares
ASESORÍA FINANCIERA Y DE GESTIÓN, S.A.	4,131,961
TOTAL:	4,131,961

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Total % of share capital
24-01-2006	0	1,599,052	1.256
30-04-09	0	2,923,105	2.297
29-05-09	3,182,582	323,444	2.754
05-10-09	0	1,287,432	1.010
13-10-09	2,000,000	342,903	1.841
22-10-09	0	1,400,862	1.102

NOTE

With regard to the transaction performed on 6 October 2009 and notified to the CNMV on 13 October 2009, 200,000 shares were lent between Afigesa and FCC in relation to an exchangeable bond issue (Regulatory Disclosure 2009-127137).

Capital gain/ (Capital loss) on own shares disposed of during the period	(25,809,342)
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A.9. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to buy or sell own shares.

Resolution by the Extraordinary Shareholders' Meeting of 30 November 2009 (item 2 of the agenda):

Share buyback programme

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, the meeting approved a share buyback programme whose only purpose was (i) to fulfil the obligations deriving from the issuance of exchangeable bonds (the "Bonds") for a maximum amount of four hundred fifty million euro (€450,000,000) approved by the Company under the decision by the Meeting of Shareholders on 18 June 2008 by virtue of an Executive Committee decision dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (including, for this purpose, the 5,090,000 shares loaned to the Joint Lead Managers), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the Meeting of Shareholders.

As a result of the foregoing, decision six adopted by the Meeting of Shareholders on 10 June 2009 is annulled to the extent that it has not been executed and the Company is authorised so

that, directly or via any of its subsidiaries, within a period of at most five years from the date of this Meeting of Shareholders, it may acquire, at any time and on as many occasions as it sees fit, shares of the Company by any means allowed by law, all in conformity with Article 75 and matching Articles of the Consolidated text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid.
- The acquisition price may not be less than the par value nor more than 20 per cent higher than the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its exchange or conversion obligations arising from the issuance of the Bonds and/or to reduce the Company's capital, as the case may be.

A.10. Indicate any legal or Articles of Incorporation restrictions on the exercise of voting rights or any legal restrictions on the acquisition or sale of stakes in share capital.

Indicate whether there are any legal restrictions on the exercise of voting rights:

Yes	☐	No	☒
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Maximum percentage of voting rights that a shareholder may exercise under legal restrictions	0
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Indicate whether there are restrictions in the Articles of Incorporation on the exercise of voting rights:

Yes	☐	No	☒
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Maximum percentage of voting rights that a shareholder may exercise under restrictions in the Articles of Incorporation	0
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Indicate whether there are any restrictions on the acquisition or sale of stakes in share capital:

Yes	☐	No	☒
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A.11. Has the General Meeting of Shareholders adopted neutralisation measures in the event of a takeover bid as provided in Law 6/2007?

Yes	☐	No	☒
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Detail any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

B _ STRUCTURE OF THE COMPANY'S ADMINISTRATION

B.1. Board of Directors

B.1.1. Indicate the minimum and maximum number of directors envisaged in the Articles of Incorporation:

Maximum number of directors	22
Minimum number of directors	5

B.1.2. Complete the next table with the members of the board:

Name of director	Representative	Board position	Date of first appointment	Date of latest appointment	Type of appointment
Gonzalo Anes y Álvarez de Castrillón		Director	30-06-1991	18-06-2008	Shareholders' Meeting
B 1998, S.L.	Esther Koplowitz Romero de Juseu	First Vice-Chairman	17-12-1996	28-06-2007	Shareholders' Meeting
Miguel Blesa de La Parra		Director	29-06-2006	29-06-2006	Shareholders' Meeting
Cartera Deva, S.A.	Jaime Llantada Aguinaga	Director	15-09-2004	21-06-2005	Shareholders' Meeting
Juan Castells Masana		Director	21-06-2000	21-06-2005	Shareholders' Meeting
Dominum Desga, S.A.	Esther Alcocer Koplowitz	Second Vice-Chairman	27-09-2000	29-06-2006	Shareholders' Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Director	26-10-2004	21-06-2005	Shareholders' Meeting
EAC Inversiones Corporativas, S.L.	Alicia Alcocer Koplowitz	Director	30-03-1999	11-06-2009	Shareholders' Meeting
Fernando Falcó y Fernández de Córdova		Director	18-12-2003	21-06-2005	Shareholders' Meeting
Felipe Bernabé García Pérez		Vice-Secretary And Director	30-03-1999	21-06-2005	Shareholders' Meeting
Baldomero Falcones Jaquotot		Chairman-CEO	18-12-2007	18-06-2008	Shareholders' Meeting
Larranza XXI, S.L.	Lourdes Martínez Zabala	Director	13-01-2005	21-06-2005	Shareholders' Meeting
Max Mazin Brodovka		Director	29-06-2006	29-06-2006	Shareholders' Meeting
Rafael Montes Sánchez		Director	06-03-1992	11-06-2009	Shareholders' Meeting
Marcelino Oreja Aguirre		Director	21-12-1999	21-06-2005	Shareholders' Meeting
Cesar Ortega Gómez		Director	28-06-2007	28-06-2007	Shareholders' Meeting
Antonio Pérez Colmenero		Director	30-03-2005	21-06-2005	Shareholders' Meeting
Robert Peugeot		Director	15-09-2004	21-06-2005	Shareholders' Meeting
Nicolás Redondo Terreros		Director	19-06-2008	19-06-2008	Shareholders' Meeting
Javier Ribas		Director	11-06-2009	11-06-2009	Co-Optation

TOTAL NUMBER OF DIRECTORS

20

NOTE: Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

NOTE: Cartera Deva, S.A., a proprietary director of Fomento de Construcciones y Contratas, S.A. (FCC), resolved to appoint Jaime Llantada Aguinaga as its representative on the Board of Directors, effective 1 October 2009.

Indicate any removals from the Board of Directors in the period:

Name of director	Date removed
Manuel Menéndez López	03/02/2009
José María Sagardoy Llonis	03/02/2009

B.1.3. Complete the next tables with the members of the board and their status:

EXECUTIVE DIRECTORS

Name of director	Committee that proposed the appointment	Position in the company
Baldomero Falcones Jaquotot	Nomination and remuneration	Chairman and CEO
Felipe Bernabé García Pérez	Nomination and remuneration	General secretary
total number of executive directors		2
% of Board		10.00

NOTE

Proprietary director Antonio Pérez Colmenero was an Executive Director until 17 May 2009, when stepped down as General Manager of Human Resources and Media.

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
B 1998, S.L.	Nomination and remuneration	B 1998, S.L.
Dominum Desga, S.A.	Nomination and remuneration	B 1998, S.L.
Dominum Dirección y Gestión, S.A.	Nomination and remuneration	B 1998, S.L.
EAC Inversiones Corporativas, S.L.	Nomination and remuneration	B 1998, S.L.
Fernando Falcó y Fernández de Córdova	Nomination and remuneration	B 1998, S.L.
Marcelino Oreja Aguirre	Nomination and remuneration	B 1998, S.L.
Cartera Deva, S.A.	Nomination and remuneration	B 1998, S.L.
Robert Peugeot	Nomination and remuneration	B 1998, S.L.
Larranza XXI, S.L.	Nomination and remuneration	B 1998, S.L.
Juan Castells Masana	Nomination and remuneration	B 1998, S.L.
Miguel Blesa de la Parra	Nomination and remuneration	B 1998, S.L.
Rafael Montes Sánchez	Nomination and remuneration	B 1998, S.L.
Antonio Pérez Colmenero	Nomination and remuneration	B 1998, S.L.
Total number of proprietary directors		13
% of Board		65.00

EXTERNAL INDEPENDENT DIRECTORS

Name of director	Profile
César Ortega Gómez	General Manager of Banco Santander. Holds a degree in Economics and Business and a Masters in Tax Consulting from ICADE. Studied law and philosophy. Partner at Arthur Andersen Asesores Legales y Tributarios and Garrigues Law Firm for 12 years. Board Member of Grupo Santander, S.L., Bancos Latinoamericanos Santander, S.L., Santusa Holding, S.L., Santander Holding Gestión, S.L. and Santander Investment, S.A.
Gonzalo Anes y Álvarez de Castrillón	Director of FCC, S.A.; Chairman of its Audit and Control Committee and Member of its Nomination and Remuneration Committee. Holds a PhD in Economics from Madrid University. Professor of History and Economic Institutions at the Madrid Complutense University School of Economics. Full Member of the Spanish Royal Academy of History, and Director since 1998. Member of the Prado Museum Board of Trustees since 1982 and was its Chairman from 1986 to 1990. Former Director of the Bank of Spain and of Repsol-YPF.
Max Mazin Brodovka	Director of FCC, S.A. and Member of its Nomination and Remuneration Committee. Studied planning & statistics (economics). Former Chairman of the CEOE (Spanish Confederation of Employers' Organizations) International Relations Committee, Founder and National Chairman of AEI (Asociación Empresarial Independiente); Co-Founder and Vice-Chairman of the CEOE; Honourary Chairman of the CEIM (Madrid Confederation of Employers and Industries-CEOE); Chairman of the CEIM Foundation; Member of the Madrid Complutense University Social Council; Founder of Hoteles Tryp, S.A.; Founder of Spain's World Trade Centre and its Chairman for seven years.
Nicolás Redondo Terreros	Holds a Law Degree from Deusto University; Chairman of Fundación para La Libertad; Member of the Editorial Board of El Economista; Member of the Editorial Board of the "Registradores" Magazine of the Spanish Property Registrars and Economists; Member of the Advisory Board of Infomedio (Agencia de Información Sobre Oriente Medio). Recipient of the 2003 Constitutional Merit Award from the Spanish Government. Former: First Deputy President of Vizcaya; Member of the Basque Parliament; Secretary General of the Basque Socialist Party Parliamentary Group in the Basque Parliament; Spokesman for the Socialist Party Group in the Vizcaya Parliament; Member of the Spanish National Parliament for Vizcaya, and Chairman of the Basque Socialist Parliamentary Group.
Javier Ribas	Holds a PhD in Industrial Engineering, a Degree in Economics and a Diploma in Operational Research from the French Petroleum Institute (Paris). Engineer at Compañía Francesa de Petróleo; Head of Research at Esso France; Head of the Industrial Sector for Liga Financiera de Madrid; Deputy General Manager of Electronic Data Systems (EDS) Spain. Currently Executive Vice-Chairman of EDS Spain. Served on the Board of Directors of Telson, S.A. and Hidrocantábrico, S.A.; is Currently Director at Inforsistem, S.A. and Hewlett-Packard/EDS(Advisory Board).
Total number of independent directors	5
% of Board	25.00

OTHER EXTERNAL DIRECTORS

Name of director	Committee that proposed the appointment
-	-
Total number of other external directors	
% of Board	

State why these directors cannot be considered proprietary or independent, and indicate any relations between them and the company, its executives or shareholders:

Name of director	Reason	Company, executive or shareholder with which he/she is related

Indicate any changes in directors' status in the period:

Name of director	Date of change	Former status	Current status
Antonio Pérez Colmenero	17/05/2009	Executive Director	Proprietary Director

B.1.4. Indicate any reasons for which proprietary shareholders were appointed at the proposal of a shareholder owning less than 5% of capital:

Name of shareholder	Supporting documentation

Disclose any rejection of a formal request for a board seat from shareholders whose equity stake is equal to or greater than that of others which applied successfully for a proprietary directorship. Detail the reasons for any such rejection:

☐ Yes
 ☒ No

B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

Name of director	Reason for withdrawal
Manuel Menéndez López	Sale of significant stake
José María Sagardoy Llonis	Sale of significant stake

B.1.6. Indicate any powers delegated to the managing director(s):

Name of director	Brief description
Baldomero Falcones Jaquotot	See Note

NOTE:

Article 35.2 of the Rules of the Board of Directors establishes that: *"The Board may delegate permanently, to one or more of its members, all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated."*

In order to be valid, the permanent delegation of the powers of the Board of Directors and the designation of the director or directors delegated with such powers, regardless of their title, will require the favourable vote of at least two-thirds of the members of the Board of Directors.

The Managing Director is responsible for representing and directing the Company's business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective authority.

The effective representation and direction of the company's business affairs includes but is not limited to:

- *Supporting the Board of Directors in defining the Group's strategy.*
- *Drafting the Business Plan and Annual Budgets to be submitted to the Board of Directors for approval.*
- *Preparing, and submitting to the Board of Directors or the Executive Committee for approval, depending on whether the amount involved is more or less than eighteen million euro, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility.*
- *Hiring and dismissing any company employee, with the exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules.*

Once per year, at the first Board meeting of the year, the Managing Director will inform the members of the Executive Committee of the actual level of compliance with the forecasts contained in the investment proposals submitted to the Committee and to the Board of Directors for approval."

Article 7.2 of the Rules of the Board of Directors states:

"In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated:

- a) Appointment and removal of the Chairman, Vice-Chairman, Managing Directors, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the Managing Director, appointment, removal and, when appropriate, indemnity clauses for the senior executives in the company's functional areas (Administration, Finance, Human Resources, and the General Secretariat), of members of the Management Committee and, in general, the Company's Senior Executives.*
- b) Propose to respective Boards of Directors, at the initiative of the Managing Director and through the Company's representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and General Managers of the parent companies of FCC Group, acting in this connection in pursuit of the corporate interest of each of them.*
- c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation, and revoking such powers.*
- d) Appointment and removal of directors as members of the various Committees envisaged in these Rules.*
- e) Supervising the Board's Delegated Committees.*
- f) Appointing Board members by co-optation to fill vacancies that arise until the next General Meeting is held.*
- g) Accepting the resignation of board members.*
- h) Authorising the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends.*
- i) Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the Managing Director, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise.*
- j) Approving investments and financing policy, particularly the approval of investments, divestments, credit lines, loans, surety or guarantee lines, and other financial facilities within the limits that the Board of Directors itself establishes, as well as investments and any other type of transactions whose specific circumstances make them strategic.*

- k) The general organising powers of the Board of Directors, particularly the power to amend these Rules.*
- l) The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting."*

Article 8.1 (under "General functions - Equilibrium in the performance of functions"), states that: *"The Board of Directors is responsible for performing such acts as may be necessary to attain the corporate purpose set forth in the Articles of Incorporation, in accordance with the applicable laws."* Article 8.2 states: *"Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers."*

On 18 December 2007 the Board of Directors delegated to Baldomero Falcones Jaquotot powers in the following areas, effective 1 January 2008: financial, customer and supplier relations, labour, administration and disposal, company and association relations, legal and internal. Delegation of these powers facilitates Group management and expedites performance of the company's activities.

B.1.7. Identify any board members with administration or management positions in other companies that form part of the listed company's group:

Name of director	Name of the group's subsidiary	Position
Cartera Deva, S.A.	Cementos Portland Valderrivas, S.A.	Director
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Director
EAC Inversiones Corporativas, S.L.	FCC Construcción, S.A.	Director
Fernando Falcó y Fernández de Córdova	FCC Construcción, S.A.	Director
Fernando Falcó y Fernández de Córdova	Giant Cement Holding Inc.	Director
Fernando Falcó y Fernández de Córdova	Waste Recycling Group Limited	Director
Rafael Montes Sánchez	FCC Construcción, S.A.	Director
Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A.	Director
Juan Castells Masana	Waste Recycling Group Limited	Director
Juan Castells Masana	Cementos Portland Valderrivas, S.A.	Director
Robert Peugeot	FCC Construcción, S.A.	Director
Robert Peugeot	Alpine Holding GmbH	Supervisory Board Member
Robert Peugeot	Waste Recycling Group Limited	Director
Baldomero Falcones Jaquotot	FCC Energía, S.A.	Chairman
Felipe B. García Pérez	FCC Energía, S.A.	Secretary

B.1.8. Indicate any company directors who are members of the board of directors of other companies listed on Spanish official stock markets, other than group companies, that have been notified to the company:

Name of director	Name of listed company	Position
Miguel Blesa de la Parra	Iberia L.A.E., S.A.	Vice-chairman
Miguel Blesa de la Parra	Mapfre, S.A.	Director
Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director
Cartera Deva, S.A.	Realia Business, S.A.	Director
EAC Inversiones Corporativas, S.L.	Realia Business, S.A.	Director
Fernando Falcó y Fernández de Córdova	Realia Business, S.A.	Director
Rafael Montes Sánchez	Realia Business, S.A.	Director

B.1.9. Indicate whether the company has established rules about the number of directorships its board members can hold, and describe any such rules:

Yes ☒ No ☐

NOTE

Article 24.3 of the Rules of the Board of Directors states: "Before accepting any management position or directorship at another company or entity, directors must consult the Nomination and Remuneration Committee.

Article 22.3 establishes: "Directors must inform the Nomination and Remuneration Committee of their other professional obligations in case they interfere with the dedication required of a director, and the Board of Directors must establish, based on a proposal by the Nomination and Remuneration Committee, the number of boards to which directors may belong."

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies that must be approved by the full Board:

	Yes	No
Investment and financing policy	x	
Design of the structure of the corporate group		
Corporate governance policy	x	
Corporate social responsibility policy		
The strategic or business plan, management targets and annual budgets	x	
Remuneration and evaluation of senior officers	x	
Risk control and management policy, and the periodic monitoring of internal information and control systems	x	
Dividend policy, as well as the policies and (particularly) limits applying to treasury stock.	x	

B.1.11. Complete the next tables regarding the aggregate directors' remuneration accrued in the year:

a) In the company to which this report refers:

Remuneration item	Thousand euro
Fixed remuneration	4,075
Variable remuneration	1,866
Per diems	
Remuneration mandated by the Articles of Incorporation	2,040
Stock options and/or other financial instruments	
Other	
TOTAL	7,981

Other benefits	Thousand euro
Advances	
Loans granted	
Pension funds and plans: Contributions	
Pension funds and plans: Obligations	
Life insurance premiums	
Guarantees granted by the company to directors	

NOTE

Manuel Menéndez López and José María Sagardoy Llonis stepped down from the Board of Directors on 2 March 2009. Javier Ribas has been a member of the Board of Directors since 11 June 2009.

b) Company directors who belong to the boards of directors and/or senior management of group companies:

Remuneration item	Thousand euro
Fixed remuneration	
Variable remuneration	
Per diems	
Remuneration mandated by the Articles of Incorporation	169
Stock options and/or other financial instruments	
Other	
TOTAL	169

Other benefits	Thousand euro
Advances	
Loans granted	
Pension funds and plans: Contributions	
Pension funds and plans: Obligations	
Life insurance premiums	
Guarantees granted by the company to directors	

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	5,702	
External and proprietary	1,875	169
External and independent	404	
Other external		
TOTAL	7,981	169

d) With respect to profit attributable to the parent company:

Total directors' remuneration (in thousand euro)	8,150
Total directors' remuneration/profit attributed to the parent company (%):	2.65

B.1.12. Indicate senior executives who are not executive directors and the total remuneration accrued to them in the year:

Name	Position
José Luis de la Torre Sánchez	Chairman of FCC Servicios
Antonio Gómez Ciria	General Manager of Administration And It
Dieter Kiefer	Chairman And CEO of Cementos Portland Valderrivas, S.A.
José Mayor Oreja	Chairman of FCC Construcción, S.A.
Victor Pastor Fernández	General Manager of Finance
Gérard Ries	Deputy General Manager of International Strategy And Corporate Development
Eduardo González Gómez	General Manager of Energy And Sustainability
José Manuel Velasco Guardado	General Manager of Communications And Corporate Responsibility
Miguel Hernanz Sanjuan	General Manager of Internal Auditing
Francisco Martín Monteagudo	General Manager of Human Resources

NOTE

Dates of joining Management Committee: Miguel Hernanz Sanjuan: 01/05/09, Francisco Martín Monteagudo: 18/05/09, José Manuel Velasco Guardado: 01/07/09.

José Ramón Ruiz Carrero stepped down on 01/11/09.

Total remuneration of senior management (in thousand euro)	6,686
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B.1.13. Indicate in an aggregate way any guarantee or “golden handshake” clauses in favour of senior management members, including executive directors, of the company or its group for the event of dismissal or change of control. Indicate whether these contracts have to be notified to and/or approved by the company’s or group’s bodies:

Number of beneficiaries	7		
	Board of Directors	Shareholders’ Meeting	
Body that authorises the clauses	X		
		Yes	No
Is the Shareholders’ Meeting informed of the clauses?			X

NOTE:

As indicated in the notes to the financial statements for each year, prepared by the Board of Directors and submitted for approval to the General Meeting, an insurance policy was arranged and paid in order to provide benefits in the case of death or permanent disability, as well as retirement bonuses and other benefits, to certain executive directors and members of senior management, as disclosed in sections B.1.3. and B.1.12., respectively.

In particular, the contingencies giving rise to indemnity are those that entail the extinction of the employment relationship for any of the following reasons:

- a) Unilateral decision by the Company.
- b) Winding up or disappearance of the parent company for any reason, including merger or spin-off.
- c) Death or permanent disability.
- d) Declaration of physical disability or legal incompetence for any other reason.
- e) A substantial change in professional conditions.
- f) Resignation, upon reaching the age of 60, at the executive’s request and with the company’s consent.
- g) Resignation at age 65, by unilateral decision of the executive.

FCC Group did not pay any insurance premiums in 2009 and it received a rebate amounting to 6.418 million euro. It also registered an indemnity payment of 2.296 million euro.

In 2009, the insurance company paid beneficiaries a total of 5.942 million euro for contingencies covered by the aforementioned policy.

B.1.14. Indicate the process to establish the remuneration for board members and the corresponding clauses in the Articles of Incorporation:

Process to establish the remuneration for board members and the corresponding clauses in the Articles of Incorporation.

Article 37 of the Articles of Incorporation states:

“The post of board member is remunerated. The remuneration shall consist of a share of the net profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. in the Group’s consolidated annual accounts. This amount will be paid to the Board of Directors once all legal reserves have been covered and a minimum dividend of four percent (4%) has been paid to shareholders. The remuneration for each financial year will be decided by the General Meeting of Shareholders.

The Board will distribute the remuneration resolved at the General Meeting of Shareholders among its members, taking into account the functions and responsibilities of each one in the Board or its Delegate Committees and other criteria envisaged in the Rules of the Board of Directors, including, within the amount referred to in the previous paragraph of this article, fixed remuneration as well as attendance fees, variable remuneration and benefit schemes.

In accordance with the resolution adopted by the General Meeting of Shareholders in this respect, and regardless of provisions of the foregoing paragraphs, director remuneration may also consist of the delivery of shares or stock options, or may be referenced to the value of the Company shares.

The remuneration mentioned in the preceding paragraphs for board members will be compatible with the other waged, service or professional remuneration paid to the board members for the performance of their duties, whether managerial, executive, advisory or of any other nature, other than the directors’ functions of supervision and collective decision-making which they perform for the Company, under the form of hired employment, lease of services or any other form legally applicable to them based on their nature.”

Article 42.3 f) of the Rules of the Board of Directors states that the Nomination and Remuneration Committee’s functions include: “Overseeing compliance with the Company’s remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company’s senior management, particularly those related to the value of the shares.”

State whether the Board has reserved the right to approve the following matters;

	Yes	No
On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses	x	
Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions	x	

B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters which it covers:

	Yes	No
The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to	x	
Variable remuneration components	x	
The main characteristics of pension systems, with an estimate of their amount or annual equivalent cost	x	
Terms and conditions that must be included in the contracts with executive directors performing senior management duties	x	

B.1.16. State whether the board submits a report on the directors' remuneration policy to the advisory vote of the Shareholders' Meeting as a separate point on the agenda. In which case, describe the points in the report dealing with remuneration policies approved by the Board for future years, the main policy changes, and a general summary of how the remuneration policies were applied throughout the year. Describe the role of the Remuneration Committee and, if external advisors were engaged, indicate their identity:

Yes ☐ No ☒

Issues covered by the report on remuneration policy

At the time the Ordinary General Meeting of Shareholders scheduled for 10 June 2009 was announced, a report on the Board of Directors remuneration policy was made available to the shareholders. The report was approved by the Board of Directors on 5 May 2009.

The report discussed the following:

- a) the procedures applied in preparing the report
- b) the objective and structure of the remuneration policy
- c) remuneration of directors for their membership of the Board
- d) the remuneration of executive directors for performance of executive and managerial duties
 - remuneration structure
 - basic conditions of executive director contracts

Role of the Remuneration Committee

The Nomination and Remuneration Committee assists and advises the Board. In accordance with Article 42.3 f) of the Rules of the Board of Directors, the committee is entrusted with the following:

- Overseeing compliance with the remuneration policy set by the company and
- proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares.

	Yes	No
Were external advisors used?		x
Identity of external advisors		

B.1.17. Identify any board members who are also members of the board of directors or executives or employees of companies with significant stakes in the listed company and/or in companies in its group:

Name of director	Name of significant shareholder	Position
Cartera Deva, S.A.	B 1998, S.L.	Director
Juan Castells Masana	B 1998, S.L.	Director
Dominum Desga, S.A.	B 1998, S.L.	Director
Dominum Dirección y Gestión, S.A.	B 1998, S.L.	Director
EAC Inversiones Corporativas, S.L.	B 1998, S.L.	Director
Fernando Falcó y Fernández de Córdova	B 1998, S.L.	Director
Larranza XXI, S.L.	B 1998, S.L.	Director
Rafael Montes Sánchez	B 1998, S.L.	Director
Robert Peugeot	B 1998, S.L.	Director

Identify any significant relationships, other than those stated in the preceding section, between board members and significant shareholders and/or subsidiaries in their group:

Name of related director	Name of related significant shareholder	Description of relationship
Cartera Deva, S.A.	B 1998, S.L.	Shareholders' Agreement B 1998, S.L.
Larranza XXI, S.L.	B 1998, S.L.	Shareholders' Agreement B 1998, S.L.
Robert Peugeot	B 1998, S.L.	Shareholders' Agreement B 1998, S.L. (Indirectly via Simante, S.L.)

B.1.18. Indicate whether there were any amendments to the Rules of the Board in the year:

Yes ☒ No ☐

Description of modifications:

The Board of Directors meeting of 5 May 2009 modified various articles of the Rules of the Board. The approved modifications affect Articles 7, 32 and 42 of the Rules of the Board.

In Article 7 on the Board's powers, the names of all of FCC Group's parent companies were eliminated so as to avoid the need to modify the Rules whenever the Group's structural organisation changed.

Article 32.3 on executive director remuneration was modified with a view to clarifying Article 37 of the Articles of Incorporation.

Article 42 on the Nomination and Remuneration Committee was modified, expressly including among the Committee's powers the proposal to distribute the remuneration mandated in the Articles of Incorporation among the members of the Board, as envisaged under Article 32.1 of the Rules of the Board.

B.1.19. Indicate the procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.

The Shareholders' Meeting is in charge of appointing and removing Board members. Directors may be re-appointed indefinitely one or more times, for five-year terms.

By virtue of the shareholders' agreements referred to in section A.6. of this report as regards the FCC Directors approved by B 1998, S.L., the Investors may appoint four (4) directors to FCC's Board.

Esther Koplowitz Romero de Juseu, or her designated representative, may appoint all of the members of FCC's Board of Directors to which B 1998, S.L. is entitled other than those appointed by the Investors.

Moreover, Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

Article 16. "Appointment, ratification or re-appointment of directors"

"Proposals for the appointment or re-election of directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law must fall upon people of recognised integrity, fitness, technical competence and experience, and must be approved by the Board based on a proposal from the Nomination and Remuneration Committee, in the case of independent directors, and based on a prior report of the Nomination and Remuneration Committee, in the case of other directors."

Article 18. "Term of office"

"1. The term of office of directors will be that established in the Articles of Incorporation, which may not be more than six years, although directors may be re-appointed.

2. The directors appointed by co-optation will hold office until the next General Meeting is held. This period of time will not count toward the term established in the preceding paragraph.

3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for two years.

4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors."



Article 19. "Re-appointment of Directors"

"Prior to proposing re-appointment of any director to the General Meeting of Shareholders, the Nomination and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate."

Evaluation:

Article 38.6. "The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work and the efficacy of its rules and correcting any aspects which have been shown to be dysfunctional. Also, based on a report drawn up by the Nomination and Remuneration Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."

Article 20. "Removal of Directors"

"1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Incorporation."

Article 21. "Nature of the Resolutions of the Board on this Subject"

"Pursuant to the provisions of Article 25 of these Rules, the directors being proposed for appointment, re-appointment or dismissal may not participate in the debates or vote on these issues."

B.1.20. Indicate the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board of Directors states:

"1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Incorporation."

2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:

- a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.
- b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that its number of proprietary directors must be reduced.
- c) When they fall under a situation of incompatibility or legal disqualification.
- d) When the Board, by a two-thirds majority, asks the director to resign:

- if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Nomination and Remuneration Committee, or
- when his or her permanence on the Board may jeopardise the Company's credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 124 of the Public Limited Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report."

B.1.21. Explain whether the functions of the company's top executive fall on the board Chairman. If so, indicate the measures taken to limit the risk of a single person accumulating power:

Yes ☒ No ☐

Measures to limit risks

The FCC, S.A. Rules of the Board of Directors controls these risks by vesting the powers set out in the following section in an independent director.

At its 3 February 2009 meeting, FCC's Board of Directors appointed Max Mazin Brodovka as the independent director to undertake the functions envisaged in the last paragraph of Article 34 of the Rules of the Board of Directors.

State whether the company has established rules to empower an independent director to request a board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation; detail any such rules:

Yes ☒ No ☐

Detail the rules

Article 34.3 of the Rules of the Board establishes the following:

"When a company's Chairman is also its Managing Director or chief executive, an independent director should be empowered by the Board to request the calling of board meetings or the inclusion of new business on the agenda, to coordinate and give voice to the concerns of external directors, and to lead the board's evaluation of the Chairman".

B.1.22. Is a supermajority, other than the legal majority, required in some decisions?

Yes ☐ No ☒

Explain how resolutions are adopted by the board of directors, stating at least the quorum and type of majority required to adopt resolutions:

Adoption of resolutions

Description of resolution	Quorum	Type of majority
Permanent delegation of delegable powers to the Executive Committee, the Chairman or the Managing Directors and the appointment of the Directors who will hold such posts. OTHER RESOLUTIONS (SEE NOTE)	Two-thirds of the Board members must be present or represented at the meeting	Two-thirds of the Board members

NOTE

All other resolutions of the Board of Directors require an absolute majority of the members.

B.1.23. Detail whether there are specific requirements, other than those relating to directors, for appointing the Board Chairman.

Yes ☐ No ☒

Description of requirements

-

B.1.24. Indicate if the chairperson has a casting vote:

Yes ☐ No ☒

Issues on which there is a casting vote

-

B.1.25. Indicate if the Articles or Rules of the Board establish an age limit for directors:

Yes ☐ No ☒

B.1.26. Indicate if the Articles of Incorporation or the Rules of the Board establish a term limit for independent directors:

Yes ☒ No ☐

Maximum term (years)

12

B.1.27. When there are few or no female directors, indicate the reasons for this situation and the measures taken to correct it:

Detail the reasons and initiatives

In particular, state whether the Nomination and Remuneration Committee has established procedures to ensure that the selection processes have no implicit bias that might hamper the selection of female candidates, and to ensure that female candidates with the right profile are actively sought:

Yes ☒ No ☐

Describe the main procedures

Article 42.3.h) of the Rules of the Board establishes that the Nomination and Remuneration Committee's functions include: "Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female directors and the initiatives adopted to correct this situation."

B.1.28. Indicate whether there are formal processes for delegating votes in the board of directors. If so, give a brief description.

There are no formal processes for delegating votes in the Board of Directors.

B.1.29. Indicate the number of board of directors meetings held in the year. Also, state the number of times that the chairperson did not attend the board meeting:

Number of board meetings	11
Number of board meetings without the presence of the Chairman	0

Indicate the number of meetings held by board committees in the year:

Number of executive or advisory committee meetings:	10
Number of meetings held by the Audit and Control Committee	9
Number of meetings held by the Nomination and Remuneration Committee	10
Number of meetings held by the Strategy and Investment Committee	0

B.1.30. Indicate the number of board of directors meetings held in the year which were not attended by all members. Proxies granted without specific instructions are not counted as absences:

Number of meetings missed by directors during the year	42
Absences as a % of the total number of votes during the year	19.63

B.1.31. Indicate whether the individual and consolidated financial statements that are presented for board approval have been certified:

Yes ☒ No ☐

Indicate any person that has certified the company's individual and consolidated financial statements for board authorisation:

Name	Position
Baldomero Falcones Jaquotot	Chairman and CEO
Antonio Gómez Ciria	General Manager of Administration and IT
Víctor Pastor Fernández	Corporate Finance Manager

B.1.32. Detail whether the board of directors has established any mechanisms to ensure that the individual and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

One of the Audit and Control Committee's functions is revision of the financial and economic information published periodically by the FCC Group. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' authorisation of the 2009 financial statements, the Audit and Control Committee thoroughly examined those statements and requested that the external auditor explain the conclusions of its review so that, once the statements were approved by the Board, the external auditor's report would contain no qualifications.

B.1.33. Is the board secretary a director?

Yes ☐ No ☒

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the Nomination Committee was consulted and the appointment or removal was approved by the full Board:

Procedure for appointment and removal

Art. 36 of the Rules of the Board: "His appointment and removal must be approved by a full board meeting based on a proposal by the Nomination and Remuneration Committee."

NOTE

The current Secretary was appointed before the Nomination and Remuneration Committee was created.

	Yes	No
Is the Nomination Committee consulted on the appointment?	x	
Is the Nomination Committee consulted on the removal?	x	
Does the full Board approve the appointment?	x	
Does the full Board approve the removal?	x	

Is the Board Secretary entrusted in particular with ensuring compliance with corporate governance recommendations?

Yes ☒ No ☐

Comments

B.1.35. Indicate whether the company has established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

These mechanisms are included in Article 41 of the Rules of the Board. "Audit and Control Committee":

"...

3. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Liaising between the Board of Directors and the external auditor, evaluating the results of each audit, with the following additional duties with respect to the external auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of his or her engagement; (ii) receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations; (iii) ensuring the independence of the external auditor and, in particular, establishing appropriate measures to ensure that: 1) contracting consulting services with that auditor or a company of its group does not jeopardise its independence; and 2) the Company issues a regulatory disclosure to the CNMV as regards the change in auditor, with a statement about any disagreements with the outgoing auditor and their nature; where the external auditor resigns, the Committee must examine the reasons; (iv) and seeking to ensure that the Company's auditor takes responsibility for auditing the companies comprising the Group.

- c) Supervising the Company's internal audit units that oversee the good working of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.
- d) Analysing the risk control and management policy, identifying at least: (i) the different types of risk to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; (ii) the determination of the risk level the company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events, should they occur; (iv) and the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks, and submission to the Board for approval.
- e) Supervising the preparation of the financial statements and directors' report of the Company and the consolidated group, and of the information released periodically to the markets, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) the financial information that the Company must release periodically by virtue of being listed, ensuring that the interim financial statements are drawn up in accordance with the same accounting principles as the annual financial statements and, to this end, considering the advisability of a limited review by the Company's external auditor; (ii) and the creation of, or acquisition of shares in, special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC group.
- f) With respect to internal control and reporting systems: (i) monitoring the preparation and the integrity of the financial information prepared on the Company and, as the case may be, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles; (ii) reviewing internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed; (iii) monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing that department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the findings and recommendations of its reports; (iv) receiving confidential (though not anonymous) written reports from employees about possible material irregularities, particularly of a financial or accounting nature, that they observe in any FCC Group company; (v) and ensuring that the internal codes of conduct and the

rules of corporate governance comply with the requirements of law and are appropriate for the company, and reviewing compliance, by the persons governed by those codes and governance rules, of their obligations to inform the Company.

- g) Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to these Rules, as provided in Article 4.3.
- h) Deciding on requests for information presented by directors, by virtue of Article 30.3 of these Rules, to the Committee, and requesting the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 38.3 of these Rules.

...

4. The Audit and Control Committee will have access to the necessary information and documentation to perform its functions, and may seek the advice of external professionals, in which case the provisions of Articles 31.3 and 39.3 of these Rules will apply. These advisers may speak at the meetings but may not vote.

6. Any member of the FCC Group's management team or personnel, and the Company's external auditors, will be obliged to attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, Article 39.3 of these Rules being applicable where appropriate.

7. The Audit and Control Committee itself will decide on any matter not expressly regulated in this article with regard to its operation, and the rules contained in the Articles of Incorporation and these Rules with respect to the Board of Directors will apply supplementarily insofar as the nature and functions of the Committee allow.

B.1.36. State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes ☐ No ☒	
Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing order, describe it:

Yes ☐ No ☐

Explanation of the disagreement

B.1.37. Indicate whether the audit firm performs work for the company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the company and/or its group.

Yes ☒ No ☐

	Company	Group	Total
Fees for work other than auditing (thousand euro)	558	288	846
Fees for work other than auditing/Total fees billed by the audit firm (%)	71	7	18

B.1.38. State whether or not the auditors' report on the previous year's financial statements was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or exception.

Yes ☐ No ☒

Description of the reasons

B.1.39. Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	20	20

	Company	Group
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	100	100

B.1.40. Indicate the stakes owned by members of the company's board of directors in companies whose activity is the same, analogous or complementary to the corporate purpose of the company and its group that have been notified to the company. Also, indicate the positions they hold or the functions they perform in those companies:

Name of director	Company name	Stake (%)	Position or functions

B.1.41. Indicate whether there is a procedure for directors to engage external consultants and, if so, provide details.

Yes ☒ No ☐

Detail the procedure

Article 31 "Expert assistance" of the Rules of the Board states that:

"1. In order to assist them in discharging their duties, external directors are entitled to obtain the necessary assistance from the Company to discharge their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.

2. Requests to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that:

- a) it is necessary for the proper performance by independent directors of their assigned duties,
- b) the cost is reasonable, in view of the materiality of the problem and the assets and revenues of FCC, and
- c) the technical assistance cannot be properly provided by internal FCC experts or technical personnel.

3. Requests for expert assistance by any of the Board Committees may not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met."

B.1.42. Indicate whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details.

Yes ☒ No ☐

Detail the procedure

Article 38 "Meetings of the Board of Directors" of the Rules of the Board defines the procedure as follows:

"1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC require, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items not initially envisaged in the agenda, which proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date if it is earlier.

2. The announcement of the ordinary meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or the Secretary or Vice-Secretary, by order of the Chairman.

Notwithstanding the provisions of Article 30 of the Articles of Incorporation, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement

of each meeting, the directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues submitted to them for their consideration.

In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters.

3. The Chairman will decide the meeting agenda. The directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them.

When a specific item is included on the meeting agenda at the request of the directors, then the directors who requested the inclusion of that item must forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members.

In view of the directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion.

4. Board meetings may be held via telephone multiconference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must be located, the announcement must state that directors can attend via telephone multiconference, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes of meetings held in this way, in addition to the names of the directors physically in attendance or represented by another director, those who attended via telephone multiconference, videoconference or an equivalent system."

B.1.43. State whether the company has rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, and describe any that exist:

Yes ☒ No ☐

Describe the rules:

According to Article 29 of the Rules of the Board on Directors' duty of disclosure, "Directors must disclose the following to FCC's Nomination and Remuneration Committee through the

Corporate Responsibility Department or any unit that takes its place: d. Legal, governmental, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC.”

Article 20.2.d) on Removal of Directors states that “Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: when their permanence on the Board may jeopardise the Company’s credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 124 of the Public Limited Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.”

B.1.44. State whether any member of the Board of Directors has informed the Company that he has been charged with, or tried for, any of the crimes covered by Article 124 of the Public Limited Companies Act:

Yes ☐ No ☒

B.2. Board of Directors’ Commissions

B.2.1. Indicate all the Board of Directors committees and their members:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
Baldomero Falcones Jaquotot	Chairman	Executive
Fernando Falcó y Fernández de Córdova	Director	Proprietary
Dominum Desga, S.A. represented by Esther Alcocer Koplowitz	Director	Proprietary
EAC Inversiones Corporativas, S.L. represented by Alicia Alcocer Koplowitz	Director	Proprietary
Juan Castells Masana	Director	Proprietary
Cartera Deva, S.A. represented by Jaime Llantada Aguinaga	Director	Proprietary
Francisco Vicent Chuliá	Secretary	Not a member
Felipe B. García Pérez	Vice-Secretary	Not a member

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Gonzalo Anes y Álvarez de Castrillón	Chairman	Independent
Esther Alcocer Koplowitz representing Dominum Desga, S.A.	Director	Proprietary
Alicia Alcocer Koplowitz representing EAC Inversiones Corporativas, S.L.	Director	Proprietary
Fernando Falcó y Fernández de Córdova	Director	Proprietary
Juan Castells Masana	Director	Proprietary
José María Verdú Ramos	Secretary (not a member)	---

On 29 July 2009, it was notified to the CNMV that the Audit and Control Committee had unanimously agreed to appoint independent director Gonzalo Anes y Álvarez de Castrillón as chair for a term of 4 years. He took the place of Fernando Falcó y Fernández de Córdova, who had reached the end of the maximum four-year term for Committee chairs established in Additional Provision Eighteen of Law 28/1988, on the Securities Market, and in the Company’s Articles of Incorporation.

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
Esther Alcocer Koplowitz representing Dominum Desga, S.A.	Chairman	Proprietary
Fernando Falcó y Fernández De Córdova	Director	Proprietary
Alicia Alcocer Koplowitz representing EAC Inversiones Corporativas, S.L.	Director	Proprietary
Carmen Alcocer Koplowitz representing Dominum Dirección y Gestión, S.A.	Director	Proprietary
Rafael Montes Sánchez	Director	Proprietary
Antonio Pérez Colmenero	Director	Proprietary
Jaime Llantada Aguinaga representing Cartera Deva, S.A.	Director	Proprietary
Robert Peugeot	Director	Proprietary
Gonzalo Anes y Alvarez De Castrillón	Director	Independent
Max Mazin Brodovka	Director	Independent
José María Verdú Ramos	Secretary (not a member)	----

STRATEGY COMMITTEE

Name	Position	Category
Esther Koplowitz Romero de Juseu representing B 1998, S.L.	Chairman	Proprietary
Esther Alcocer Koplowitz representing Dominum Desga, S.A.	Director	Proprietary
Alicia Alcocer Koplowitz representing EAC Inversiones Corporativas, S.L.	Director	Proprietary
Carmen Alcocer Koplowitz representing Dominum Dirección y Gestión, S.A.	Director	Proprietary
Fernando Falcó y Fernández De Córdova	Director	Proprietary
Lourdes Martínez Zabala representing Larranza XXI, S.L.	Director	Proprietary
Robert Peugeot	Director	Proprietary
Jaime Llantada Aguinaga representing Cartera Deva, S.A.	Director	Proprietary

B.2.2. Indicate which of the following functions are attributed to the Audit Committee:

	Yes	No
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation scope, and the correct application of accounting principles.	x	
Review internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed.	x	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	x	
Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	x	
Make recommendations to the board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of his engagement.	x	
Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.	x	
Monitor the independence of the external auditor	x	
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	x	

B.2.3. Describe the rules that govern each board committee and their responsibilities.

EXECUTIVE COMMITTEE

This Committee is governed by Article 36 of the Articles of Incorporation of FCC, which are extracted below:

"... The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date. The Executive Committee may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency.

The meetings shall be held at the Company's registered offices or another location designated by the Chairman and indicated in the announcement.

In order for the Executive Committee to be quorate, there must be a majority of members present or represented.

Absent members may be represented by another member of the Executive Committee by notifying the Chairman in writing.

The deliberations will be directed by the Chairman. If the Chairman is absent, the meeting will be chaired by a committee member chosen by majority vote of those in attendance.

The Chairman will give the floor to those attendees who wish to speak.

Resolutions will be passed by absolute majority of the Committee members.

In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Committee will request that a meeting be convened as provided for in Article 30 of the Articles of Incorporation."

Additionally, Article 40 of the Rules of the Board of Directors establishes that:

2. "...The Board of Directors will designate the directors to form part of the Executive Committee, ensuring as far as possible that its structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Committee.

3. The Executive Committee will be composed of a minimum of five and a maximum of ten members.

4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board.

5. Any vacancies arising will be filled as quickly as possible by the Board of Directors.

6. In the absence of the Chairman of the Executive Committee, a committee member will be chosen to perform his functions.

7. The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the company's interests. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and vote.

8. The Executive Committee will be convened as established in Article 35 of the Articles of Incorporation, although, except in the event of a justified emergency, every effort will be made to ensure at least ten days' advance notice. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to vote.

9. The Executive Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting.

10. The Committee, through its Chairman, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.

11. In all other matters, the Executive Committee will be governed by the pertinent provisions of the Articles of Incorporation and, supplementarily, by the provisions relating to the Board of Directors contained in the Articles of Incorporation and these Rules."

AUDIT AND CONTROL COMMITTEE:

This committee is governed by Article 41 of the Rules of the Board of Directors. It must comprise at least three directors designated by the Board of Directors having regard to their knowledge and experience of accounting, auditing or risk management; all of its members will be external directors, and the Committee will appoint a Chairman from among its members, who will hold office for no more than four years; it may also appoint a Vice-Chairman. The term of the members of the Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as directors.

The Secretary and Vice-Secretary, if any, shall be chosen by the Committee and need not be board members.

The members of the Committee may obtain advice from external professionals. These advisers will attend the meetings and may speak but not vote.

The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

Its main responsibilities include:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Liaising between the Board of Directors and the external auditor, evaluating the results of each audit.
- Supervising the Company's internal auditing services.
- Analysing the risk control and management policy.
- Supervising the process of drafting the separate and consolidated financial statements and directors' reports and the regular financial disclosures to the market.

NOMINATION AND REMUNERATION COMMITTEE

This Committee is governed by Article 42 of the Rules of the Board of Directors.

"1. It will be composed of a minimum of three board members appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. The term of the members of the Nomination and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as directors.

2. The Nomination and Remuneration Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Nomination and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors."

3. The Nomination and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and it will have the following functions in particular, in addition to those already indicated in these Rules:

- a) *Evaluating the balance of skills, knowledge and experience on the board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding the time and dedication necessary for them to properly perform their duties. Any director member may suggest directorship candidates to the Nomination and Remuneration Committee for its consideration.*
- b) *Examining or organising appropriately the succession of the Chairman and Chief Executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.*

- c) *Proposing the appointment and re-appointment of independent directors and advising on proposals for the appointment and re-appointment of the other directors.*
- d) *Advising on proposals to maintain independent directors in their positions after 12 years and advising on proposals for the removal of independent directors, in accordance with Article 20.3.*
- e) *Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2. of these rules, and making the proposals for reprimands envisaged in Article 20.2.d) of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Nomination and Remuneration Committee and reported to the Board of Directors in each case.*
- f) *Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares.*
- g) *Preparing and maintaining a record of the status of directors and senior executives of FCC.*
- h) *Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female directors and the initiatives adopted to correct this situation.*
- i) *Advising on the proposed appointment of members of the Board of Directors committees.*
- j) *Advising on the appointment and removal of the Secretary of the Board.*
- k) *Verifying the qualifications of the directors under Article 6.4.*
- l) *Receiving the information provided by directors under Article 24.2 of these Rules.*
- m) *Advising on any professional or commercial transactions referred to in Article 25.3 of these Rules.*
- n) *Advising on the use, for the benefit of a director, of business opportunities or assets of FCC which have been previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules.*

4. The Nomination and Remuneration Committee will regulate its own operations to the extent that they are not regulated in the Articles of Incorporation and these Rules, whose provisions relating to the operation of the Board of Directors will apply supplementarily inasmuch as this is possible considering the nature and functions of the Committee.

5. "The Nomination and Remuneration Committee will have access to all of the documentation and information needed to perform its functions. The members of the Nomination and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 31 of these Rules will apply to them.

6. The Committee will meet periodically, at least once per quarter, and when convened by the Chairman or requested by two committee members. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.

STRATEGY COMMITTEE:

This Committee is governed by Article 43 of the Rules of the Board of Directors. Its:

"1. ... members will be appointed by the Board of Directors for a period not to exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely to the extent that they are also re-appointed as directors. The majority of the members of the Strategy Committee will be external directors.

2. The Strategy Committee will choose a Chairman from among its non-executive members. The Committee will also designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted.

3. The members of the Strategy Committee will step down from the Committee when they cease to be directors or when decided by the Board."

4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and motions as may be necessary.

"6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will apply.

7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may speak at the meetings but may not vote.

8. The Strategy Committee will meet periodically and as convened by the Chairman or requested by two committee members. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.

9. The minutes of each committee meeting will be drafted and signed by the Committee members in attendance.

10. Any member of the Company's management team or personnel who is asked to attend the Strategy Committee's meetings will be obliged to attend, collaborate and provide the information at his disposal.

11. The Strategy Committee will have access to all of the documentation and information needed to perform its functions.

12. The Strategy Committee will regulate its own operations to the extent that they are not regulated in these Rules and in the Articles of Incorporation, whose provisions relating to the operations of the Board of Directors will apply supplementarily inasmuch as this is possible considering the nature and functions of the Committee."

B.2.4. Indicate the advisory and consultative powers and, where applicable, any powers delegated to each committee:

The delegation of powers to the Board committees is governed by Article 40 of the Rules of the Board of Directors and Article 35 of the Articles of Incorporation.

All the duties and powers necessary to conduct the Company's business are permanently vested in the Executive Committee, except for those powers declared to be non-delegable under Article 141.1 of the Public Limited Companies Act and those reserved for the full Board of Directors, as set out in Article 7 of the Rules of the Board of Directors.

In the exercise of the powers and duties referred to above, the Executive Committee may empower others to act either individually or jointly with other representatives, setting the scope, limitations and conditions it deems pertinent. The Executive Committee may also revoke the powers thus granted.

Article 40.1 of the Rules of the Board of Directors establishes that "The Board may set up an Executive Committee in which it may permanently delegate all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety lines and other financial facilities for unit amounts not exceeding the figure that is established in each case in accordance with Article 7.2.j).

In situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under Article 8 of these Rules, which must be reported to the Board of Directors for subsequent ratification: the appointment and removal of senior executives and their indemnity clauses, periodic public financial information, strategic investment and transactions, and those covered by Article 8.3.f)."

As regards the advisory and consultation powers of committees, see section B.2.3.



B.2.5. Indicate any rules governing the committees of the board of directors, where they are made available for consultation and any changes to these rules during the year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily.

The Rules of the Board of Directors as amended on 5 May 2009 regulate the workings of the various Board committees: Executive Committee (Article 40), Audit and Control Committee (Article 41), Nomination and Remuneration Committee (Article 42) and Strategy Committee (Article 43).

As provided in Article 38.6 of the Rules of the Board of Directors (*"The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work, and the efficacy of its rules and correcting any aspects which have been shown to be dysfunctional. Also, based on a report drawn up by the Nomination and Remuneration Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."*), on 27 January 2010 the Board of Directors evaluated its own performance and that of its Committees in 2009.

This evaluation covered not only the performance of the Board and all of its Committees (Executive Committee, Audit and Control Committee, Nomination and Remuneration Committee, and Strategy Committee), but also that of the Chairman and Chief Executive.

The outcome was that their performance was highly satisfactory. The Board of Directors, its Committees and the Chairman and Chief Executive discharged their duties and functions superbly, in line with all existing procedures, and they undertook to continuously improve their performance. The evaluation also highlighted that the various Committees supported the launch of various products aligned with Group strategy, which made the Board more efficient and transparent in pursuit of its primary goal: safeguarding the Company's interests, i.e. maximising the Company's economic value on a sustainable basis in accordance with Article 22.1 of the Rules of the Board of Directors and Recommendation 7 of the Unified Code of Corporate Governance for Listed Companies.

B.2.6. Indicate if the executive committee's composition reflects the composition of the board in terms of director type:

☐ Yes ☒ No

If not, detail the composition of the executive committee.

The composition of the Executive Committee is as follows: 83% external directors and 17% executive directors; the composition of the Board of Directors is: 90% external directors and 10% executive directors.

C _ RELATED-PARTY TRANSACTIONS

C.1. Has the Board of Directors, in plenary session, reserved for itself the power to approve, subject to a favourable report by the Audit Committee or any other committee entrusted with such duties, the Company's transactions with directors, significant shareholders or shareholders with Board representation or with persons related to any of them?

Yes ☒ No ☐

C.2. Detail significant transactions involving a transfer of funds or liabilities between the company or subsidiaries in its group and significant shareholders of the company:

Name of significant shareholder	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euro)

C.3. Detail transactions involving a significant transfer of funds or liabilities between the company or subsidiaries in its group and directors or executives of the company:

Name of director or executive	Name of group company or entity	Nature of the transaction	Type of transaction	Amount (thousand euro)
Dominum Desga, S.A.	Servicios Especiales de Limpieza, S.A.	Contractual	Cleaning services	9,744
B 1998, S.L.	FCC Medio Ambiente, S.A.	Contractual	Cleaning services	5,469

C.4. Detail the significant transactions between the company and other companies in the group, except those that are eliminated in consolidation or do not form part of the company's normal operations with regard to their purpose and conditions:

Name of group entity	Brief description of transaction	Amount (thousand euro)
-	-	-

NOTE

There are many transactions between group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

C.5. Identify any conflicts of interest of company directors, in accordance with Article 127 ter of the Public Limited Companies Act.

Yes ☐ No ☒

The directors of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out, either for their own account or that of others, any activities that are identical, similar or complementary to the corporate purpose of the Company.

The other members of the Board of Directors do not hold interests in the share capital of companies whose corporate purpose is identical, similar or complementary to that of Fomento de Construcciones y Contratas, S.A.

During the year, neither the other directors of Fomento de Construcciones y Contratas, S.A. nor any duly authorised representatives thereof carried out transactions with the Company or any Group company that are outside its normal course of business or in conditions other than market conditions.

Information on members of the Board of Directors that serve on the boards of or are executives in other FCC Group companies is provided in section B.1.7. of this report.

These directors hold positions or perform duties and/or own interests of less than 0.01% in FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly exercises a majority of voting rights.

C.6. Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group and its directors, executives or significant shareholders.

Article 25.2, 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board of Directors establishes that Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies. Under Article 25.3, "In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Nomination and Remuneration Committee, will be required:

- a) Provision by a director or a related party to companies of the FCC Group of professional services other than those deriving from executive directors' employment relationship.
- b) Sale or disposal by any other means, for good and valuable consideration of any type, of supplies, materials, goods or rights in general by a director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. For this purpose, related party is as defined in Article 127 ter.5 of the Public Limited Companies Act.
- c) Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties
- d) Provision of works or services or the sale of materials by companies of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

4. The authorisation referred to in item 4 above will not be necessary for related-party transactions that fulfil all of the following three conditions:

- a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.
- b) They are performed at market prices or rates generally set by the person supplying the goods or services.
- c) Their amount is no more than 1% of the company's annual revenues.

5. In any event, all material transactions of any kind between directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect)."

Under Article 25.1 "An indirect interest on the part of the director is likewise considered to exist when that matter affects a related party."

C.7. Is more than one Group company listed in Spain?

Yes ☒ No ☐

Listed subsidiaries

Cementos Portland Valderrivas, S.A.

Has a public definition been established describing precisely the respective business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes ☒ No ☐

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies.

See section F.2

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest.

See section F.2

D _ RISK CONTROL SYSTEMS

D.1. Describe the risk policy of the company and/or its group, detailing and assessing the risks covered by the system, and justify why those systems conform to each type of risk.

Within the organisational structure of the FCC Group, the planning systems and transactions management processes are designed to control the different business risks faced by the Group. In this regard, risk management forms part of the Group's management process and, as such, involves all members of the organisation. In addition, the Group has established preventive, supervisory and control policies and corrective action policies in order to help the organisation meet its objectives.

The main risks covered by the system are described below:

- 1 Market risks
- 2 Operating risks
 - 2.1 Contracting risks
 - 2.2 Production risks
 - 2.3 Environmental risks
- 3 Organisational risks
 - 3.1 Labour risks
 - 3.2 Information system risk
- 4 Financial management risks
 - 4.1 Capital risk
 - 4.2 Interest rate risk
 - 4.3 Exchange rate risk
 - 4.4 Solvency risk
 - 4.5 Liquidity risk
 - 4.6 Concentration risk
 - 4.7 Risk-hedging inimical derivatives
 - 4.8 Property and industrial risks

1. Management of market risks

The FCC Group faces diverse regulatory and structural risks inherent to the products it sells and the environment in which it operates.

The Board of Directors, aided by the Strategy Committee, is responsible for defining the FCC Group's strategy, assigning available resources, setting the general policies to be applied and informing the different business areas of such policies.

The FCC Group's strategic planning process entails the identification of objectives to be met in each activity area, based on the improvements to be introduced, the market opportunities present and the level of risk considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

Progress toward the targets established during the planning process is reviewed periodically, analysing irregularities revealed at all levels of responsibility and taking the appropriate corrective measures.

The Group's general organisational and operational rules provide the framework applicable to all members of the organisation, the powers vested at each hierarchical level and the basic principles guiding the operating processes. These principles are the basis of the specific rules governing these processes.

To mitigate the market risks faced by each business line, the Group has also adopted a strategy of diversification in complementary business lines such as the provision of a range of services to government agencies, concessions, energy, cement, etc.

2. Management of operating risks

2.1 Management of contracting risks

The risks and opportunities arising during the contracting process constitute one of the main challenges faced by the FCC Group. To meet these challenges, the organisation has established formal policies and procedures that focus on:

a) Keeping technological capacity up to date at all times:

The FCC Group is aware that, as it operates in a highly competitive market, it must offer clients added value through technical and economic capabilities. In this regard, the FCC Group actively researches and innovates in the latest technology and places a great deal of emphasis on ongoing training for employees.

b) The technical quality, economic viability and competitiveness of its bids:

The process of preparing, presenting and monitoring bids must be authorised at various levels within the organisation. The main bid preparation tasks are entrusted to the highly qualified technical staff of the specific departments.



2.2 Management of production risks

The formal policies and procedures designed by the FCC Group to control the risks associated with its construction and service provision activities focus on:

a) Quality systems:

Formal quality control systems are firmly in place in the different activity areas of the FCC Group. These systems have been ISO 9000 certified and regularly pass the periodic evaluations performed by external professionals.

Based on general principles and basic criteria, the quality control systems assign responsibilities, define and document processes, and establish guidelines for detecting and correcting irregularities.

The quality assurance committees are the maximum executive bodies in this regard and are responsible for establishing guidelines, monitoring compliance and reviewing the Group's systems. One of the responsibilities of the quality assurance departments is to conduct quality assurance audits of the different operating units.

b) Ongoing personnel training:

The FCC Group has implemented training plans in the different activity areas, structured into both periodic basic training and refresher courses, and courses responding to specific needs as they arise. The quality assurance committees are responsible for establishing training plans, approving the implementation of training plans and ensuring that they are properly applied.

c) Ongoing support of operating units by the highly qualified staff of the technical departments.

d) The design and documentation of purchasing and subcontracting processes that guarantee the quality of the supplies and the effectiveness and efficiency of the contracting system.

e) Economic and budget control systems for each operating unit that serve as the basis for economic planning, gathering, measuring, recording and calculating costs and production, analysing and monitoring deviations, and quantifying and controlling the resources invested.

2.3 Management of environmental risks.

The FCC Group's business areas apply UNE-EN ISO 14001-certified environmental management systems based on:

- a) Compliance with the environmental regulations applicable to the activities of each area.
- b) Establishment and attainment of continuous improvement targets beyond those required by prevailing legislation or contracts.
- c) Minimising environmental impacts through proper operational control.
- d) An ongoing analysis of risks and possible improvements.

The basic tool for mitigating environmental risk is the environmental plan prepared by each operating unit, which sets out the following:

- a) The environmental aspects of each activity and any applicable legislation.
- b) Environmental impact evaluation criteria.
- c) The measures needed to minimise environmental impact.
- d) A system for tracking and measuring the specified targets.

3. Management of organisational risks.

3.1 Management of labour risks.

As one of the FCC Group's priorities is to guarantee the health and safety of its personnel and to strictly comply with all labour legislation, health and safety risk prevention systems are of the utmost importance to the Group. These systems are formally established and structured on the basis of:

- a) The assignment of duties and responsibilities.
- b) Application of comprehensive procedures to evaluate risks within the production processes in order to assess risks and establish health and safety plans.
- c) Ongoing training supported by specialists in the field.
- d) Regular reviews of the measures planned by safety specialists in the different operating units.
- e) A system of safety audits involving internal and external professionals.

3.2 Management of information system risks

Information system risks arise from the FCC Group's dependence on information systems in its decision-making and business processes.

In order to guarantee confidentiality, integrity and availability of information, the Group has implemented a proactive strategy to minimise the following risks:

3.2.1 Information processing risk

Information processing risk arises on handling information in general.

The FCC Group has established a Corporate Information Security Policy laying down common information management criteria to mitigate those risks which could affect the confidentiality, availability and integrity of information. These criteria are based on ISO standards (ISO 27000 series).

Controls have been implemented to guarantee that users can access the resources for which they are authorised on a need-to-know basis and on the basis of their assigned roles.

During 2009, the FCC Group implemented a Security Operation Centre (SOC) that operates around the clock to address the growing threat of attacks from the internet and information leaks. The SOC has the following capabilities:

- a) Vulnerability detection
- b) User account audits
- c) Forensic analysis
- d) Security event correlation
- e) Incident management
- f) Prevention information leaks
- g) Mail filtering

3.2.2 Personal data risks

The Spanish Data Protection Act regulates and restricts how personal data on customers, employees and suppliers can be used. The FCC Group has implemented a control programme to determine actions to be carried out and any procedural and technological changes that are required. The Group has established the necessary technology to manage communication between all parties involved.

4. Financial risk management policies

Financial risk refers to changes in the value of financial facilities and instruments arranged by the Group due to political, market and other factors, and the effect of such changes on the financial statements.

The FCC Group's risk management philosophy is consistent with its business strategy, as it strives for maximum solvency and efficiency at all times. To this end, the Group has set out stringent financial risk management and control criteria for identifying, measuring, analysing and controlling the risks faced in the course of FCC's operations. This risk policy is correctly integrated into the Group's organisational structure.

In keeping with the risk control policy, hedging transactions arranged by the FCC Group are not speculative but, rather, aim to cover the transaction risks.

In view of the FCC Group's businesses and the transactions through which these activities are carried out, the Group is currently exposed to the following financial risks:

4.1. Capital risk

The Group manages its capital to ensure that Group companies are able to continue as profitable businesses, while maximising shareholder returns.

The Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in Europe and in North and Central America.

The Group's capital structure includes debt (loans, credit facilities and bonds), cash and cash equivalents, and equity (capital, reserves and retained earnings).

The operating areas and the Finance Department analyse the cost of capital and the associated risks in each investment project for subsequent approval or rejection by the corresponding committee or by the Board of Directors, based on any necessary reports from other operating areas of the Group.

In addition to the standard objectives of investment analysis (returns, return period, risk assumed, and strategic and market valuations), these analyses focus on keeping the net debt/EBITDA ratio at reasonable levels and within the terms of agreements with lenders.

The Company's Finance Department, which is in charge of managing financial risks, regularly reviews the leverage ratios and compliance with loan covenants, as well as subsidiaries' capital structures. In December 2009, Cementos Portland increased capital.

4.2. Interest rate risk:

In order to adopt the optimal position for the Group's interests, it implements an active risk management policy; it constantly monitors the market and adopts positions depending mainly on the asset being financed.

Given that the Group's activities are closely linked to inflation, its financing policy entails ensuring that both its current financial assets, which to a large extent provide a natural hedge for its current financial liabilities, and the Group's debt are partially tied to floating interest rates.

Nevertheless, the FCC Group has arranged interest rate hedges; at the end of 2009, it had hedged 46.4% of the Group's total net debt using a range of instruments at different terms (including hedges for structured project finance).

In compliance with the policy of classifying original instruments as hedges, the FCC Group has arranged interest rate hedges, mainly swaps (IRSs), in which the Group companies pay a fixed interest rate and receive a floating rate.

4.3. Exchange rate risk:

As a result of the FCC Group's positioning in international markets, it is exposed to exchange rate risks in its net foreign currency positions with respect to both the euro and other foreign currencies when the investment and financing of an activity cannot be arranged in the same currency.

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, both in terms of gains and losses on foreign currency transactions and the values of foreign currency-denominated assets and liabilities recognised on the balance sheet. The FCC Group therefore manages the effect that foreign exchange risk can have on both the balance sheet and the income statement.

The Group actively manages its foreign exchange risk by arranging financial transactions in the same currency as that in which the related asset is denominated. In that regard, the Group strives always to finance its activities in the local currency as this creates a natural hedge between cash flows and financing. However, this is occasionally not possible where the currency of the country of origin of the investment is weak and long-term financing cannot be obtained in that currency. In these cases, financing is obtained either in the currency of the consolidated Group or in the most closely-related foreign currency.

Foreign exchange risk is expressed as the portion of the Group's equity denominated in currencies other than the euro, the most noteworthy currency being the pound sterling.

4.4. Solvency risk:

At 31 December 2009, the FCC Group's financial debt amounted to 7.655 million euro, as shown in the following table:

	2009	2008
Bank loans	8,689	8,096
Debt securities outstanding	563	144
Other interest-bearing debt	289	285
Current financial assets	(231)	(223)
Cash and cash equivalents	(1,654)	(1,409)
Net interest-bearing debt	7,655	6,893
Net debt with limited recourse	(2,882)	(1,573)
Net debt with recourse	4,773	5,320

The most relevant ratio for measuring solvency and repayment capacity is the net debt / EBITDA ratio. The Group's ratios are reasonable and comply with the covenants agreed with lenders.

4.5. Liquidity risk:

The FCC Group operates in various markets in order to obtain the financing it needs, thereby mitigating liquidity risk.

Despite the adverse situation reigning in the financial markets throughout 2009, the FCC Group has remained extremely well positioned and has anticipated any potential adversity by paying close attention to trends in those factors that may help to resolve liquidity shortfalls in the future and to the various sources of financing and their characteristics.

Details of the credit facilities granted at consolidated level at 31 December 2009, taking into account only short- and long-term bank debt and excluding non-recourse debt, finance lease payables and accrued interest payable, are as follows:

	Amount granted	Undrawn balance	Balance drawn down
Consolidated	8,085,986	2,135,262	5,950,724

4.6. Concentration risk:

Concentration risk arises from the concentration of financial transactions with common characteristics, such as:

- Sources of financing: The FCC Group obtains financing from over 160 Spanish and international credit institutions.
- Markets/geographical area (Spanish, foreign): The FCC Group operates in a wide variety of markets in Spain and other countries; 81% of the Group's debt is in euro and 19% in various currencies in several international markets.
- Products: The FCC Group arranges a broad spectrum of financial products, including loans, credit facilities, debt instruments, syndicated transactions and discounting facilities.
- Currency: The FCC Group finances its operations in a wide variety of currencies. Although there is significant concentration of financing in euro, US dollars and pounds sterling, investments tend to be financed in the local currency, and in the country of origin, wherever possible.

4.7. Risk-hedging financial derivatives

A financial derivative is a financial instrument or other contract whose value fluctuates in response to changes in certain variables, such as the interest rate, the price of financial instruments, foreign exchange rate, credit rating or credit index, or any other financial or non-financial variable.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign exchange or interest rate risks or risks associated with balances and transactions.

The financial derivatives arranged by the FCC Group are accounted for as provided in the accounting rules for hedges in order to match recognition of the impact of the hedge on the income statement with that of the hedged position, except where reasons of materiality and/or management efficiency make it advisable not to account for the transaction as a hedge.

For the purposes of accounting classification, derivatives designated as hedges and the hedged positions constitute hedging relationships of the following types:

- Fair value hedge (FV): a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, that is attributable to a particular risk and could affect profit or loss.
- Cash flow hedge (CF): a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss.

- Hedges of a net investment in a foreign operation: a hedge of the interest rate that may affect profit and loss for the amount of the net investment, as defined in IAS 21, of a foreign operation whose functional currency is not the euro.

In compliance with the accounting regulations (particularly IAS 39), accounting hedges are accounted for as follows:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management strategy for undertaking the hedge, as well as identification of the hedged item, the hedging instrument and the nature of the risk being hedged.
- The hedge is expected to be highly effective based on prospective tests performed both at inception of the hedge and at each accounting close.
- The hedge is determined actually to have been highly effective in the accounting period by means of quantitative retrospective tests.

The main financial risk hedged by the FCC Group using derivatives is the variation in floating interest rates to which group companies' finance is referenced. At 31 December 2009, the FCC Group had arranged interest rate hedging transactions totalling 5,109.731 million euro, mainly in the form of interest rate swaps in which Group companies pay fixed interest rates and receive floating rates.

Fair value changes in cash flow hedges are recognised in reserves, net of the tax effect, and they are recognised in profit or loss as the hedged item is recognised in profit or loss.

Financial derivatives are measured by experts in the field who are independent of the group and its lenders, using generally-accepted methods and techniques.

Interest rate swaps are measured by discounting all the flows projected in the contract in accordance with its characteristics, such as the notional amount and the schedule of collections and payments. The measurement uses a zero-coupon yield curve obtained from quoted deposits and swaps at any given time using a bootstrapping process; that yield curve is used to obtain the discount rates used in the measurements, on the assumption of "absence of arbitrage opportunities" (AOA). Where the derivatives include a cap, a floor or a combination of the two, occasionally linked to special conditions, the interest rates used are the same as in the swaps, although the generally-accepted Black method was used to introduce an element of randomness in the exercise of the options.

The method for cash flow hedges linked to inflation is very similar to that for interest rate swaps. Projected inflation is estimated from quoted inflation levels implicit in quoted inflation-indexed Europe swaps ex-tobacco, adapted to Spanish inflation using a convergence adjustment.

4.8. Property and industrial risks

The FCC Group applies a proactive risk management policy to mitigate risks to its property, employees and business activity, including both destruction of property and activities and generation of liabilities.

The Group’s ongoing management efforts in this regard are as follows:

- a) Identification and evaluation of the risks and their possible economic consequences.
- b) Elimination of risks, to the extent possible, through the pertinent safety and prevention measures.
- c) Transfer of those risks which cannot be eliminated or minimised to the insurance sector, through insurance policies.
- d) Financing of risks that have not been eliminated or transferred, through proactive self-insurance policies.

The Group’s risk exposure undergoes thorough analysis, consisting of the quantification of the possible losses should the risk event occur, determination of the measures needed to eliminate or reduce such losses and risks, optimising the risks in economic terms and selecting the most appropriate coverage or hedging mechanisms in order to maintain or guarantee the Company’s property and profits, as well as the corporate purpose as a mechanism for generating shareholder value.

D.2. Have operating, technological, financial, legal, reputational, tax or other risks arisen during the year with an effect on the company and/or group?

Yes ☐

No ☒

If so, indicate the circumstances giving rise to them and whether the established control systems worked.

Risk that materialised in the year	Circumstances that gave rise to it	How the control systems operated

D.3. Are any committees or governing bodies entrusted with establishing and supervising these control mechanisms?

Yes ☒

No ☐

If so, detail their functions.

Name of Committee or Body	Description of functions
Audit and Control Committee	Entrusted with establishing and supervising the Company’s control mechanisms (see B.2.3.). Risk management is part of the Group’s overall management framework and therefore all members of the organisation apply preventive, supervisory and control procedures in their tasks. Consequently, responsibility for designing processes is established at various levels of the organisation and certain committees and bodies work to ensure that the established controls function properly.

D.4. Identify and describe the compliance processes for each legislative framework to which the company and/or group is subject:

The FCC Group has procedures in place to guarantee compliance with the regulations governing each of its economic activities. Different Group departments specialise in the regulations applicable to FCC and the Group (business, labour, tax, environmental, etc.). These departments are in charge of:

- a) Staying fully abreast of and up to date on the different regulations
- b) Overseeing regulatory compliance
- c) Drafting the standards needed to unify Group criteria
- d) Advising operating units

The FCC Group’s Corporate Responsibility Department is responsible for overseeing compliance with corporate governance standards.

The Information Security and Risk Management Department is responsible for ensuring compliance with the Spanish Data Protection Act. Data protection coordinators have been appointed in each operating area and independent reviews are carried out on the control measures adopted.

E SHAREHOLDERS' MEETING

E.1. Is the minimum quorum required by the company for the general shareholders' meeting different from that set out in the Public Limited Companies Act?

Yes ☒ No ☐

	Quorum % different from that established as a general rule in Article 102 of the Public Limited Companies Act	Quorum % other than that established in Article 103 of the Public Limited Companies Act for the special cases set out in Article 103
Quorum required at first call	50	
Quorum required at second call	45	45

Description of differences

The ordinary and extraordinary General Meetings are quorate when:

The shareholders present or represented on the first meeting date possess at least fifty percent of the share capital with voting rights. On the second meeting date, the General Meeting is quorate when the shareholders present or represented possess at least forty-five percent of the share capital with voting rights.

In order for the General Meeting to validly decide on bond issues, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, the overriding of the pre-emptive right to acquire new shares, the transfer of the company's domicile to another country and, in general, any amendment to the Articles of Incorporation, shareholders possessing at least fifty percent of the share capital with voting rights must be present or represented at the meeting on the first announced date. On the second scheduled meeting date, it will suffice for shareholders accounting for at least forty-five percent (45%) of the subscribed voting capital to be present or represented.

When the shareholders in attendance or represented on the second announced meeting date account for less than fifty percent of the subscribed capital with voting rights, resolutions may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

E.2. Does the procedure used by the company for passing resolutions differ from that set out in the Public Limited Companies Act?

Yes ☐ No ☒

Describe how they differ from the provisions envisaged in the Public Limited Companies Act.

	Supermajority other than that established in Article 103.2 of the Public Limited Companies Act for the cases set out in Article 103.1	Other cases of a supermajority
% established by the company for approving resolutions		
Description of differences		

E.3. Detail shareholders' rights in relation to shareholders' meetings that differ from those established in the Public Limited Companies Act.

There are no differences with respect to the rights set out in the Public Limited Companies Act.

E.4. Indicate any measures adopted to encourage shareholders to participate in shareholders' meetings.

The Rules of the General Meeting establish a series of measures intended to encourage shareholder participation at the meetings. These measures are defined in the shareholders' information rights regulated in the following articles:

Article 6. Information available as soon as the General Meeting is announced

As from the date of the meeting announcement, the Company will make available to its shareholders, at its registered offices, at the National Securities Market Commission, on the stock exchanges where its stocks are traded and on the Company's website, the following:

- The full text of the announcement.
- The text of all of the motions to be submitted by the Board of Directors in relation to the items on the agenda.

When the proposal consists of the appointment or ratification of directors, the following information with regard to the directors will also be included: (i) professional and biographical profile; (ii) other Boards of Directors to which they belong, both listed and unlisted companies; (iii) indication of the category of director to which they belong, specifying, in the case of proprietary directors, the shareholder at whose request the appointment, ratification or re-appointment has been proposed, or with whom they have ties; (iv) date of their first appointment as a director of the Company, and date of their subsequent appointments; (v) Company shares and share options which they possess.

c) The documents or information which by law must be made available to the shareholders on the items on the meeting agenda as from the date of the announcement of the General Meeting of Shareholders.

d) Information on the channels of communication between the company and its shareholders for the purposes of obtaining information or making suggestions, in accordance with the applicable regulations.

Article 7. Right to Information prior to the General Meeting of Shareholders

1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items on the agenda or the information accessible to the public reported by the Company to the National Securities Market Commission since the last General Meeting.

2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Investor Relations Department at the Company's registered offices, delivered by hand, post or courier. The provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.

3. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.

4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.

5. The Board of Directors may empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department.

Article 14. Information

1. The Directors must provide the information requested by shareholders, except under the circumstances envisaged in Article 7.4 of these rules or when the requested information is not available during the meeting. In this case, the information will be provided in writing within seven days from the meeting date, to which end the shareholders will indicate the mailing address where the information should be sent.

2. The requested information or clarifications will be provided by the Chairman or, at the Chairman's request, by the Managing Director, the Chairman of the Audit Committee, the Secretary, a Director or any employee or expert on the subject in question, in accordance with Article 9.2 of these Rules.

Article 15. Voting on Proposals

1. Upon conclusion of the shareholders' addresses and once the questions have been answered as provided for in these Rules, the proposed resolutions in the agenda and any others which by law need not be included in the agenda will be voted on.

2. The Secretary will ask the shareholders whether or not they wish to have the proposed resolutions read, the text of which was delivered to the shareholders before the meeting and is available on the Company's website. If any shareholder wishes them to be read or if the Chairman deems it appropriate, the proposed resolutions will be read aloud. In any event, the shareholders will be informed of the agenda item to which each proposed resolution refers.

3. Notwithstanding the alternative systems which may be employed by the Chairman, the procedure for voting on the proposed resolutions referred to above will be as follows:

- a) The system for voting on the proposed resolutions relating to the items on the agenda will be by a negative deduction system. This means that, for each proposal, the votes corresponding to all of the shares present and represented will be considered as votes in favour, deducting those corresponding to the shares whose owners or representatives state that they are voting against or abstaining, to which will be added the votes corresponding to proxies received by the Board of Directors, indicating whether voters are against the motion or abstentions. Votes against and abstentions will be counted separately.
- b) The system for voting on the proposed resolutions relating to items not on the agenda, when such proposals may legitimately be voted upon, will be a positive deduction system. This means that for each proposal, the votes corresponding to all of the shares present and represented will be considered votes against, deducting those corresponding to the shares whose owners or representatives state that they are voting for the proposal or abstaining.

- c) When technically possible and provided that compliance with all legal requirements can be guaranteed, the Board of Directors may establish the use of electronic vote counting systems.
- d) If, in accordance with the terms of Article 5 of these Rules, the meeting announcement makes provisions for voting electronically using one or more distance voting methods, and without detriment to the specific instructions for each particular case in order to be valid and accepted by the Company, the document containing the vote must contain the following information at the very least:
- i. Meeting date and agenda.
 - ii. The shareholder's identity.
 - iii. The number of shares owned.
 - iv. The shareholder's vote on each of the items on the agenda.
- e) Issues which are substantially independent will be voted on separately so that the shareholders can exercise separately their voting preferences; this rule will be applied when adopting resolutions on: (i) the appointment or ratification of directors, which must be voted on individually; and (ii) amendments to the Articles of Incorporation where each article or group of articles is substantially independent.
- f) Provided that it is legally possible and that the requirements provided for in this respect are met, financial intermediaries who are legitimised as shareholders, but who act on behalf of different customers, will be allowed to split the vote as per the instructions of their customers.

4. The statements containing votes submitted to the notary or the meeting officers as envisaged in paragraph 3 above may be made individually for each of the proposals or jointly for several or all of them, indicating to the notary or the officers the identity of the shareholder or representative, the number of shares in question, and whether the shareholder/representative votes in favour or against, or abstains.

E.5. Indicate if the position of chairperson of the shareholders' meeting coincides with that of the chairperson of the board of directors. Detail any measures adopted to guarantee the independence and smooth transaction of the shareholders' meeting:

Yes	☒	No	☐
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Detail the measures

Article 10.2 of the Rules of the General Meeting of Shareholders establishes that, "2. *The General Meeting of Shareholders is presided over by the Chairman and, in his absence, by the Vice-Chairmen of the Board of Directors, in order; if there is no pre-set order, it will go in order of seniority on the Board. If there is no Vice-Chairman in attendance, the General Meeting will be chaired by the oldest director.*"

Measures to guarantee the independent and good working of the General Meeting:

The Rules of the General Meeting of Shareholders, which are available on the company's web site, contain a detailed set of measures to guarantee the independence and good working of the General Meeting.

They include, notably, Article 7 "Right to Information prior to the General Meeting of Shareholders

1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items on the agenda or the information accessible to the public reported by the Company to the National Securities Market Commission since the last General Meeting.

2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Investor Relations Department at the Company's registered offices, delivered by hand, post or courier. The provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.

3. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.

4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might be detrimental to the Company's interests,

except when the request is backed by shareholders representing at least one-fourth of the share capital.

5. The Board of Directors may empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department.

Article 23 of the Articles of Incorporation establishes shareholders' right to information:

Shareholders may request, either in writing or using other electronic or distance communication media, up to seven calendar days before the date of the General Meeting on first call, any information or explanations they require or pose any questions they may have on the agenda items or about the information available to the public provided by the Company to the National Securities Market Commission since the last General Meeting was held. The information so requested will be provided by the directors in writing no later than the date of the General Meeting.

Any information or explanations requested verbally from the Chairman by the shareholders in relation to the items on the agenda during the General Meeting itself before the Meeting turns to the items contained in the agenda, or requested in writing up to the seventh day before the scheduled meeting date, will be provided verbally during the General Meeting by any one of the directors in attendance, at the Chairman's request. If the requested information or explanations refer to items falling under the jurisdiction of the Audit Committee, they shall be provided by any one of the members or advisors to the Committee in attendance at the meeting. If in the Chairman's opinion it is not possible to provide the shareholder with the requested information or explanations during the Meeting, they will be provided in writing to the requesting shareholder within seven calendar days of the Meeting date.

The Directors are obliged to provide the information referred to in the two preceding paragraphs unless, in the Chairman's opinion, the publication of the requested information could be harmful to the Company's interests.

This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital.

The Company has a website which contains the legally-required information and through which the Company can respond to the shareholders' requests for information, according to the legislation in force at any given time.

E.6. Indicate any amendments to the shareholders' meeting rules in the year.

The General Meeting of Shareholders on 10 June 2009 approved an amendment to Article 11 of the Rules of the General Meeting of Shareholders of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (item 5 on the agenda).

The amendment, in coordination with the amendment to Article 17 of the Articles of Incorporation, approved under item 4 of the agenda of that same General Meeting, intended to adapt the content of Article 11 of the Rules of the General Meeting to the new wording of Article 103 of the General Corporations Act as amended by Act 3/2009, of 3 April, on Structural Modifications to Mercantile Companies, which added, to the cases of special quorum for General Meetings regulated in the previous rules the case of overriding pre-emptive rights to acquire new shares, the assignment of all assets and liabilities, and the transfer of the company's domicile to another country.

E.7. Indicate the attendance of the shareholders' meetings held in the year of this report:

Attendance

Date of shareholders' meeting:	% of attendance	% by proxy:	% distance vote:		Total %:
			Electronic voting	Other	
10-06-2009	55.607%	9.258%			64.866%
30-11-2009	7.510 %	57.445 %			64.955 %

E.8. Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

Ordinary General Meeting on 10 June 2009:

1. Financial statements of the company and its consolidated Group and the directors' reports for 2008.

Votes against	0.00000
Abstentions	0.00000
Votes in favour	100.00000
Votes cast	100.00000

2. Distribution of 2008 income.

Votes against	0.00000
Abstentions	0.00000
Votes in favour	100.0000
Votes cast	100.00000

3. A. Re-appointment of EAC INVERSIONES CORPORATIVAS, S.L. as proprietary director.

Votes against	3.54093
Abstentions	0.00997
Votes in favour	96.44910
Votes cast	100.00000

3. B. Re-appointment of Rafael Montes Sánchez as proprietary director.

Votes against	3.80215
Abstentions	0.00997
Votes in favour	96.18788
Votes cast	100.00000

4. A. Amendment to Article 17 of the Articles of Incorporation ("Constitution of the General Meeting")

Votes against	0.00007
Abstentions	0.00090
Votes in favour	99.99903
Votes cast	100.00000

4. B. Amendment to Article 42 of the Articles of Incorporation ("Annual accounts")

Votes against	0.00007
Abstentions	0.22308
Votes in favour	99.77685
Votes cast	100.00000

5. Amendment to Article 11 ("Constitution of the General Meeting") of the Rules of the General Meeting.

Votes against	0.00007
Abstentions	0.21582
Votes in favour	99.78411
Votes cast	100.00000

6º. Authorisation to the Board of Directors to acquire own shares on the market and authorisation to the subsidiaries to acquire shares of Fomento de Construcciones y Contratas, S.A.

Votes against	0.19790
Abstentions	0.00521
Votes in favour	99.79689
Votes cast	100.00000

7. Reduction of capital through amortisation of own shares.

Votes against	0.00000
Abstentions	0.00086
Votes in favour	99.99914
Votes cast	100.00000

8. Re-appointment of auditors for the Company and its consolidated group.

Votes against	0.16901
Abstentions	0.00170
Votes in favour	99.82929
Votes cast	100.00000

9. Broad empowerment of the directors to implement, notarise, register, rectify and execute the adopted resolutions.

Votes against	0.00000
Abstentions	0.00000
Votes in favour	100.00000
Votes cast	100.00000

10. Approval of the General Meeting minutes.

This item of the Agenda was not put to the vote as the minutes were drawn up by the Notary of Barcelona, Mr José Javier Cuevas Castaño.

Extraordinary General Meeting on 30 November 2009:

1. To approve the convertibility of the Company's bonds that are exchangeable for shares, issued under the decision by the General Meeting of Shareholders on 18 June 2008 by virtue of an Executive Committee decision dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, to enable the Company to cater for exchange requests from bondholders by delivering newly-issued shares.

To totally override the shareholders' pre-emptive subscription right. To increase capital by the amount required to attend to the conversion of the bonds up to an initially envisaged maximum of twelve million euro, subject to amendments on the basis of the terms and conditions of the bonds.

Delegation of powers to the Board of Directors and the Executive Committee to execute these resolutions, including powers to sub-delegate.

Votes against	0.40817
Abstentions	0.00674
Votes in favour	99.58509
Votes cast	100.00000

2. To approve a buyback programme of shares of Fomento de Construcciones y Contratas, S.A. whose purpose is to enable the Company to fulfil the obligations derived from the issuance of exchangeable bonds and to reduce the Company's capital. To approve a reduction of the capital of Fomento de Construcciones y Contratas, S.A., through the amortisation of own shares for a par value equivalent to the number of new shares of the Company issued to attend to requests for exchange or conversion from holders of the Bonds.

Delegation of powers to the Board of Directors and the Executive Committee to execute these resolutions, including powers to sub-delegate.

Votes against	0.47560
Abstentions	0.00000
Votes in favour	99.52440
Votes cast	100.00000

3. To authorise the Board of Directors and the Executive Committee to interpret, remedy, complement, execute, register, delegate powers and adapt the decisions adopted by the Meeting of Shareholders, with express powers to sub-delegate.

Votes against	0.00000
Abstentions	0.00000
Votes in favour	100.00000
Votes cast	100.00000

4. Approval of the General Meeting minutes.

This item of the Agenda was not put to the vote as the minutes were drawn up by the Notary of Barcelona, José Javier Cuevas Castaño.

E.9 Do the Articles of Incorporation establish a minimum number of shares required to attend the general shareholders' meeting?

Yes ☐ No ☒

Number of shares required to attend the Shareholders' Meeting	1
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E.10. Indicate and explain the company's policy on delegating votes in the shareholders' meeting.

Notwithstanding the provisions of the Articles of Incorporation with respect to proxy voting, the Board of Directors does not require unnecessary formalities in the proxy voting procedure which might hinder the rights of shareholders wishing to exercise their right to attend the General Meeting. Nevertheless, pertinent procedures are in place to verify the validity of proxy authorisations.

E.11. Indicate if the company is aware of the institutional investors' policy of participation in company decisions:

Yes ☐	No ☒

Describe the policy:

E.12. Indicate the web site and the way in which to access corporate governance content on the company's web site.

The Fomento de Construcciones y Contratas, S.A. website home page, www.FCC.es, features links to specific sections entitled "Information for Shareholders and Investors" and "Corporate Responsibility," which include the information required by Law 26/2003 of 18 July, Ministry of Economy Order 3722/2003 of 26 December, National Securities Market Commission Circular 1/2004 of 17 March, Ministry of Economy and Finance Order 3050/2004 of 15 December, and Royal Decree 1333/2005 of 11 November.

These pages are just two clicks away from the home page. The contents are structured and prioritised under rapid access titles. All pages are printable.

The FCC website has been designed and programmed following the guidelines of the Web Accessibility Initiative (WAI), which sets the international standards for creating web content that can be accessed worldwide. Technosite accessibility consultants performed a technical analysis of the FCC Group's website accessibility and determined that the site meets all of the priority 2 and priority 1 checkpoints established in the W3C's Web Accessibility Guidelines 1.0 ("WAI Guidelines").

The site features a link to the regulatory disclosures submitted by Fomento de Construcciones y Contratas, S.A. to the National Securities Market Commission.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Code of Corporate Governance.

In the event of not complying with some recommendations, detail the recommendations, rules, practices or criteria applied by the company.

1. The Articles of Incorporation of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Compliant ☒	Explanation ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- The mechanisms in place to resolve possible conflicts of interest.

See sections C.4 and C.7

Compliant ☐	Partially compliant ☒	Explanation ☐	Not applicable ☐	

Article 7.2.i) of the Rules of the Board of Directors establishes that the Board of Directors is responsible for "Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the Managing Director, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise".

The Company intends to approve a document with regard to listed subsidiary Cementos Portland Valderrivas S.A. that clearly establishes that company's areas of activities, its business relationships and the mechanisms applied to resolve any conflicts of interest which may arise.

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that are equivalent to the company's liquidation.

Compliant	☐	Partially compliant	☒	Explanation	☐
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Article 8.6 of the Rules of the Board of Directors establishes that the Board must seek the authorisation of the shareholders at the General Meeting prior to an acquisition or disposal of key operating assets that would effectively alter the corporate purpose of the Company or prior to any operations that are tantamount to the Company's liquidation.

To avoid impairing the Board of Directors' ability to operate, this does not include subsidiarisation operations, since these operations often require quick decisions and are governed by ample legal mechanisms to protect the interests of the shareholders and the Company. Nevertheless, the Board duly reports such operations at the General Meeting.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Compliant	☒	Explanation	☐
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5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the Articles of Incorporation, with votes taken on all articles or groups of articles that are materially different.

See section: E.8

Compliant	☒	Partially compliant	☐	Explanation	☐
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6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Compliant	☒	Explanation	☐
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7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and rules in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant	☒	Partially compliant	☐	Explanation	☐
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8. The Board should see the core components of its mission as approving the company's strategy and authorising the organisational resources to carry it forward, and ensuring that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and, in particular:

- i. The strategic or business plan, management targets and annual budgets;
- ii. Investment and financing policy;
- iii. Design of the structure of the corporate group;
- iv. Corporate governance policy;
- v. Corporate social responsibility policy;
- vi. Remuneration and evaluation of senior officers;
- vii. Risk control and management, and the periodic monitoring of internal information and control systems.
- viii. Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B. 1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i. On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14.

- ii. Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B. 1.14.

- iii. The financial information that all listed companies must periodically disclose.
- iv. Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v. The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are arranged at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C. 1 and C.6

Compliant	☒	Partially compliant	☐	Explanation	☐
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9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Compliant	☐	Explanation	☒
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Article 27 of the Articles of Incorporation states that the Board of Directors shall comprise a minimum of five and a maximum of 22 members. At 31 December 2009, there were 20 directors.



Given the characteristics of the Company, the size of the Board is considered to be appropriate for proper management, direction and administration of the Company's businesses. Furthermore, the size of the Board makes it possible for different types of directors to sit on the Board without jeopardising the Board's effectiveness.

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3., B.1.14

Compliant	☒	Partially compliant	☐	Explanation	☐
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11. In the event that an external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Compliant	☐	Explanation	☐	Not applicable	☒
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12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
2. In companies with a plurality of shareholders represented on the board that are not otherwise related.

See sections: B.1.3, A.2 and A.3

Compliant	☒	Explanation	☐
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13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Compliant	☐	Explanation	☒
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Article 6.3 of the Rules of the Board of Directors establishes that the Board of Directors must have an appropriate number of independent directors to ensure a reasonable balance between proprietary and independent directors, and that external directors must represent an ample majority on the Board.

There are five independent directors on the Board. While they do not represent one-third of the total number of directors, as suggested in the recommendation, it is believed that in view of the current capital structure of the Company and pursuant to the OECD Principles of Corporate Governance and the Recommendation of the European Commission of 15 January 2006, there is a "sufficient number" of independent directors to guarantee that the interests of other shareholders are adequately protected.

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. That Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

Compliant	☒	Partially compliant	☐	Explanation	☐
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15. When there are few or no women directors, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3.

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See section: B.1.42

Compliant	☒	Partially compliant	☐	Explanation	☐
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17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: B.1.21

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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18. The Secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company Articles of Incorporation and the Rules of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the Rules of the Board of Directors.

See section: B.1.34

Compliant	☒	Partially compliant	☐	Explanation	☐
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19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Compliant	☒	Partially compliant	☐	Explanation	☐
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20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Compliant	☒	Partially compliant	☐	Explanation	☐
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21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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22. The board in full should evaluate the following points on a yearly basis:

- The quality and efficiency of the board's operation;
- Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;
- The performance of its committees on the basis of the reports furnished by the same. See section: B.1.19

Compliant	☒	Partially compliant	☐	Explanation	☐
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23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Articles of Incorporation or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B. 1.42

Compliant	☒	Explanation	☐
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24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Compliant	☒	Explanation	☐
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25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Compliant	☒	Partially compliant	☐	Explanation	☐
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26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- Companies should lay down rules about the number of directorships their board members can hold.

See sections: B.1.8, B.1.9 and B.1.17

Compliant	☒	Partially compliant	☐	Explanation	☐
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27. The proposal for the appointment or re-appointment of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should be approved by the board:

- On the proposal of the Nomination Committee, in the case of independent directors.
- Subject to a report from the Nomination Committee in all other cases.

See section: B.1.3

Compliant	☒	Partially compliant	☐	Explanation	☐
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28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Compliant	☒	Partially compliant	☐	Explanation	☐
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29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Compliant	☒	Explanation	☐
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30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Compliant	☒	Partially compliant	☐	Explanation	☐
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31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Incorporation, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Compliant	☒	Explanation	☐
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32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Public Limited Companies Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Compliant	☒	Partially compliant	☐	Explanation	☐
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33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

a) the amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment to which they give rise;

b) Variable components, in particular:

- i. The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
- ii. Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
- iii. The main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
- iv. An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.

c) The main characteristics of providential systems (e.g. supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.

d) The conditions applicable to the contracts of executive directors performing senior management functions, including:

- i. Duration;
- ii. Notice periods; and
- iii. Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B. 1.15

Compliant	☒	Partially compliant	☐	Explanation	☐
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36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

Compliant	☒	Explanation	☐

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant	☒	Explanation	☐

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant	☒	Explanation	☐	Not applicable	☐

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant	☒	Explanation	☐	Not applicable	☐

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Compliant	☐	Partially compliant	☐	Explanation	☒

At the time the Ordinary General Meeting of Shareholders scheduled for 10 June 2009 was announced, a report on the Board of Directors remuneration policy was made available to the shareholders. That report was approved by the Board of Directors on 5 May 2009, and it was not submitted to the General Meeting for approval.

The report discussed the following:

- a) the procedures applied in preparing the report
- b) the objective and structure of the remuneration policy
- c) remuneration of directors for their membership of the Board
- d) the remuneration of executive directors for performance of executive and managerial duties
 - structure of the remuneration
 - basic conditions of executive director contracts.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

- i. Participation and attendance fees and other fixed director payments;
- ii. Additional compensation for acting as chairman or member of a board committee;
- iii. Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
- iv. Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
- v. Any severance packages agreed or paid;
- vi. Any compensation they receive as directors of other companies in the group;
- vii. The remuneration executive directors receive in respect of their senior management posts;
- viii. Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:

- i. Number of shares or options awarded in the year, and the terms set for their execution;
- ii. Number of options exercised in the year, specifying the number of shares involved and the exercise price;
- iii. Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
- iv. Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Compliant ☐ Partially compliant ☐ Explanation ☒

In section B.1.11 and subsequent sections of this Annual Corporate Governance Report, the Company provides the required information on directors' remuneration (the different types of remuneration received by the directors for membership of the Board of FCC or of Group companies, remuneration by type of director, and golden parachute clauses in favour of executive directors) and the process for establishing directors' remuneration (Board approval of a detailed report on the remuneration policies submitted by the Nomination and Remuneration Committee).

Therefore, it is believed that the Company has offered sufficiently detailed information on the various aspects of the remuneration paid to directors for the performance of their duties, both collectively and by category. However, for reasons of security and privacy, it is not considered necessary to itemise the specific amount of individual remuneration received by each director.

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Compliant ☐ Partially compliant ☒ Explanation ☐ Not applicable ☐

The composition of the Executive Committee is as follows: 83% external directors and 17% executive directors; the composition of the Board of Directors is: 90% external directors and 10% executive directors.

The Secretary of the Board is the Secretary of the Executive Committee.

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Compliant ☒ Explanation ☐ Not applicable ☐

44. In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the Rules of the Board, and include the following:

- a) The Board of Directors will designate the members of the Committees, having regard to the directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and be apprised, at the first board meeting following each committee meeting, of the business transacted, the committees being responsible before the Board for their performance.
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- c) Committee chairs must be independent directors.
- d) These committees may engage external advisors when they feel this is necessary for the discharge of their duties.
- e) Committee meetings should be minuted and a copy sent to all board members.

See sections: B.2.1 and B.2.3

Compliant	☐	Partially compliant	☒	Explanation	☐
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The Board took into account the knowledge, aptitudes and experience of the directors and the mission of each committee when appointing committee members. Committees are also expressly given the power to obtain external advice and the Board has debated the proposals and reports presented by the Committees, which reported on their activities and performance at the first full Board meeting after each of their meetings.

When appointing the Committee members and chairs, the Board gave priority to the skills, experience and qualifications that will enable directors to contribute to better performance by the Committees of the duties entrusted to them (rather than to the directors' categories).

On 29 July 2009, it was notified to the CNMV that the Audit and Control Committee had unanimously agreed to appoint independent director Gonzalo Anes y Álvarez de Castrillón as chair for a term of 4 years. He took the place of Fernando Falcó y Fernández de Córdova, who had reached the end of the maximum four-year term for Committee chairs established in Addi-

tional Provision Eighteen of Law 28/1988, on the Securities Market, and in the Company's Articles of Incorporation.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliant	☒	Explanation	☐
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46. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant	☒	Explanation	☐
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47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Compliant	☒	Explanation	☐
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48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant	☒	Partially compliant	☐	Explanation	☐
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49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Compliant	☒	Partially compliant	☐	Explanation	☐
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50. The Audit Committee's role should be:**1. With respect to internal control and reporting systems:**

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) Make recommendations to the board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of the engagement.
- b) Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior executives act on the recommendations of the external auditor.
- c) Monitor the independence of the external auditor, to which end:
 - i. The company should notify any change of auditor to the CNMV as a regulatory disclosure, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii. The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
 - iii. Investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, urge the group auditor to take on the audit of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Compliant	☒	Partially compliant	☐	Explanation	☐
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51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant	☒	Explanation	☐
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52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial information that all listed companies must disclose periodically. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Compliant	☒	Partially compliant	☐	Explanation	☐
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53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Compliant	☒	Partially compliant	☐	Explanation	☐
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54. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Compliant	☐	Explanation	☒	Not applicable	☐
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As indicated under Recommendation 44, when appointing committee members and chairs, the Board focuses more on the skills, experience and qualifications that will enable the different committees to best perform their duties than on the category of director.

The Nomination and Remuneration Committee comprises a majority of external directors, in compliance with Article 42.1 of the Rules of the Board of Directors.

55. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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56. The Nomination Committee should consult with the company's Chairman and Chief Executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
- i. The remuneration policy for directors and senior officers;
 - ii. The individual remuneration and other contractual conditions of executive directors.
 - iii. The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Compliant	☒	Partially compliant	☐	Explanation	☐	Not applicable	☐
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58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant	☒	Explanation	☐	Not applicable	☐
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