ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

ISSUER IDENTIFICATION

END OF RELEVANT FISCAL YEAR 31/12/2013

TAX ID NO. (CIF): A-28037224

Name:
Fomento de Construcciones y Contratas, S.A

Registered Office
Calle Balmes, 36. 08007 Barcelona

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

A – OWNERSHIP STRUCTURE

A.1 Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/06/2008	127,303,296	127,303,296	127,303,296

State whether there are different classes of shares with different associated rights:

NO

Class	Number of shares	Unit nominal value	Number of voting rights	Different rights
-	-	-	-	-

A.2. State direct and indirect owners of significant stakes in the entity at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct holder of stake	Number of voting rights	
Gates III, William H.	-	Cascade Investment, LLC.	7,301,838	5.736%

State significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the transaction
Credit Suisse Group AG	13/09/2013	Exceeds 3%
HM Treasury	10/10/2013	Dropped below 3%
Credit Suisse Group AG	27/12/2013	Dropped below 3%

A.3 Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company

Name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of stake	Number of voting rights	
Mr Gonzalo Anes y Álvarez de Castrillón	11,350	-	-	0.009
B-1998, S.L.	55,334,260	AZATE, S.A.	8,353,815	50.029
Mr Juan Béjar Ochoa	35,688	-	-	0.028
Cartera Deva, S.A.	100	-	-	0.000
Dominum Desga, S.A.	4,132	-	-	0.003
Dominum Dirección y Gestión, S.L.	10	-	-	0.000
EAC Inversiones Corporativas, S.L	32	-	-	0.000
Mr Fernando Falcó Férnandez de Córdova	35,677	-	-	0.028
Mr Felipe Bernabé García Pérez	55,571	-	-	0.044
Larranza XXI, S.L.	10	-	-	0.000
Mr Rafael Montes Sánchez	98,903	Ms Josefa Fernández Mayo	20,697	0.094
Mr Marcelino Oreja Aguirre	14,000	-	-	0.011
Mr Olivier Orsini	100	-	-	0.000
Mr Gonzalo Rodriguez Mourullo	100	-	-	0.000
Mr Claude Serra	200	-	-	0.000
Mr Gustavo Villapalos Salas	100	-	-	0.000

Total % of voting rights held by the Board of Directors:	50.246%

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

Name of director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	% of total voting rights
		Direct owner of stake	Number of voting rights		
Mr Felipe Bernabé García Pérez	12,500	-	-	12,500	0.009

Note:

Fomento de Construcciones y Contratas, S.A. (hereafter FCC) is controlled by B-1998, S.L., which owns 50.029% of FCC shares, of which:

55,334,260 are held directly and 8,353,815 are held indirectly through subsidiary Azate, S.A.

The company B-1998, S.L. is held by investors according to the following breakdown: Esther Koplowitz (directly or indirectly) holds 89.65%; Eurocis, S.A., 5.01%; Larranza XXI, S.L., 5.34%.

Ms Esther Koplowitz Romero de Juseu also owns 123,313 shares of FCC directly and indirectly she owns 39,172, through Dominum Desga, S.A. (4,132 shares), Dominum Dirección y Gestión, S.L. (10 shares), and Ejecución y Organización de Recursos, S.L. (35,040 shares), fully owned by Ms Esther Koplowitz Romero de Juseu.

A.4. State, where appropriate, 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:

Related names or company names	**Type of relationship**	**Brief description**

A.5. State, where appropriate, any commercial, contractual or corporate relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:

Related names or company names	**Type of relationship**	**Brief description**
-	-	-

A.6. State whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Securities Market Act. If so, list the shareholders involved and briefly describe the agreements:

YES

Participants in the shareholders' agreement	**% of share capital affected**	**Brief description of the agreement**
Ms Esther Koplowitz Romero de Juseu	52.483	Relevant event of 30/07/2004 www.cnmv.es (See note).
Ms Esther Koplowitz Romero de Juseu	52.483	Relevant event of 13/01/2005 www.cnmv.es (See note).
Ms Esther Koplowitz Romero de Juseu	52.483	Relevant event of 19/07/2007 www.cnmv.es (See note).
Ms Esther Koplowitz Romero de Juseu	52.483	Relevant event of 26/12/2007 www.cnmv.es (See note).
Ms Esther Koplowitz Romero de Juseu	52.483	Relevant event of 04/02/2008 www.cnmv.es (See note).
Ms Esther Koplowitz Romero de Juseu	53.829	Relevant event of 26/05/2011 www.cnmv.es (See note).

State whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

NO

Participants in the concerted action	% of share capital affected	Brief description of the action

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

Note:

On 30 July 2004 a Relevant Event was published on the CNMV website consisting of the acquisition of part of the equity interests of Ms Esther Koplowitz Romero de Juseu in the company B-1998, S.L. by the companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A, and the Peugeot family in France through the company Simante, S.L.

On 13 January 2005 a Relevant Event was published whereby the company Dominum Dirección y Gestión, S.L. Sociedad Unipersonal (fully held by Ms Esther Koplowitz Romero de Juseu) agreed with the company Larranza XXI, S.L. (a company belonging to the Bodegas Faustino Group) 'the transfer to the latter of a minority interest that the former held in the company B-1998, S.L., a company which in turn directly or indirectly holds 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

Also on 13 January 2005 a Relevant Event was published whereby the company Dominum Dirección y Gestión, S.L. Sociedad Unipersonal (Sole Corporation) (fully held by Ms Esther Koplowitz Romero de Juseu) agreed with the companies 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., 'the transfer to the latter of a minority interest that the former held in the company B-1998, S.L., a company which in turn directly or indirectly holds 52.483% of the share capital of Fomento De Construcciones Y Contratas, S.A.'.

On 19 July 2007 a Relevant Event was published consisting of 'the renewal with amendments of the contracts of the partners of the company B-1998, S.L., without altering the full direct and indirect holding of Ms Esther Koplowitz Romero de Juseu in B-1998, S.L. or the agreements between the parties in relation to the governance of both B-1998, S.L. and indirectly of Fomento de Construcciones y Contratas, S.A., or any provisions regarding the control of those two companies.'

On 26 December 2007 a Relevant Event was published consisting of 'the reorganisation of the holding in the company B-1998, S.L. Ms Esther Koplowitz Romero de Juseu, through the company Dominum Dirección Y Gestión, S.L., of which she owns 100% of its capital, has signed with Ibersuizas Holdings, S.L. the purchase and sale, effective 30 January 2008, of 10.55% of the equity interests in the company B-1998, S.L., which is the holder of 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

This transaction, done at the request of Ms Esther Koplowitz, who increases her holding in FCC, represents the divestment of Ibersuizas Group from the share capital of B-1998, S.L. and consequently from FCC Group, Ibersuizas Holdings, S.L. shall no longer be a party to the shareholder agreement regulating the relations between partners of B-1998, S.L. At the same time, on the above-mentioned effective date of the contract, Ibersuizas Holdings, S.A. shall tender its resignation as a member of the Board of Directors of B-1998, S.L. and Ibersuizas Alfa, S.L. shall tender its resignation as a member of the Board of Directors of Fomento de Construcciones y Contratas, S.A.

On 4 February 2008 a Relevant Event was published consisting of 'the effective purchase by Ms Esther Koplowitz of the holding that Ibersuizas Holdings owned in B-1998, S.L. as the primary shareholder of Fomento De Construcciones Y Contratas, S.A. (FCC) with 52.483%. The agreement was reached on 24 December 2007.

On 12 July 2010 a Relevant Event was published whereby 'The entrepreneur Esther Koplowitz has reached an agreement with Simante, S.L. to acquire the latter's holding in the share capital of B-1998, S.L. for 88 million euros.

By virtue of the agreement, Simante shall assign all of its shares in B-1998 to Dominum Dirección y Gestión S.L. The transaction, involving 5.7% of the equity interests in B-1998, shall take place in the month of September.'

Said Relevant Events highlight the main agreements regarding the control of the companies (FCC and B-1998, S.L.) reached by Ms Esther Koplowitz Romero de Juseu and the investors, since the respective purchase transactions:

- Ms 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. shall be made up of twelve directors, and the investors, as a whole, are entitled to designate a maximum of three directors, and in no event may they designate more than one third of the members of the Board of Directors of B-1998, S.L.
- Ms Esther Koplowitz Romero de Juseu in any event may appoint the majority of the members of the Boards of Directors of FCC and its subsidiaries. The investors may designate, as a whole, a maximum of two members, and in no event more than one third of the members of the Board of Directors de FCC.
- Ms Esther Koplowitz Romero de Juseu shall be entitled to designate the Chairman of the Board of Directors of FCC, the Chief Executive Officer of FCC and at least two thirds of the members of its Executive Committee.
- FCC's pay-out will be at least 50%.

There are a number of agreements between Ms Esther Koplowitz Romero de Juseu and the investors with the aim of protecting the investment of the latter in B-1998, S.L., in their capacity as minority shareholders, which is described below:

- In relation to B-1998, S.L:

In relation to B-1998, S.L. and subject to the general rule that the resolutions (whether of the General Meeting of Partners or of the Board of Directors) are subject to the principle of approval by simple majority of the share capital, as an exception, a number of special cases are established where the approval must be by consensus:

- Amendments of the Bylaws implying the transfer of the registered office abroad, the change of the corporate purpose or the increase or reduction of the share capital, unless said transactions are imposed by the law or, in the case of capital reductions, they are to be carried out via the acquisition of equity interests of B-1998 S.L, directly or indirectly held by Ms Esther Koplowitz Romero de Juseu or by Dominum Dirección y Gestión, S.L., by B-1998 S.L. itself, for the subsequent redemption thereof, or they are to be carried out via the redemption of the equity interests of B-1998, S.L., directly or indirectly held by Ms Esther Koplowitz Romero de Juseu or by Dominum Dirección y Gestión, S.L., and charged to reserves which, pursuant to the Bylaws or due to provisions not included in the Bylaws, only Ms Esther Koplowitz Romero de Juseu is entitled to use.
- Any type of transformation, merger or spin-off or the total transfer of assets and liabilities;
- The dissolution or winding-up of B-1998, S.L.;
- The overriding of pre-emptive subscription rights in capital increases and the exclusion of shareholders;
- The amendment of the management regime of B-1998, S.L.;
- The establishment or amendment of the dividend policy agreed to among the investors in respect of the rights stated in the Bylaws or those not included in the Bylaws corresponding to the equity interests owned by the investors;
- Acts of disposal or encumbrance, under any title, of any relevant assets of B-1998, S.L., specifically of FCC shares or of shares or equity interests of any other companies in which B-1998 S.L. owns or may own holdings in the future;

- The increase of structural costs such that, on an annual basis, exceed those stated on the balance sheet of the company as of 31 December 2003, increased by the general year-on-year CPI plus two percentage points; excluded from the above calculation is the remuneration received by B-1998 S.L. as a consequence of its presence on the Board of Directors of FCC (hereinafter, Remuneration of the Board of FCC), as well as the remuneration of the members of the Board of Directors of B-1998 S.L, insofar as they do not exceed the remuneration of the Board of FCC;
- Granting or maintaining powers that allow for the disposal of FCC shares, by any means;
- The borrowings of B-1998, S.L. and obtaining or providing guarantees which, overall, exceed 500,000 euros;
- Creating or acquiring direct subsidiaries (other than FCC subsidiaries) or acquiring shares in entities other than those in which B-1998, S.L. already owns a holding.

• In relation to FCC:

In relation to FCC and subject to the general rule that the resolutions (whether of the General Meeting or of the Board of Directors) are subject to the principle of approval by simple majority of the share capital, as an exception a number of special cases are established where the approval must be by consensus:

- Amendments of the Bylaws implying the transfer of the registered office abroad, the increase or reduction of the share capital, unless said transactions are imposed by the law;
- Changing the corporate purpose, insofar as doing so includes the incorporation of activities not related to construction, services, cement and real estate;
- The transformation, merger or division in any of its forms.
- The merger of FCC Construcción, S.A., Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. as a consequence of which B-1998, S.L. indirectly ceases to hold over 50% of the voting rights of the entity resulting from the merger.
- The overriding of pre-emptive subscription rights in capital increases.
- The amendment of the management regime.
- Acts of disposal, encumbrance or acquisition, under any title, of FCC assets outside the corporate purpose of said entity, provided that they are relevant and, in any event, the above-mentioned acts, included within the corporate purpose of FCC, when they entail a total or aggregate value equal to or above 700,000,000 euros (increased annually by the CPI), or a significant amendment of the current structure of FCC Group or represent more than 10% of the consolidated assets of FCC Group.
- 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.
- The granting of powers that could allow, under any title, the above-mentioned disposals, encumbrances or acquisitions; the foregoing in no way whatsoever limits the right of Ms Esther Koplowitz Romero de Juseu to designate and revoke the FCC CEO.
- The borrowings of FCC and the obtainment or provision of guarantees by the latter (excluding, in any event, for the purpose of the above-mentioned calculation, guarantees within the ordinary course of business and borrowing without recourse - project finance) which, collectively, exceed 2.5 times the gross operating profit registered on FCC's last consolidated balance sheet.

If it is not possible to reach the necessary consensus between Ms Esther Koplowitz Romero de Juseu and the Investors for the adoption of decisions in the above-mentioned special cases, the Investors shall act as required in order to preserve the pre-existing situation.

On 26 May 2011 a Relevant Event was published, consisting of the renewal with amendments of the purchase and sale agreement of investment and divestment of partners of B-1998 SL and the extension thereof, between Dominum Dirección y Gestión S.L., Eurocis SL, and Larranza XXI, S.L. Said Relevant Event publishes the contents of the notarial deed of renewal.

For further information, please check the full contents of the shareholder agreements available on the CNMV website, as Relevant Events of the company dated 30 July 2004, 13 January 2005, 19 July 2007, 26 December 2007, 4 February 2008 and 26 May 2011.

A.7. State whether 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: If so, name the person.

YES

Name or company name
Ms Esther Koplowitz Romero de Juseu

Comments

A.8. Complete the tables below about the Company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	% of share capital
280,670	0	0.216

(*) Through:

Name of direct owner of stake	Number of direct shares
-	-
Total	

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	% of share capital
06/02/2013	1,278,312	0	1.004
21/03/2013	1,312,419	0	1.031
05/06/2013	1,291,779	0	1.015
10/07/2013	644,620	0	0.506
14/08/2013	1,470,220	0	1.155
10/09/2013	1,337,304	0	1.050
14/10/2013	1,355,832	0	1.065
24/10/2013	292,194	0	0.230
13/12/2013	1,276,126	0	1.005

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 of the Annual General Meeting of 23 May 2013 (item seven of the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two of the agenda to approve a buyback programme of own shares to enable the Company to fulfil the obligations deriving from the issuance of exchangeable bonds, resolved under item one of the agenda at that same General Meeting.

The Board of Directors considers that, taking into account, among other particulars, the circumstances that gave rise to the acquisition of treasury stock on the basis of the above-mentioned resolution of the General Meeting, the Company must have the possibility of having such shares at their disposal, subject to the Board of Directors closely monitoring the price of the Company's shares and, if necessary, it may approve a new share buyback programme under the terms passed by the above-mentioned General Meeting of Shareholders of 30 November 2009.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company, which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda.

Resolution of the Extraordinary General Meeting of 30 November 2009 (item two of the agenda)

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, to approve a Company share buyback programme whose only purpose is (i) to fulfil the obligations deriving from the issuance of exchangeable bonds for a maximum amount of four hundred and fifty million euros (€450,000,000) approved by the Company under the resolution of the General Meeting of Shareholders on 18 June 2008 and by virtue of an Executive Committee resolution 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 Underwriters), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the General Meeting. As a result of the foregoing, resolution six adopted by the General Meeting 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 five years at the most from the date of this Meeting, 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 related 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 up.
- The acquisition price may not be less than the par value or more than 20 percent of 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.

Resolution of the Annual General Meeting of 23 May 2013 (Item seven of the agenda)

According to the usual practice of listed companies, it is advisable that the Board of Directors have an authorisation for the derivative acquisition of treasury stock in the future, and for such purpose FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their stock exchange price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

- The maximum value would be the result of increasing by 20 per cent the highest market price in the three months prior to the time of acquisition.
- The minimum value would be the result of deducting 20 per cent from the lowest market price, likewise in the three months prior to the time of acquisition.

By virtue of this authorisation the Board, the Executive Committee and the CEO, indiscriminately, may buy treasury stock, according to the terms provided in article 146 of the Capital Companies Act.

The Board of Directors, the Executive Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes which have as their object or which entail the delivery of shares or share options, pursuant to the provisions in article 146.1 of the Capital Companies Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the treasury shares, which must be fully called up, should allow the companies in the FCC Group that have acquired them to fill in the non-disposable reserve established by article 148, rule 3, of the Capital Companies Act."

Resolution of the Annual General Meeting of 27 May 2010 (Item seven of the agenda)

B. Company shares buyback programme and capital reduction

Under the provisions of Article 3 et seq. of the European Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Resolution for a maximum of three hundred million euros (€300,000,000) (the "Securities"), 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 (provided they are not already assigned to preceding share buyback programmes that have not been completed), which henceforth will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.

The Company is authorised so that, directly or via any of its subsidiaries, within a period of five years at the most from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares of the Company by any means allowed by law, all in conformity with Article 75 and related 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 the limits legally applicable.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its obligations to deliver existing shares in connection with the securities issue or, where appropriate, to reduce the Company's capital so as to limit the dilution of existing shares if the pre-existing shareholders exercise their right to convert or subscribe the newly issued shares in connection with the bond issue.

This resolution does not eliminate or alter the terms and conditions of previous share buyback programmes approved by the Company or the corresponding authorisations for the derivative acquisition of treasury stock, which shall remain in force. This share buyback programme is compatible with previous programmes in place. However, this programme may only be carried out to the extent that it does not preclude the complete fulfilment of prior share buyback programmes and hence the achievement of the aims for which they were approved.

Note:

A Relevant Event was reported to the CNMV on 1 July 2011 under number 146731 communicating the suspension of the Share Buyback Programme by the Company.

Furthermore, on 6 July 2011, a Relevant Event was reported to the CNMV under number 146998, communicating the subscription of a liquidity contract with Santander lnvestment Bolsa, Sociedad de Valores, S.A.

A Relevant Event was reported to the CNMV on 26 July 2013 under number 191238 communicating the renewal of the liquidity contract. The CNMV was informed of the end of operations pursuant to the liquidity contract subscribed with Santander Investment Bolsa, Sociedad de Valores, S.A., on 6 July 2011 in respect of company shares under the operativeity conditions established by applicable regulations. FCC has subscribed a Liquidity Contract with Bankia Bolsa, Sociedad de Valores, S.A. This contract is applicable to Spanish stock exchanges and the object of the agreement is to favour the liquidity of the transactions and stability of the trading price. The term of the Liquidity Contract is twelve months, tacitly renewable for 12-month periods and 180,000 shares and EUR 1.7 million is allocated.

It was also reported that said liquidity contract is established in conformity with the provisions in Circular 3/2007, of 19 December, of the National Securities Market Commission.

A.10. State whether there are any restrictions on the transfer of securities and/or any restriction on voting rights. In particular, state the existence of any types of restrictions which might hinder the takeover of the company by acquiring shares on the market.

NO

Description of the restrictions

A.11. State whether the General Meeting of Shareholders have approved the adoption of breakthrough measures in the event of a takeover bid pursuant to the provisions of Law 6/2007?

NO

Detail if applicable, the approved measures and the terms on which the restrictions will be rendered ineffective:

A.12. State whether the company has issued securities that are not traded on a regulated market in the European Community.

NO

Detail if applicable the different classes of shares and, for each class of shares, the rights and obligations they confer.

B – GENERAL SHAREHOLDERS' MEETING

B.1 State and if applicable, explain whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required to hold a General Shareholders' Meeting.

YES

	Quorum percentage other than that established in art. 193 of the Capital Companies Act for general cases	Quorum percentage other than that established in art. 194 of the Capital Companies Act for special cases
Quorum required at first call	**50**	
Quorum required at second call	**45**	**45**

Description of differences
The annual and extraordinary General Meetings are quorate when, pursuant to article 11.9 of the General Meeting of Shareholder Regulations: Generally, the shareholders present or represented at first call possess at least fifty per cent of the share capital with voting rights. At second call, the General Meeting is quorate when the shareholders present or represented possess at least forty-five per cent of the share capital with voting rights. Specifically, 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, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws, shareholders possessing at least fifty per cent of the share capital with voting rights must be present or represented at the meeting at first call. At second call, it will suffice for shareholders accounting for at least forty-five per cent of the subscribed voting capital to be present or represented. When the shareholders in attendance or represented at second call account for less than fifty per cent of the subscribed capital with voting rights, the types of resolutions referred to above may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

B.2 State and if applicable, explain any differences from the arrangements established in the Capital Companies Act (LSC) for the adoption of corporate resolutions.

NO

Describe how they differ from the arrangements established in the Capital Companies Act.

	Special majority other than that established in article 201.2 of the Capital Companies Act for the cases mentioned in art. 194.1 of Capital Companies Act	Other cases requiring a special majority

% established by the entity for adopting resolutions		
Describe the differences		

B.3 State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

There are no differences with respect to the rules established out in the Capital Companies Act.

B.4 State the figures on attendance at General Meetings held during the year referred to in this report and those of the previous year:

	Attendance figures				
Date of General Meeting	% present	% represented	% distance votes:		Total
			Electronic voting	Others	
23/05/2013	55.425%	8.558%		0.234%	63.983%

Note:

The final attendance list was as follows:

- 216 shareholders in attendance controlling 70,557,840 shares accounting for 55.425% of the share capital.
- 1,191 shareholders represented controlling 10,895,236 shares accounting for 8.558% of the share capital.

As established in the Capital Companies Act, the 78 shareholders controlling 297,771 shares who resorted to distance voting were counted as shareholders in attendance.

Therefore the total number of shares present or represented at the General Meeting was 81,453,076, accounting for 63.983% of the subscribed share capital and valued at EUR 81,453,076.00.

The Company held 11,574,900 shares of treasury stock, equivalent to 9.092% of the share capital.

B.5 State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting.

NO

No. of shares required to attend the General Meeting	

B.6 State whether it has been resolved that certain decisions entailing a structural modification of the company ('subsidiarisation', purchase and sale of core operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted to the General Meeting of Shareholders for approval, even though it is not expressly required by Commercial Laws.

YES

Article 8.6 of the Board Regulations establishes that the Board of Directors will be answerable for its performance to the General Meeting of Shareholders, and it shall submit to the prior approval of the latter, any transactions entailing a structural amendment of the Company, in particular the following:

(i) 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 Company itself, even though the latter retains full control of the former;

(ii) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

(iii) Operations that are equivalent to the Company's liquidation.

B.7 State the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.

On the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website, www.fcc.es, there are specific sections on the home page under 'Information for shareholders and investors' and 'Corporate responsibility', which include the information required by Act 26/2003, of 18 July, Legislative Royal Decree 1/2010, of 2 July, the Ministry of Economy Order ECO/3722/2003, of 26 December, Circular 1/2004, of 17 March, of the National Securities Market Commission, the Ministry of Economy and Finance Order EHA/3050/2004, of 15 December, and Royal Decree 1333/2005, of 11 November.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles. All of its pages can be printed.

The FCC website has been designed and programmed according to the WAI (Web Accessibility Initiative) guidelines, which sets international standards for the creation of web contents accessible across the world. The AENOR Accessibility Consultants, after conducting a technical analysis of accessibility, established that the FCC Group website complies with all of the priority 2 and priority 1 checkpoints, according to the UNE 139803:2004 Standard, which is in turn based on the Web 1.0 Content Accessibility Guidelines of W3C (known as WAI guidelines).

The site includes a link to the Fomento de Construcciones y Contratas, S.A. data reported to the CNMV website.

C – STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors established in the bylaws:

Maximum number of Directors	22
Minimum number of Directors	5

C.1.2 Fill in the table below with the members of the Board:

Individual or Company name of Director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A	Ms Esther Alcocer Koplowitz	Chairwoman	27/09/2000	01/06/2011	Voted at Shareholder Meeting
B-1998, S.L.	Ms Esther Koplowitz Romero de Juseu	1st Vice-president	17/12/1996	31/05/2012	Voted at Shareholder Meeting
Mr Juan Béjar Ochoa		CEO	23/05/2013	23/05/2013	Voted at Shareholder Meeting
Mr Gonzalo Anes y Álvarez De Castrillón		Director	30/06/1991	27/05/2010	Voted at Shareholder Meeting
Cartera Deva, S.A.	Mr Jaime Llantada Aguinaga	Director	15/09/2004	27/05/2010	Voted at Shareholder Meeting
Dominum Dirección y Gestión, S.L.	Ms Carmen Alcocer Koplowitz	Director	26/10/2004	27/05/2010	Voted at Shareholder Meeting
EAC Inversiones Corporativas, S.L	Ms Alicia Alcocer Koplowitz	Director	30/03/1999	11/06/2009	Voted at Shareholder Meeting
Mr Fernando Falcó y Fernández de Córdova		Director	18/12/2003	27/05/2010	Voted at Shareholder Meeting
Mr Felipe Bernabé García Pérez		Director	30/03/1999	27/05/2010	Voted at Shareholder Meeting
Larranza XXI, S.L.	Ms Lourdes Martínez Zabala	Director	13/01/2005	27/05/2010	Voted at Shareholder Meeting
Mr Rafael Montes Sánchez		Director	06/03/1992	11/06/2009	Voted at Shareholder Meeting
Mr Marcelino Oreja Aguirre		Director	21/12/1999	27/05/2010	Voted at Shareholder Meeting
Mr Olivier Orsini		Director	18/07/2013	18/07/2013	Co-optation
Mr César Ortega		Director	28/06/2007	31/05/2012	Voted at

Gómez					Shareholder Meeting
Mr Henri Proglio		Director	27/05/2010	27/05/2010	Voted at Shareholder Meeting
Mr Gonzalo Rodríguez Mourullo		Director	18/07/2013	18/07/2013	Co-optation
Mr Claude Serra		Director	18/12/2013	18/12/2013	Co-optation
Mr Gustavo Villapalos Salas		Director	18/07/2013	18/07/2013	Co-optation

Total number of Directors	18

State any Directors who have left the Board of Directors during the reporting period:

Individual or Company name of Director	Status of Director at time of leaving	Date left
Mr Juan Castells Masana	External nominee Director	02/08/2013
Mr Baldomero Falcones Jaquotot	Executive Director	31/01/2013
Mr Antonio Pérez Colmenero	External nominee Director	18/07/2013
Mr Nicolás Redondo Terreros	External independent Director	18/07/2013
Mr Javier Ribas	External independent Director	18/07/2013

Note:
Mr Jaime Llantada Aguinaga was replaced by Mr Pablo Marín López-Otero as the representative of Cartera Deva, S.A. on 8 January 2014.

C.1.3 Fill in the table below on the members of the Board and their status:

EXECUTIVE DIRECTORS

Individual or Company name of Director	Committee that proposed the appointment	Position in the Company
Mr Juan Béjar Ochoa	Appointments and Remuneration Committee	CEO
Mr Felipe B. García Pérez	Appointments and Remuneration Committee	COMPANY SECRETARY

Total number of executive Directors	2
% of the Board	11,111

EXTERNAL NOMINEE DIRECTORS

Individual or Company 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.	Appointments and Remuneration Committee	B-1998, S.L.
Cartera Deva, S.A.	Appointments and Remuneration Committee	B-1998, S.L.
Dominum Desga, S.A	Appointments and Remuneration Committee	B-1998, S.L.
Dominum Dirección y Gestión, S.L.	Appointments and Remuneration Committee	B-1998, S.L.
EAC Inversiones Corporativas, S.L	Appointments and Remuneration Committee	B-1998, S.L.
Mr Fernando Falcó y Fernández de Córdova	Appointments and Remuneration Committee	B-1998, S.L.
Larranza XXI, S.L.	Appointments and Remuneration Committee	B-1998, S.L.
Mr Rafael Montes Sánchez	Appointments and Remuneration Committee	B-1998, S.L.
Mr Marcelino Oreja Aguirre	Appointments and Remuneration Committee	B-1998, S.L.
Mr Claude Serra	Appointments and Remuneration Committee	B-1998, S.L.

Total number of nominee Directors	10
% of the Board	55.555

EXTERNAL INDEPENDENT DIRECTORS

Name of Director	Profile
Mr Gonzalo Anes y Álvarez de Castrillón	Ph.D. in Economics from the University of Madrid. Professor of History and Economic Institutions at the Madrid Complutense University School of Economics. Full member of the Spanish Royal Academy of History, and its director since 1998. Member of the Prado Museum Board of Trustees since 1982 and was its chairman from 1986 to 1990. He has been a Director of the Bank of Spain and of Repsol-YPF and he is currently a Director of FCC and a member of its Audit and Control Committee and of its Appointments and Remuneration Committee.

	He holds the title of Marquis of Castrillón.
Mr. Olivier Orsini	He has a degree in Applied Economics and a diploma from the Ecole Supérieure de Commerce of Paris, and is widely experienced internationally in the environmental services and infrastructure management sectors. He was Chairman of Proactiva from December 2002 to 2013. He was Secretary General of Veolia Environnement, the first environmental services group in the world, where he has developed practically his entire professional career up until April 2012. He is a Director of FCC and a member of its Appointments and Remuneration Committee.
Mr César Ortega Gómez	General Manager of Banco Santander. He holds a degree in Economics and Business Studies and a master in tax consulting from ICADE. He has studied law and philosophy. Former partner of Arthur Andersen Asesores Legales y Tributarios and of Garrigues Abogados 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.
Mr Henri Proglio	He holds a degree from the HEC Paris Business School (1971). Currently chairman and CEO of EDF and member of the board of directors and supervisory committee of Dassault Aviation, Natixis, CNP Seguros. Among other positions he has been the chairman of the board of directors of Veolia Medio Ambiente, chairman of the board of directors of several Vivendi Medio Ambiente business units: Aguas Generales and Vivendi Agua, CGEA (ONYX: Waste Management- Connex: Transport), and Dalkia (Energy services), vice-chairman of Vivendi, chairman of Génerale des Eaux, CEO and member of the board of directors of Vivendi Agua, executive vice chairman of Compagnie Générale des Eaux, member of the executive committee of Compagnie Générale des Eaux, member of the executive committee of Compagnie Générale des Eaux. He is also a former senior officer of Compagnie Générale des Eaux and chairman and managing director of CGEA, a subsidiary of Compagnie Générale des Eaux in the transport and waste management area. He was awarded the French Legion of Honour medal.
Mr. Gonzalo Rodríguez Mourullo	Ph.D. in law from the University of Santiago de Compostela. Currently he is professor emeritus of the Autonomous University of Madrid and full member of the Royal Academy of Case Law and Legislation. He was awarded the Castelao Medal, the highest distinction of the Xunta de Galicia, for his contribution to law. He is a

	member of the Madrid Bar Association since 1962. He is a director of FCC and a member of its Appointments and Remuneration Committee.
Mr. Gustavo Villapalos Salas	Ph.D. in Law and professor of Law History at the Complutense University of Madrid, of which he was the rector from 1987 to 1995. In 1995 he was appointed Minister of Education, Culture and Sports for the Autonomous Community of Madrid, a position he held until 2001. He is Doctor Honoris Causa of over 20 universities across the world; he is the chairman of the Human Rights sub-committee of the OSCE, a member of the UNESCO advisory committee on human cultural goods and of the Royal Academy of Case Law and Legislation. Director of FCC, S.A..; chairman of its Audit and Control Committee and member of its Appointments and Remuneration Committee.

Total number of independent Directors	6
% of total Board members	33.333

State whether any of the Directors considered independent Directors receive from the Company or from the group any sums or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his/her own name or as a significant shareholder, director or senior executive of a company, that has or that has had such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform functions as an independent Director.

Individual or Company name of Director	Description of the transaction	Statement

<u>OTHER EXTERNAL DIRECTORS</u>

Individual or Company name of Director	Committee that proposed the appointment

Total number of other external Directors	
% of total Board members	

State why these Directors cannot be considered nominee or independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Individual or Company name of Director	Reasons	Company, executive or shareholder with which he/she is related

Indicate any changes in Directors' status in the period:

Individual or Company name of Director	Date of change	Former status	Current status

C.1.4 Fill in the table below with information on the number of women on the Board over the last four years, as well as what type of Directors they are:

	Number of women Directors				% of total Directors of the same kind			
	FY t	FY t-1	FY t-2	FY t-3	FY t	FY t-1	FY t-2	FY t-3
Executive	0	0	0	0	0	0	0	0
Nominee	5	5	5	4	50.000	45.454	45.454	33.333
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0
Total	5	5	5	4	27.777	27.777	27.777	21.053

C.1.5 Describe the measures adopted, if appropriate, in order to include a number of women on the Board of Directors so as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures
-

C.1.6 Explain the measures adopted, if appropriate, by the Appointments Committee so that the selection procedures is free of implicit biases hindering the selection of women board members, and so that the Company deliberately seeks women candidates with the appropriate professional profile.

Explanation of the measures
Art. 42.3.h of the Board Regulations establishes the following among the functions of the Appointments and Remuneration Committee: “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 Board, if applicable, using 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.”

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

Explanation of the reasons

C.1.7 State how shareholders with significant holdings are represented on the Board:

B-1998, S.L., the holding company of FCC, is a member of the Board of Directors. Also, nine directors have been appointed at the proposal of B-1998, S.L.: Dominum Desga, S.A; EAC Inversiones Corporativas, S.L.; Dominum Dirección y Gestión, S.L.; Fernando Falcó y Fernández de Córdova; Marcelino Oreja Aguirre; Rafael Montes Sánchez; Cartera Deva, S.A.; Larranza XXI, S.L., and Claude Serra.

William H. Gates III is not represented on the Board of Directors de FCC.

C.1.8 Explain, as the case may be, the reasons why nominee directors have been appointed at the request of shareholders whose holding is below 5% of the capital:

Name or company name of shareholder	Reason

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have nominee Directors. Detail the reasons for any such rejection, as the case may be:

Name or company name of shareholder	Explanation

C.1.9 State whether any directors have withdrawn from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

Name of Director	Reason for removal
Mr Juan Castells Masana	Personal reasons.
Mr Baldomero Falcones Jaquotot	Personal reasons.
Mr Antonio Pérez Colmenero	Personal reasons.
Mr Nicolás Redondo Terreros	Personal reasons.
Mr Javier Ribas	Personal reasons.

C.1.10 State the powers delegated to the CEO(s), if any are delegated:

Name or Company name of Director	Brief description
Juan Béjar Ochoa	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 Association 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 CEO is responsible for representing and managing 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 powers. The effective representation and management 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 Budget 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 euros, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility. - Hiring and dismissing any company employees, with the exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules. Once a year, at the first Board meeting of the year, the CEO will inform the members of the Executive Committee of the actual level of compliance with the forecasts made, with regard to 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 establishes that: "In any event, through the passing of resolutions which must be approved in each case as stipulated by law and the Articles of

	Association, 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, CEOs, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the CEO, 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 Steering Committee and, in general, the Company's Senior Executives. b) Propose to respective Boards of Directors, at the initiative of the CEO and through the Company's representatives, the appointment, and possible 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 Association, and revoking such powers. d) Appointment and removal of Directors who are to make up the various Committees envisaged in these Rules. e) Supervising the Board's Delegated Committees. f) The appointment of Directors by co-optation if vacancies arise, up until the next General Meeting. g) The acceptance of resignations tendered by Directors. h) Drafting the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends, as the case may be. 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 CEO, 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 types of transactions whose specific circumstances make them strategic. k) In general, the Board's organisation powers and especially the power to amend the Rules herein. 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." Also, article 8 ("General Functions – Equilibrium in the development of functions "), establishes in section 1: "It is up to the Board of Directors to develop any actions that are

	necessary to carry out the corporate purpose established in the Bylaws, pursuant to the applicable laws." On the other hand, section 2 states that: "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." The Board of Directors, at its meeting of 31 January 2013, delegated to Mr Juan Béjar Ochoa, effective as from 1 February 2013, a number of different kinds of powers, such as: financial powers, powers of relationship with clients and suppliers, powers related to employment, administration and disposal, powers related to companies and associations, of a legal nature and internal powers. This delegation facilitates the management of the Group and enhances the external manifestation of the Company's will.

C.1.11 Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:

Name or Company name of Director	Name of group entity	Position
Cartera Deva, S.A.	Cementos Portland Valderrivas, S.A.	Director
EAC Inversiones Corporativas, S.L	Cementos Portland Valderrivas, S.A	Director
Mr Juan Béjar Ochoa	Cementos Portland Valderrivas, S.A	Director
Mr Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A	Director
Mr Felipe B. García Pérez	Ethern Electric Power S.A. (Sole Corporation)	Director-Secretary
	FCC Environmental LLC	Director
	FCC Power Generation, S.L. (Sole Corporation)	Director-Secretary
	FCC Construcción, S.A.	Director-Secretary
Mr Olivier Orsini	Cementos Portland Valderrivas, S.A	Director
Mr Gustavo Villapalos Salas	Cementos Portland Valderrivas, S.A	Director

C.1.12 State, if appropriate, the directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

Name of Director	Name of listed company	Position
Mr Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director

EAC Inversiones Corporativas, S.L	Realia Business, S.A.	Director
Mr Rafael Montes Sánchez	Realia Business, S.A.	Director

C.1.13 State whether the Company has established rules about the number of directorships its Board members can hold, and describe any such rules:

YES

Explanation of the rules
Article 24.3 of the Board Rules establishes that "Before accepting any management position or Directorship at another company or entity, Directors must consult the Appointments and Remuneration Committee. Article 22.3 of these Rules establishes that "Directors must inform the Appointments and Remuneration Committee of any other professional obligations they may have, in case they might interfere in the required dedication to office, and the Board of Directors, after receiving a proposal of the Appointments and Remuneration Committee, must establish how many directorships its Board members may hold."

C.1.14 State the policies and general strategies that the Board in full session has reserved the right to approve:

	Yes	No
Investment and financing policy	x	
Definition of the structure of the group of companies	x	
Corporate governance policy	x	
Corporate social responsibility policy	x	
Strategic or business plan and the annual management and budget objectives	x	
Remuneration policy and assessment of senior executive performance	x	
Risk control and management policy and periodical follow-up of internal control and reporting systems	x	
Dividend and treasury share policy, especially its limits	x	

C.1.15 Indicate the overall remuneration of the Board of Directors

Remuneration of the Board of Directors (thousand euros)	3,864
Amount of the overall remuneration corresponding to pension rights accrued by the Directors (thousand euros)	2,829
Overall remuneration of the Board of Directors (thousand euros)	6,694

Note:

The amount of the overall remuneration corresponding to pension rights accrued by Directors includes the rights accrued by one of the Executive Directors as a consequence of the contracting and payment of an insurance premium, carried out by the company at the time to meet the payment of contingencies related, among other items, to death or to permanent labour disability and to retirement bonuses and pensions (see section C.1.45). During the year 2013 no contributions were made to said insurance in relation to that Director.

On 31 January 2013 Mr. Baldomero Falcones Jacquotot was removed from the Board. Mr. Falcones received 7,500 thousand euros, corresponding to the severance agreed to with the Company by the former CEO for the early termination of his contract.

C.1.16 Identify the senior executives who are not executive directors, and state the total remuneration they accrued during the year:

Name or company name	Position(s)
Mr Agustín García Gila	Chairman of Fcc Medio Ambiente
Mr Eduardo González Gómez	Chairman of Energy and Chairman of Aqualia
Mr Fernando Moreno García	Chairman of Fcc Construcción, S.A.
Mr Antonio Gómez Ciria	General Manager of Administration
Mr Miguel Hernanz Sanjuan	General Manager of Internal Audit
Mr Víctor Pastor Fernández	General Manager of Finance
Mr José Luis Sáenz De Miera	Chairman and CEO of Cementos Portland Valderrivas
Mr José Manuel Velasco Guardado	General Manager of Communication and Corporate Responsibility
Ms Ana Villacañas Beades	General Manager of Organisation

Total remuneration of senior executives (in thousand euros)	4,191.5

Note:

In the year 2013 the following individuals lost their senior executive status: Mr Francisco Martín Monteagudo (General Manager of Human Resources), Mr José Mayor Oreja (former Chairman of FCC Construcción) and José Luis de la Torre Sánchez (former Chairman of FCC Servicios). In the case of the last two and as a consequence of the contracting and payment at the time of an insurance premium, carried out by the company to meet the payment of contingencies related, among other items, to death or to permanent labour disability and to retirement bonuses and pensions, as beneficiaries of said insurance they received an amount equivalent to 3.5 times their net annual remuneration.

C.1.17 State, if appropriate, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

Name or Company name of Director	Company name of significant shareholder	Position
Cartera Deva, S.A.	B-1998, S.L.	Director
Dominum Desga, S.A.	B-1998, S.L.	Director
Dominum Dirección y Gestión, S.L.	B-1998, S.L.	Director
EAC Inversiones Corporativas, S.L.	B-1998, S.L.	Director
Mr Fernando Falcó y Fernández De Córdova	B-1998, S.L.	Director
Mr Rafael Montes Sánchez	B-1998, S.L.	Director

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

Name or Company name of Director	Name of significant shareholder	Description of relationship
Cartera Deva, S.A.	B1998, S.L.	B-1998, S.L. shareholder agreements
Larranza XXI, S.L.	B1998, S.L.	B-1998, S.L. shareholder agreements

C.1.18 State whether there have been any amendments of the Board Rules during the year:

YES

Description of the amendments
Pursuant to the provisions in article 4 of the Rules of the Board of Directors of Fomento de Construcciones y Contratas, S.A., the Audit and Control Committee, at its meeting of 10 April 2013, unanimously resolved to submit to the Board of Directors the amendment of the Rules of the Board of Directors of the Company. The Board of Directors resolved upon this amendment on 10 April 2013. The content and scope of the amendment are provided as follows: 1. The wording has been adapted to the novelties introduced by Order ECC/461/2013, of 20 March, determining the contents and structure of the annual report on corporate governance, on the annual report on remuneration and on other reporting instruments of listed public limited companies, savings banks and other entities issuing securities that may be negotiated on official securities markets. The following amendments were made: A) Article 6 (qualitative composition) section 2.a) in order to adapt the definition of independent director to that established by Article 8 of Order ECC/461/2013, of 20 March; in relation thereto, a Temporary

Provision was incorporated to the Rules in order to include what was established in the Second Temporary Provision of said Order.

B) Article 45 (contents of the Corporate webpage), in order to provide the minimum contents of the Company web page established by Article 13 of Order ECC/461/2013, of 20 March,.

2. Certain technical improvements and harmonisations with other internal regulatory texts of the Company were introduced.

The following were amended:

A) Article 18 (term of office) to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the reduction from five (5) to three (3) years of the term of office of the members of the Board of Directors.

B) Article 40 (Executive Committee) section 6, to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the performance of Chairman of the Executive Committee functions by another member of the committee in the absence of the chairman or if said office is vacant.

C) Article 40 (Executive Committee) section 8, to regulate the system for calling the Executive Committee under the terms provided in the Bylaws, as well as to adapt the wording to the amendment of the Bylaws that will be proposed to the General Meeting in relation to the system for calling the Executive Committee in the absence of the chairman or if said office is vacant.

D) Article 41 (Audit and Control Committee), section 6, to regulate the system for calling and performing the functions of chairman of the Audit and Control Committee in the absence of the chairman or if said office is vacant.

E) Article 42 (Appointments and Remuneration Committee), section 6, to regulate the system for calling and performing the functions of chairman of the Appointments and Remuneration Committee in the absence of the chairman or if said office is vacant.

F) Article 43 (Strategy Committee), section 8, to regulate the system for calling and performing the functions of chairman of the Strategy Committee in the absence of the chairman or if said office is vacant.

The Audit and Control Committee, pursuant to the provisions in article 4.3 of the Rules of the Board of Directors of the Company, unanimously resolved to propose and report favourably on the proposal of amending the Rules that was submitted by the Committee to the Board so that the latter could approve it. Regarding the amendment of articles 18 and 40 of the Regulations, the efficacy thereof was conditional upon the approval by the Annual General Meeting of the Company of the amendments of the bylaws related to said provisions.

On 23 May 2013, the Annual General Meeting of the Company informed on the amendments introduced in the Rules since the last General Meeting. Also, the amendments of the bylaws (articles 29 and 36) that had a bearing on said provisions were approved.

C.1.19 State the procedures for the selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the process and the criteria for each procedure.

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for three-year terms.

Ms Esther Koplowitz Romero de Juseu shall in any event be entitled to appoint the majority of the members of the Board of Directors of FCC and of its subsidiaries. As a group, the Investors may appoint up to two members but never more than one-third of the total Board of Directors of FCC.

Ms Esther Koplowitz Romero de Juseu may appoint the Chairman of the Board of Directors of FCC, the CEO of FCC and at least two-thirds of the members of the Executive Committee.

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-appointment 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, solvency, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent Directors, and based on a prior report from the Appointments and Remuneration Committee, in the case of other Directors."

Article 18. "Term of office"

"1. Directors shall hold office for the term established in the bylaws.

2. The Directors appointed by co-optation will hold office until the next General Meeting is held. This period 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. If the Board of Directors deems it appropriate, it may dispense former Directors from this obligation or shorten the term thereof."

Article 19. "Re-appointment of Directors"

"Prior to proposing re-appointment of any Director to the General Meeting of Shareholders, the Appointments 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. "Meetings of the Board of Directors"

"6: The plenary session of the 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, if necessary. At that meeting, in the light of the relevant report submitted by the Appointments and Remuneration Committee, it will also evaluate the performance of functions of the Chairman of the Board and of the CEO, as well as the performance of its committees based on the reports submitted by these.”

Article 20. “Removal of Directors”

“1. Directors shall be removed from office when the term for which they were appointed has elapsed or when the General Meeting decides so, exercising the powers granted to it by the law and the bylaws.”

Article 21. “Nature of Board resolutions on this matter”

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

C.1.20 State whether the Board of Directors has evaluated its activities during the year:

YES

If applicable, explain to what extent that self-evaluation has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of Amendments
The Board of Directors of Fomento de Construcciones y Contratas, S.A. issued, on 31 January 2013, a report evaluating the quality and efficiency of its performance and of its Committees in relation to the year 2012, in order to comply with the duty imposed by Article 38.6 of the Rules of the Board of Directors. All of the members of the Board of Directors play an active role in preparing the report, taking into consideration the comments, appraisals, opinions and suggestions of all of them in that process. In the year 2012 the consultancy firm Spencer Stuart collaborated in this task: after analysing the replies to the questionnaire sent to each of the Directors and interviewing several of them, the firm drafted the “self-evaluation” document that accompanied the report for 2011, which was passed by the Board of Directors at its meeting of 27 February 2012. The document drafted by Spencer Stuart included a number of recommendations to improve the performance of the Board, which were considered by the Board at its meeting on 27 February, and a mandate was issued for the Appointments and Remuneration Committee to see to the effective implementation of the recommendations and to propose to the Board any actions it deemed suited for such purpose. Fulfilling the above mandate, after being submitted by the Chairwoman of the Appointments and Remuneration Committee, at the meeting of the Board of

Directors held on 10 May 2012 a resolution was passed (Resolution 25/2012) whereby the document submitted by that Committee was approved.

Since only 11 months had elapsed since the implementation of the measures (considering that the self-evaluation takes place at the first meeting of the year), it does not seem necessary to resort to an external consultant again this year.

The evaluation process was carried out via the appraisal of a number of aspects with a bearing on the functioning, efficiency and quality of the performance and decision-making of the Board of Directors, as well as the members' contributions to the performance of the functions and the achievement of the objectives entrusted to the Board.

Also, the respect of and compliance with the bylaws, the Rules of the Board of Directors and, generally, the Company's Rules of Corporate Governance, including the above-mentioned rules that were approved on 10 May 2012, by the Board of Directors and its members have been taken into account.

C.1.21 State the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board establishes the following:

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 Bylaws."

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 nominee 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 nominee directors must be reduced.

c) When they fall under a situation of incompatibility or legal disqualification provided by law.

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 Appointments and Remuneration Committee or

- when his or her permanence on the Board may jeopardise the Company's credibility and reputation; 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 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether the director must resign or not, and it must give a justification in the Annual Corporate Governance Report.

C.1.22 Explain whether the functions of the Company's chief executive are performed by the Chairman of the Board. If so, state the measures taken to limit the risk of a single person accumulating power:

NO

Risk-limiting measures

State whether the Company has established rules to empower an independent Director to request a Board meetings or the inclusion of new items 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

Explanation of the rules
Article 34.3 of the Rules of the Board establishes the following: "When a Company's Chairman is also its chief executive or first 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".

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?

NO

If so, describe the differences.

Description of differences

C.1.24 Detail whether there are specific requirements, other than those relating to directors, to be appointed Chairman.

NO

Description of requirements

C.1.25 State whether the chairman has a casting vote:

NO

Issues on which there is a casting vote

C.1.26 State whether the Bylaws or the Rules of the Board establish an age limit for directors:

NO

Age limit for Chairman	Age limit for CEO	Age limit for Directors
-	-	-

C.1.27 State whether the Bylaws or the Rules of the Board establish a term limit for independent directors:

YES

Maximum number of years in office	12 years

C.1.28 State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether it is compulsory to delegate one's vote to a Director of the same class. If so, give a brief description.

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

C.1.29 State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairman did not attend the Board meeting. Proxies granted with specific instructions are counted as attendances:

Number of meetings of the Board of Directors	13
Number of Board meetings without the attendance of its Chairman	0

Indicate the number of meetings held by the various Board Committees in the year:

Number of Executive or Delegated Committee meetings	8
Number of Audit Committee meetings	9

Number of Appointments and Remuneration Committee meetings	11

C.1.30 State the number of Board of Directors meetings held in the year that were attended by all its members. Proxies granted with specific instructions are counted as attendances:

Attendance by Board members	229
% of attendance over the total votes during the year	89.52

C.1.31 State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

YES

Indicate any person(s), if applicable, who have certified the company's individual and consolidated financial statements for approval by the Board:

Name	Position
Mr Juan Béjar Ochoa	CEO
Mr Juan José Drago Masià	General Manager of Administration
Mr Víctor Pastor Fernández	General Manager of Finance

C.1.32 Detail whether the Board of Directors has established any mechanisms, to avoid any qualifications in the audit report on the individual and consolidated financial statements that it has approved to be presented to the General Meeting.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' approval of the 2013 financial statements, the Audit and Control Committee has thoroughly examined those statements and requested that the external auditor on the Committee 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.

C.1.33 Is the Secretary of the Board a Director?

NO

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

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

Appointment and removal procedure
Article 36 pf the Board Rules (Secretary of the Board. Functions. Vice-secretary of the Board) states that the Secretary of the Board cannot be a director. His/her appointment and removal must be approved by a full Board meeting based on a proposal by the Appointments and Remuneration Committee. Also, Article 42 of the Rules (Appointments and Remuneration Committee) establishes in section 3 i) that the Appointments and Remuneration Committee shall have the authority to report, advise and make proposals within its functions, in particular "j) Reporting on the appointment and removal of the Secretary of the Board." Mr Francisco Vicent Chuliá was appointed non-voting Secretary of the Board at a Board meeting held on 26 October 2004. The current Appointments Committee did not exist at the time. The appointment was a unanimously resolution.

	Yes	No
Is the Appointments Committee consulted on the appointment?	x	
Is the Appointments 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

Comments
Article 36.2 of the Rules of the Board establishes that the Secretary shall especially ensure that the Board's actions: (i) are adjusted to the letter and spirit of the Laws and rules, including those approved by regulatory bodies; (ii) are in accordance with the Bylaws and the Rules of the General Meeting, the Board and any others that the Company may have; (iii) and that they bear in mind the recommendations on good governance included in the Bylaws and Rules of the Company.

C.1 35 State the mechanisms, if any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

These mechanisms are included in Article 41.4 of the Rules of the Board, which states as follows:

“4. The key 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:

a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.

b) Liaising between the Board of Directors and the Company’s external Auditor, assessing 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-election 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 executives are acting on its recommendations; (iii) discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted; (iv) ensuring the independence of the external Auditor and, in particular, establishing appropriate measures to ensure that: 1) contracting consulting and advisory services with that Auditor or a company of its group does not jeopardise its independence, to which end the Committee will receive an annual report from the Auditors confirming in writing their independence in respect of the Company or the entities directly or indirectly related to it and information on any additional services of any kind rendered to the companies by the Auditors or by persons or entities related to them, as provided for in the Auditing Act; and 2) the Company issues a relevant event to the CNMV related to 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; (v) and seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company’s Auditors or auditing companies. This report must necessarily address any additional services of the kind referred to in section b) (iv) 1 above.

d) Supervising the Company's internal audits that oversee the good operation 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.

e) Supervising and 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 identified risks, 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.

f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the financial information released periodically to the markets, checking for compliance with legal requirements 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, or acquisition of holdings 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.

g) 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 requirements, the accurate definition 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-election and removal of the head of internal audit; proposing that department’s budget; receiving regular reports on its activities; and verifying that senior executives are acting on the findings and recommendations of its reports; (iv) periodically receiving information from the Response Committee and the Management Control and Risk Management Department, respectively, on how they carry out their activities and on how internal controls work; (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.

h) 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.

i) 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.”

C.1 36 State whether the Company changed its external auditor during the year. If appropriate, identify the outgoing and incoming auditors:

NO

If so, identify the incoming and outgoing auditor:

Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing auditor, provide a description thereof:

Explanation of disagreement

C.1 37 State whether the audit firm performs other 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

	Company	Group	Total
Amount of other non-audit jobs (thousand Euros)	50	179	229
Amount of non-audit jobs / total amount billed by audit firm (in %)	16.821	6.419	7.422

C.1 38 State whether the auditors' report on the previous year's financial statements had any reservations or 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 reservation.

NO

Explanation of the reasons

C.1 39 State 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	12	12

	Company	Group
Number of years the current audit firm has audited / number of years the Company has been audited (as a %)	50	50

C.1 40 State whether there is a procedure for directors to engage external consultants and, if so, provide details:

YES

Detail the procedure
Article 31 “Expert assistance” of the Rules of the Board states that: “1. In order to assist them in performing their duties, external directors are entitled to obtain the necessary assistance from the Company to perform 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 importance of the problem and the assets and revenues of FCC, and c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel. 3. Requests for expert assistance by any of the Board Committees should 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.”

C.1 41 State 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

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 so require, in accordance with a calendar and issues set at the beginning of the year, to which each director, along with any of the Board’s Committees, may propose the addition of other items not initially envisaged in the agenda, such 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 his alternate or the Secretary or Vice-Secretary, by order of the Chairman. Notwithstanding the provisions of Article 30 of the Bylaws, 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 if applicable, to 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 as requested by 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 multi-conference call, 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 conference call, 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 who physically attended or if appropriate, those represented by another director, those who attended via multi-conference call, videoconference or an equivalent system.

C.1 42 State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the Company's name or reputation, and describe any that exist:

YES

Explain the rules:
According to Article 29 of the Rules of the Board of Directors' duty of disclosure, “Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d. Legal, administrative, or any other type of

claim which, due to its significance, could have a serious effect on the reputation of FCC.”

Also, 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:

d. When the Board requests the resignation by a majority of at least two thirds of its members:

- 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 indicted or tried for any of the crimes stated in Article 213 of the Capital 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.

C.1.43 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 stated in Article 213 of the Capital Companies Act:

NO

Name of Director	Criminal Case	Comments

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the Director to remain in office, or if applicable, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

Decision or action taken	Explanation

C.1.44 Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

There are none.

C.1.45 State on an aggregated basis and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to wrongful dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	4
Type of beneficiary	**Description of the resolution**
Second Vice-president and CEO, Company Secretary (and Director), and Chairman of FCC Construcción, S.A.	Notwithstanding their director status, the two Executive Directors (the second vice-president and CEO, as well as the company secretary, who is also a director) have contractual arrangements with the company that regulate the performance of their managerial and executive functions. In both cases they are permanent contracts, which in general, the regulations applicable are: (i) agreements for the provision of services, in the case of the second vice-president and CEO, and (ii) senior executive employment agreements, in the case of the company secretary. The contracts of the CEO, the company secretary and the chairman of FCC Construcción may be terminated by either party, and under certain circumstances said officers shall have the right to severance provided that the termination of the contractual relationship is not a consequence of non-performance of their functions, under the following terms: • Second vice-president and CEO: If the contract is terminated prior to 31/01/2015: Two annuities (average annual fixed + variable remuneration + average variable triennial) plus the triennial variable bonus that is accrued and not collected. From this sum all the amounts will be deducted, for whatever item, received after 1 February 2013. The severance amount cannot be lower than one annuity. Termination between 31/01/2015 and 30/06/2015: A fixed annuity (€2.5 M), plus: - The average variable annual remuneration of the last 2 years. - The average triennial annual remuneration of the last 2 years. - The current triennial remuneration accrued and not collected. As from 30/06/2019: a figure equivalent to the minimum established by Law for senior executives. • Company Secretary (and director) and chairman of FCC Construcción, S.A.: The Company, with the authorisation of the Executive Committee, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent labour disability, to retirement bonuses and pensions and other concepts in favour of some of the executive directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the termination 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. As of 1 December 2013 an amount of 3.5 net annuities of wages were accumulated in the insurance premium for both the above people.
Director General of Administration	Two gross annuities in the event of wrongful dismissal.

Indicate whether these contracts have to be notified to and/or approved by the Company's or group's bodies:

	Board of Directors	General Meeting
Body that authorises the clauses	x	

	Yes	No
Is the General Meeting informed of the clauses?	x	

C.2 Board of Director Committees

C.2.1Describe all the Board of Director Committees, their members and the proportion of nominee and independent directors among them:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type
Mr Juan Béjar Ochoa	Chairman	Executive
Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Member	Nominee
Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L.	Member	Nominee
Mr Fernando Falcó y Fernández de Córdova	Member	Nominee
Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Member	Nominee
Mr Francisco Vicent Chuliá	Non-member Secretary	
Mr Felipe B. García Pérez	Non-member Vice-secretary	Executive

% of Executive Directors	20

% of Nominee Directors	80
% of Independent Directors	0
% of other External Directors	0

AUDIT COMMITTEE

Name	Position	Type
Mr Gustavo Villapalos Salas	Chairman	Independent
Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Member	Nominee
Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L.	Member	Nominee
Mr Gonzalo Anes y Álvarez De Castrillón	Member	Independent
Mr Fernando Falcó y Fernández de Córdova	Member	Nominee
Mr José María Verdú Ramos	Non-member Secretary	-

% of Executive Directors	0
% of Nominee Directors	60
% of Independent Directors	40
% of other External Directors	0

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Chairman	Nominee
Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L.	Member	Nominee
Ms Carmen Alcocer Koplowitz on behalf of Dominum Dirección Y Gestión, S.L.	Member	Nominee
Mr Gonzalo Anes y Álvarez De Castrillón	Member	Independent
Mr Fernando Falcó y Fernández de Córdova	Member	Nominee
Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Member	Nominee
Mr Rafael Montes Sánchez	Member	Nominee
Mr Olivier Orsini	Member	Independent
Mr Gonzalo Rodríguez Mourullo	Member	Independent
Mr Gustavo Villapalos Salas	Member	Independent
Mr José María Verdú Ramos	Non-member Secretary	-

% of Executive Directors	0
% of Nominee Directors	60
% of Independent Directors	40
% of other External Directors	0

STRATEGY COMMITTEE

Name	Position	Type
Ms Esther Koplowitz Romero de Juseu on behalf of B-1998, S.L.	Chairman	Nominee
Ms Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Member	Nominee
Ms Alicia Alcocer Koplowitz on behalf of EAC Inversiones Corporativas, S.L.	Member	Nominee
Ms Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.	Member	Nominee
Mr Fernando Falcó y Fernández de Córdova	Member	Nominee
Mr Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Member	Nominee
Ms Lourdes Martínez Zabala on behalf of Larranza XXI, S.L.	Member	Nominee
Mr Rafael Montes Sánchez	Member / Secretary	Nominee
Mr Gustavo Villapalos Salas	Member	Independent

% of Executive Directors	0
% of Nominee Directors	88.889
% of Independent Directors	11.111
% of other External Directors	0

C.2.2 Fill in the table below on the number of female Directors on the Board Committees during the last four years:

	Number of Female Directors			
	FY t Number %	FY t-1 Number %	FY t-2 Number %	FY t-3 Number %
Executive Committee	2 29%	2 33%	2 33%	2 33%
Audit Committee	2 40%	2 40%	2 40%	2 40%
Appointments and Remuneration Committee	3 30%	3 33%	3 33%	3 33%
Strategy Committee	5 55%	5 50%	5 50%	4 40%

C.2.3 State whether 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 requirements, the accurate definition of the scope of consolidation, and the correct application of accounting principles.	x	
Periodically check the internal control and risk management systems, in order that the principal risks are identified, managed and announced adequately.	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 report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports.	x	
Establish and supervise a mechanism whereby employees can report, confidentially and, if necessary, anonymously, any irregularities they detect, in particular financial or accounting irregularities, with potentially serious implications for the Company.	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/her 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	

C.2.4 Give a description of the rules of organisation and functioning, together with the responsibilities attributed to each one of the Board committees.

EXECUTIVE COMMITTEE:

Its rules are determined by Article 36 of the Bylaws of FCC, which are extracted below:

"The Executive Committee will be convened by the Chairman, on its own initiative 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. However, 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 stated in the notice.

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 who will give the floor to the attendees who request to speak.

If the Chairman of the Executive Committee is absent, or if the position is vacant, his/her functions will be exercised by a Committee member chosen by majority vote of those in attendance.

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 Bylaws, […]"

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, or if this position is vacant, a Committee member will be chosen to perform his/her 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 by the Chairman, on his/her own initiative 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 and not less than 10 days. 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. 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 the majority of its members are present or represented at the meeting.

10. The Executive 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 Bylaws and, specially, by the provisions relating to the Board of Directors contained in the Bylaws and these Rules."

AUDIT AND CONTROL COMMITTEE:

Its functions are governed by Article 41 of the Board Rules. It must comprise at least three Directors designated by the Board of Directors taking into account 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.

At least one of the members of the Audit and Control Committee must be an independent Director and will be appointed based on his/her accounting and/or auditing expertise and experience.

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 advisors will attend the meetings and may speak but not vote.

The key 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 and economic 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 individual and consolidated financial statements and management reports and the regular financial disclosures to the markets.

- Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services rendered.

- 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 the Board Rules.

APPOINTMENTS AND REMUNERATION COMMITTEE:

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

"1. The FCC Board of Directors shall permanently establish an Appointments and Remuneration Committee. It will be composed of a minimum of three (3) 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 Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairman and to ensure the smooth operation of the Committee, duly reflecting, in the meeting minutes, the development of the deliberations, the contents of 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 Appointments and Remuneration Committee will step down from the

Committee when they step down as directors or when decided by the Board of Directors.

There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairman shall have a casting vote in the event of a tie.

3. The Appointments 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 skills, knowledge and experience needed 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 Appointments and Remuneration Committee for its consideration.

b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, 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 Appointments 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 senior executives' contracts, advising and proposing on multi-year incentive plans for the Company's senior executives, particularly those related to the value of the shares. It may also propose to the Board of Directors the distribution among the Directors of the remuneration arising from their membership of the Board that is resolved by the General Meeting of Shareholders, pursuant to the provisions in the Corporate Bylaws and in these Rules.

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, if applicable, 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.

o) Receiving and safeguard the registration of situations mentioned in section e) above and the personal information furnished by the Directors, as established in article 29 of these Rules.

p) Requesting, as the case may be, the inclusion of items on the Agenda of Board meetings, under the conditions and in the terms provided in article 38.3 of these Rules.

When dealing with matters referring to the Executive Directors and Senior Executives, the Appointments and Remuneration Committee will consult with the Chairman and the Chief Executive of the Company.

4. The Appointments and Remuneration Committee will regulate its own operations with regard to all matters not stipulated in the Bylaws and these Rules, whose provisions relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee.

5. The Appointments and Remuneration Committee will have access to all the documentation and information needed to perform its functions. The members of the Appointments 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. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

7. Discussions will be directed by the chairman, who will give the floor to the attendants wishing to speak.

In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his functions will be performed by the member chosen for such purpose by a majority of those attending the meeting."

STRATEGY COMMITTEE:

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

"1. […] It shall be made up by the Directors 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 discussions 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 it is 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 proposals as may be necessary.

5. In particular, the Strategy Committee will inform the Board of proposals regarding investments, divestments, agreements of association with third parties, development of new lines of business and financial transactions which, because of their relevance, in the opinion of the Board may affect the Group's strategy; it will also inform the Board of any other matters which it may submit because they are not allocated to any of the other Committees.

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. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the chairman of the Strategy Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

9. Discussions will be directed by the chairman, who will give the floor to the attendants wishing to speak.

In the absence of the chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the member chosen for such purpose by a majority of those attending the meeting."

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

11. Any member of FCC Group'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/her disposal.

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

13. The Strategy Committee will regulate its own operations with regard to all matters not stipulated in the Bylaws and these Rules, whose provisions relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee."

C.2.5 Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available to be queried, and any amendments made during the year. Also, indicate whether an annual report on each Committee's activities has been drafted voluntarily.

The Rules of the Board, amended on 10 April 2013, regulates in its articles the functioning of the various Board Committees: Executive Committee (Article 40), Audit and Control Committee (Article 41), Appointments and Remuneration Committee (Article 42), and Strategy Committee (Article 43).

Pursuant to article 38.6 of the Rules of the Board, "the Board in full session will dedicate the first of its meetings in the year to evaluate the quality and efficiency of its own performance during the previous year, valuing the quality of its work, evaluating the efficacy of its rules and, where applicable, correcting aspects found to be dysfunctional. Also, based on a report drawn up by the Appointments 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."

Regarding the self-evaluation of the Board and of its Committees, see section C.1.20 herein.

C.2.6 State whether the executive or delegated Committee's composition reflects the participation of the different Directors within the Board based on their type:

NO

If not, detail the composition of the Delegated or Executive Committee
The Executive Committee is made up by 80% of External Directors and 20% of Executive Directors, whereas the Board of Directors has 88.9% of External Directors and 11.1% of Executive Directors. The Board of Directors has six Independent Directors, of which none are members of the Executive Committee.

D – RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Identify the body authorised to approve related party and intra-group transactions and the procedure for such approval.

Body authorised to approve related-party transactions
The authorised body is the Board of Directors via the Appointments and Remuneration Committee. Article 25 of the Rules of the Board of Directors establishes that: "1. Directors must refrain from attending and taking part in the discussions affecting related-party transactions and generally matters in which they may be directly or indirectly involved, and from voting on the corresponding decisions, and they must not delegate their vote and leave the assembly room while the Board discusses the matter and votes. An indirect interest on the part of the Director is considered to exist when that matter affects a related party. 2. 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 or their related companies. 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 Appointments and Remuneration Committee, will be required for the following cases: 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. 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. The request for authorisation will be submitted to the Corporate Responsibility Department, which will in turn ask the FCC area involved for a report, which will subsequently be sent together with the application to the Appointments and Remuneration Committee. 4. The authorisation referred to in the item 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 not 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). 6. For the purpose of the provision herein, related parties will be deemed to be those included in article 231 of the Capital Companies Act.”

Procedure for approving related-party transactions

Explain whether the approval of related-party transactions has been delegated, stating the body or persons to whom it has been delegated, as the case may be.

This has not been delegated.

D.2 Detail any significant transactions due to the amount or subject matter thereof between the Company or entities in its group and significant shareholders of the Company:

Name or company name of significant shareholder	Name or company name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euros)
B-1998, S.L.	FCC Medio Ambiente, S.A.	Contractual	Provision of services	2.067
B-1998, S.L.	Servicios Especiales de Limpieza, S.A.	Contractual	Provision of services	0.918

D.3 Detail any significant transactions due to the amount or subject matter thereof between the Company or entities in its group and administrators or executives of the Company:

Name or company name of the administrators or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
B-1998, S.L.	FCC Medio Ambiente, S.A.	Contractual	Cleaning services	2.067
B-1998, S.L.	Servicios Especiales de Limpieza, S.A.	Contractual	Cleaning services	0.918

D.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:

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

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

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.

D.5 Indicate the amount of the transactions with related parties.

D.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 Appointments 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 the preceding item 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 not 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."

Note:
The Director Mr Henri Proglio is also the chairman of Electricité de France (EDF). The rest of the members of the Board of Directors of the Company have declared that they do not hold office or holdings in the capital of entities with the same, similar or supplementary business as that making up the corporate purpose of Fomento de Construcciones y Contratas, S.A.

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

YES

Identify the subsidiaries that are listed in Spain:

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?

NO

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

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

Mechanisms for resolving conflicts of interest

E – RISK CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System.

FCC Group has an integrated Risk Management Model, which is gradually being extended and will enable the Company to deal effectively with all of the risks to which its business operations are exposed, as it operates in different geographic areas, activities and legal environments which, in turn, entail different risk levels inherent to the activities in which it carries out its operations.

The chosen model includes devising an advance Risk Map using Enterprise Risk Management (Coso II) methodology, which provides senior executives with valuable information and contributes to the definition of FCC Group's strategy.

FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of risks, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, and the risk policy is appropriately integrated within the Group's organisation.

Given the singularity of each one of FCC Group's business areas, the risk management is carried out in each of the areas, drawing up a Risk Map for each one and, subsequently, based on the information that is reported, FCC Group's consolidated Risk Map is drawn up.

With this policy, risk management takes place in each of the business areas, via:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each of the business areas.
- Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- The identification of the controls and procedures to mitigate the economic impact of the risks and the likelihood of their occurrence.
- The identification of an owner proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.
- Additionally, for risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical levels within the Accepted Risk area. These action plans include the measures needed to reinforce existing controls and they even incorporate new controls thereto.
- The implementation of specific procedures to carry out Risk Management in each of the business areas, ensuring that it is part of the decision-making process.

Additionally, the results of the Continuous Risk Management are communicated to the Audit Committee, the highest body in charge of supervising the management of the Group's Risks, as set out in the Group's Rules of the Board of Directors.

In this way, the policy will allow FCC Group to:

- Take steps to prevent the materialisation (probability of occurrence) or to minimise their economic impact, by identifying the key risks in advance, whenever an area is identified where internal control may be enhanced.
- Relate the goals sought by the Group both with the risks that could prevent

- the execution thereof and with the necessary control activities to prevent the materialisation or to minimise the economic impact if the risks materialise.
- Ensure that the legal regulations in force are fulfilled, as well as the Group's rules and internal procedures.
- Review that the processes for preparing financial reports are adequate to ensure the reliability and integrity of said information.
- The safeguarding of assets.

By following the best business practices in this field and applying the Coso II methodology, the Group has classified its risks as follows:

- Strategic risks: These are the risks related to the Group's strategy and hence managed on a priority basis. These risks are related to the markets/countries/sectors where the FCC Group operates. Also included in this category are reputational, innovation and economic planning risks.

- Operating risks: These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to tender and contracting processes, selection of partners, subcontractors and suppliers, human resources management and ongoing personnel training.

- Compliance risks: These are the risks affecting internal and external regulatory compliance, including those relative to the compliance with the FCC Group code of ethics, compliance with applicable laws regarding legal, fiscal, ICFR, data protection, quality, environment, IT security and occupational risk prevention matters.

- Financial risks: Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, access to financial market, exchange rates and interest rates.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Management System:

- **Executive Committee**

The Board may permanently delegate in the Executive Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws, or the Rules of the Board. Like the plenary Board, the Committee ensures that FCC Group's organisation structure, planning systems and operations management processes are designed to deal effectively with the different risks to which FCC Group's business is exposed.

- **Audit and Control Committee**

According to article 41 of the Rules of the Board of Directors and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit Committee is to support the Board of Directors in its supervisory and oversight efforts, particularly with regard to risk management and control policies, the monitoring of the Risk Maps and the action plans needed to mitigate the most relevant risks that are identified, and the supervision of the Company's internal audit services.

- **Strategy Committee**

The Strategy Committee supports the Board of Directors in determining the Group's strategy based on the guidelines agreed by the Board, preparing the corresponding reports and proposed agreements in this regard. The Strategy Committee is responsible for ensuring that the objectives of the strategy plan can be achieved by the Company assuming an acceptable level of controlled risk so as to protect the interests of shareholders, other stakeholders and society in general, as well as the Group's reputation.

- **Steering Committee**

The Steering Committee is chaired by the Chairman of FCC Group and composed of members assigned to the Committee by the plenary Board of Directors. Its functions include reviewing FCC Group's consolidated financial information on a monthly basis, especially when the information must be reported to the CNMV.

- **Risk Committee of each one of the business areas**

This committee monitors from time to time the risk exposure level of each one of the FCC Group business areas, analysing the relevant risks that may affect the forecasts and goals to be reached by each of them.

- **Response Committee**

This committee is in charge of supervising the proper functioning of the Whistleblowing Channel, assessing possible improvements of the controls and systems established in the Company, processing communications in order to solve them, encouraging the knowledge of the Code of Ethics and regularly drawing up reports on the level of compliance therewith. It may establish corrective actions and, if it considers it necessary, penalties.

E.3 State the main risks that may affect achieving the business goals.

1. **Strategic risks**

Strategic planning/Market/Country

FCC Group's strategic planning process identifies the objectives to be met in each business 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.

To mitigate the market risks inherent to each line of business, the Group maintains a diversified position between businesses related to infrastructure construction and management, environmental services, energy and others. In the field of geographic diversification, in 2013 foreign activity accounted for 42% of total sales, being particularly important in the Group's most significant areas, infrastructure construction and environmental services.

Technological capacity/Innovation

FCC Group is aware that its success in the highly competitive markets where it operates depends on offering clients added value through technical and economic capabilities. In this regard, FCC Group is very active in the field of technological research and innovation and also places a great deal of importance on the on-going training of its personnel.

FCC Group has outsourced the management of its information infrastructure and telecommunications systems. FCC Group has also implemented a common information system which is intended to cover its individual financial reporting needs on the one hand and to standardise the process of consolidating the Group's economic-financial information on the other. Furthermore, the Group is currently in the process of implementing a scorecard that will automatically provide management indicators, which will increase the quantity and quality of the information available to Senior

Executives.

Reputation management / Corporate governance

Reputation management is part of FCC Group's Code of Ethics and of the work developed in matters related to Corporate Responsibility and ethics. Social responsibility policies are an inherent part of FCC Group, for which conducting business requires a comprehensive commitment to the society it is part of.

Once again in 2013, the Company's corporate responsibility management and results have been recognised by a number of renowned independent observers. Among these are the selective responsible investment indexes DJSI Stoxx, FTSE4good and FTSE Ibex 35.

The Spanish Carbon Disclosure Project (CDP) report also recognised FCC for its risks and opportunities analysis system in the climate change field.

2. Operating risks

Tendering and contracting.

The risks and opportunities arising during the tendering and contracting process constitute one of the main challenges faced by FCC Group. In this respect, the Group is in the midst of a process of redefining the specific processes related to managing risks in the tender and contracting stages. The Company has formally established policies and procedures that focus on technical quality technological capacity, economic viability and competitive bidding. 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.

Selection of partners, subcontracting and suppliers

The Group has a rigorous process for selecting the partners with whom it works in different business areas, which consists of applying the procedures contained in FCC Group's General Standards Manual.

The risks associated with subcontracting are controlled by uniformly applying the subcontracting model established by the FCC Group in accordance with the aforementioned General Standards Manual, which establishes a protocol of action indicating the minimum requirements for FCC Group companies to be able to subcontract public or private sector contracts.

The Human Resources Manual also defines the labour responsibilities assumed by the FCC Group in connection with the personnel subcontracted for projects or services.

Personnel management and ongoing personnel training

FCC Group is working on an ambitious project to modernise its IT and personnel management systems, incorporating all the information into a single, global database for the entire Group in order to support and facilitate the human resources management process.

The project also includes a SAP computer tool to design and implement the payrolls of all FCC Group companies in Spain in order to enhance the security, quality and uniformity of the payroll process.

FCC Group has training procedures in place in Spain and specific subsidiaries which take the form of structured training plans based on both regularly scheduled basic and refresher training courses as well as 'ad hoc' training to cover specific needs as they arise. In particular, FCC Group develops training plans for all personnel involved in the preparation of the Group's financial statements. This plan is constantly being updated to adapt to the business and regulatory environments in which FCC Group's companies are operating and to stay abreast of changes to International Financial Reporting Standards and the regulation and evolution of internal controls on financial reporting.

In the 2013 Corporate Training Plan specific training has been included related to Risk Management, including risks associated to ICFR and its evaluation, as well as criminal risks derived from the responsibility of legal entities.

3. **Regulatory and compliance risks**

Regulatory or Compliance risks are those arising from the breach of requirements and limitations established by Law and by the specific regulations applying to each business sector, as well as the breach of professional obligations or codes of conduct and contractual obligations.

Risks arising from the breach of the Code of Ethics

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders. Compliance with the Code of Ethics is mandatory for all Group employees and for those third parties who accept it voluntarily.

FCC Group's Code of Ethics is a tool for guiding the Group's actions in matters of a social, environmental or ethical nature of certain significance. The Group offers an online training tool for the Code of Ethics.

Persons bound by the Code of Ethics have the obligation to report any breaches of the Code. To do so, they may use the established channels and procedures to report incidents confidentially, in good faith and without fear of reprisals. FCC Group has established a general communication procedure for matters related to the Code of Ethics.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, FCC Group, by creating a working group made up by the General Internal Auditing Management, the General Legal Counsel Management and the General Administration Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

- Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, among others.
- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, publishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group has drafted a Crime Response and Prevention Manual which is explained in the following section on legal risk management. In addition to this, the response protocols when a crime is committed were defined.

Also, in the light of the reform of the Criminal Code in this area, the Group is currently carrying out impact studies.

Legal risks

FCC Group has procedures in place to guarantee compliance with the regulations governing each one of the economic activities developed by the Group. The different specialised departments stay abreast of regulatory changes, advising the Group's units accordingly and issuing standards as needed to standardise the Group's criteria and guarantee compliance with the law.

For operations outside Spain, the FCC Group seeks legal advice from local professionals in relation to the specific laws and regulations that affect the Group's business in each country.

Regarding the recent reform of the Criminal Code in relation to the criminal liability of legal entities, FCC Group has drafted a Crime Response and Prevention Manual which has two clearly differentiated parts:

- The first part deals with prevention and consists of identifying and updating any behaviour within the Group that may involve the risk of committing a crime and then planning and implementing controls to mitigate these risks. To do so, the Group has set up certain oversight bodies and mandatory procedures. During the year 2013 a report was drawn up on the functioning of the internal controls established in the catalogue of crime and risk behaviour priorities.
- The second part deals with the bodies and procedures implemented to respond to behaviours which could constitute the commission of a violation within FCC Group, especially behaviour which could be interpreted as illegal.

Risks arising from the breach of fiscal regulations

Within the context of the delegation of powers agreed by the Board of Directors and the Chairman and the business model established in the FCC General Guidelines and the Financial-Economic Manual, in addition to the specific powers vested in the person responsible for the Fiscal Division, the functions of this Division include: proposing criteria relative to the Group's fiscal policies as well as to advise on and coordinate their application, with fiscal efficiency, in corporate acquisitions and reorganisations operations and for those presented by the different business areas in connection with their activities.

In addition, in order to minimise fiscal risks and ensure proper reporting and control on fiscal risks, FCC, along with other large Spanish Corporations and the Spanish tax authorities, is a signatory to the Code of Good Tax Practices approved by the Large Companies Forum, and it complies with the contents thereof. In compliance with the terms of the Code, the Tax Division reports to the Audit and Control Committee on the Group's tax policies through the General Administration Management to the Audit and Control Committee on the Groups tax policies.

Internal Control over Financial Reporting (ICFR)

Publicly listed companies are obliged to disclose information in the Annual Corporate Governance Report (ACGR) on their Internal Control System over Financial Reporting (hereinafter ICFR). Also, the Audit Committees of publicly listed companies have assumed new internal control responsibilities.

In this regard and in connection with the good practices proposed in the report published by the CNMV, FCC Group has prepared an ICFR Report for 2013 which is part of this Annual Corporate Governance Report and it has been subject to an external audit.

Personal data protection systems

The processing of personal data, primarily for compliance with the Data Protection Act (LOPD) is specifically regulated in the markets where FCC operates. To manage the risk of non-compliance, there is a programme that measures the impact on each business area and then establishes the necessary legal, organisational and technical controls in each case.

Quality assurance systems

FCC Group has formally implemented quality management systems in all of its business areas, which are deeply rooted in the organisation. These systems have been UNE-EN ISO 9001 certified and regularly pass the periodic audits performed by external professionals.

The quality control committees in the different areas of the Group are the supreme executive bodies with the authority to establish guidelines, oversee compliance and review systems

Environmental risks

FCC Group has implemented environmental management systems in the different business areas, which underscore the following:

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.

These management systems have been implemented in the different business units according to UNE-EN and the Group has obtained ISO 14001 certification for its Environmental Management System.

Information security systems

FCC Group has an operating unit entrusted with analysing and mitigating the factors that could lead to a security failure in its information systems.

For each new project that involves changes to FCC Group's information system, the risks are analysed to determine the specific threats and define the pertinent measures. With regard to information processing risk, 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 the internationals standards of the International Standardisation Organisation (ISO) set out in the ISO 27000 family standards.

As a consequence of this policy, the Company has defined a Code for the use of technological means and different protocols for managing incidents in relation thereto. Controls have been implemented to guarantee user access to the resources for which they are authorised based on their need to know and their assigned roles.

FCC Group has a monitoring system known as 'Data Leak Prevention' to detect and prevent the risk of classified data leaks through information systems.

FCC Group has a Security Operation Centre (SOC) that operates 24/7 to address the growing threat of attacks from the internet and possible information leaks.

As mentioned above, FCC Group has outsourced the rendering of information infrastructure management services. Furthermore, investments are being made to standardise the architecture of FCC's systems and to remove any differences between the environments managed by Group companies in terms of availability and integrity.

FCC has thus guaranteed the efficient use of its information systems while ensuring the most effective operation and management of such systems based on best practices model for information technology service management (ITSM).

Occupational risks

One of FCC Group's priorities is to guarantee top level health and safety of its personnel and to strictly comply with all labour legislation, as evidenced by the

Occupational Risk Prevention Policy approved by the Board of Directors. To achieve this, occupational risk prevention systems have been implemented in all business areas and the Group companies received OHSAS 18001 certification, successfully passing the periodic audits conducted by external professionals.

For standardisation purposes and as a global management instrument to ensure that the organisation's standards are met, FCC Group has a Corporate Occupational Health and Safety Manual that entered into force in 2012, the guidelines of which are being incorporated into existing management systems. This is aimed at permanently reducing occupational accidents with a horizon of 'Zero Accidents'.

The certification of the occupational risk prevention management systems has been incorporated as a global strategic objective in Human Resources.

4. Financial risks

Financial risk refers to changes in the value of financial instruments contracted by FCC Group due to political, market and other factors, and the effect of such changes on the financial statements. FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in FCC Groups operations, and the risk policy is appropriately integrated within the Groups organisation.

Given the Group's activities and the operations through which it executes these activities, it is currently exposed to the following financial risks:

Capital risk

FCC Group manages its capital to ensure in a reasonable manner that FCC Group companies are able to continue as profitable businesses, while maximising shareholder returns.

FCC Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in OECD countries and selectively in emerging economies.

The Finance Department, which is responsible for the management of financial risks, periodically reviews the capital structure of subsidiaries as well as the debt-equity ratio and compliance with the financing covenants.

Interest rate risk

With the purpose of being in the most adequate position for the interests of FCC Group, an active interest rate risk management policy is followed, continuously monitoring the market and taking different positions mainly according to the assets that are financed.

Exchange rate risk

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

Solvency risk

The most relevant ratio for measuring solvency and repayment capacity is: the Net Debt/EBITDA ratio.

Liquidity risk

This risk exists due to timing differences between the resources generated by the activity and required funding needs.

To properly manage this risk, FCC monitors the maturity dates on the policies and financing agreements of all Group companies very closely in order to negotiate the renewals in a timely manner under the best conditions the market has to offer. The conditions of the financing are analysed on a case-by-case basis and if they are found not to be advantageous to the Group alternatives are considered.

FCC Group is present in various markets in order to facilitate obtaining financing and to mitigate liquidity risk.

Concentration risk

This risk arises from the concentration of financing transactions with common characteristics and is broken down as follows:

- Sources of financing: In order to diversify this risk, FCC Group works with a great number of domestic and international financial institutions to obtain financing.
- Markets/geographical area (Spain, abroad): FCC Group operates in a wide variety of markets in Spain and other countries; the Group's debt is denominated primarily in euros and the remainder in different international markets with other currencies.
- Products: FCC Group uses diverse financial products: loans, credit facilities, obligations, syndicated operations, assignments, discounts, etc.
- Currency: FCC Group finances its operations using a number of different currencies depending on the country where the investment is being made.

Credit risk

Rendering services to or accepting orders from clients whose financial soundness is not guaranteed at the time of acceptance or which cannot be evaluated by FCC Group, as well as situations that may occur during the rendering of the service or fulfilment of the order that can affect a client's financial situation, can give rise to the risk of outstanding balances not being paid.

FCC Group obtains commercial reports and evaluates the financial solvency of clients before entering into agreements with them and then monitors their solvency on a regular basis. There is a procedure in place for dealing with cases of insolvency. For public sector clients, FCC Group has a policy of not accepting work that does not have an assigned budget and prior economic approval. Proposals for work that exceed a particular payment deadline must be authorised by the Director of Finance. Defaults are also monitored continuously with specific bodies such as risk committees.

Risk-hedging financial derivatives

Generally speaking, the financial derivatives contracted by FCC Group are treated, from an accounting perspective, as provided for in the rules governing accounting hedges, as explained in the Notes to the Consolidated Financial Statements. The main financial risk hedged by the FCC Group using derivatives is the variability of the floating interest rates to which the various Group companies' borrowings are indexed. The valuation of the financial derivatives was carried out using generally accepted methods and techniques by experts in the field that are independent from the Group and from its financing entities.

E.4 State whether the company has a risk tolerance level.

FCC Group has incorporated the establishment of Accepted Risk levels for each Business Unit within its Risk Management System.

For risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical levels within the Accepted Risk area. These action plans include the actions needed to reinforce existing controls and they even incorporate new controls thereto.

E.5 State what risks materialised during the year:

- **Risks that materialised in the year:** Limitations on access and refinancing in financial markets.

Underlying circumstances:

The current financial and economic crisis has caused difficulties in terms of access of financing sources for the Group, as well as for refinancing existing loans in the best possible conditions, with the subsequent negative effect on the Group's financial statements.

How the control systems operated and response plans:

After presenting the new Strategic Plan on 20 March 2013, the company embarked on a global refinancing process involving all of the parent company's syndicated loans and a significant part of the bilateral financing, which contemplates obtaining liquidity lines and extending the current maturities.

Accordingly, there has been an intensive negotiation process throughout 2013 with the major financial suppliers; it ended successfully, reaching an agreement aligned with the fulfilment of the goals contemplated in FCC Group's Strategic Plan, which will start to have an important positive effect on the Group's accounts as from 2014.

- **Risks that materialised in the year:** Adaptation of FCC Group's personnel to planned operations/flexibility of personnel costs.

Underlying circumstances:

The current financial and economic crisis has caused a decline in the Group's turnover, equally affecting the rest of the market operators. This circumstance has led to a loss of efficiency per production unit, which has been seen on the Group's financial statements over the last few years.

How the control systems operated and response plans:

During the year 2013, FCC Group adjusted the Group's structure to the current market demand conditions, by way of various personnel restructuring measures. The Group managed to effectively adjust the headcount to the expected production requirements, which will entail production efficiency improvements that will be noticeable on the Group's financial statements as from 2014.

- **Risks that materialised in the year:** Insecurity in terms of legislation on the Energy Sector.

Underlying circumstances:

Recent legislative changes in the field of Energy, such as the reduction of subsidies for premiums in wind power and the elimination of photovoltaic power rates, have caused the reduction of future revenues from the production of renewable energies, with the subsequent negative impact on the business models.

How the control systems operated and response plans:

After performing a thorough analysis of the returns to be had from the energy projects in the new legislative scenarios, FCC Group made the corporate decision to divest from this activity during 2013.

- **Risks that materialised in the year:** Reprogramming of construction works.

Underlying circumstances:

The current financial and economic crisis has caused a delay in public-sector investment, leading to reprogramming of several construction works in Spain and abroad, with substantial effects on the outcome thereof due to clients' non-fulfilment of their commitments and FCC Group's continuous efforts to meet those commitments.

How the control systems operated and response plans:

In this situation, FCC Group carried out several actions to optimise the costs at each of the facilities, in an effort to adapt to the new deadline commitments, claiming whatever was required from each client in each case. On the other hand, the trade relationship with our clients made it possible to reach an understanding.

- **Risks that materialised in the year:** Delayed payments by certain public-sector clients for the provision of urban environmental services and for construction works executed in Spain.

Underlying circumstances:

Both the entry into force of the Organic Act on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan approved in 2013, allowing to pay suppliers and cancel due liabilities yet to be paid made it possible to bring down the effects of this risk.

How the control systems operated and response plans:

The permanent monitoring and control committees remain in place in order to minimise the volume of generated assets, thereby reducing the associated financial cost and consolidating the gradual reduction in the future. All this has allowed a substantial additional reduction of the average payment period by those clients in Spain throughout 2013 that will continue in 2014.

- **Risks that materialised in the year:** Cut-backs in investments forecast by Public Administration bodies.

Underlying circumstances:

As a consequence of the current economic and financial crisis, there have been cuts and investment restrictions for the construction of infrastructures in Spain.

Budget adjustments required due to the implementation of the Budget Stability Act have led to reviews of services rendered to levels sustainable according to clients' budget availability.

This has led to a lower demand for cement, with a significant decline of sales and EBITDA.

How the control systems operated and response plans:

This situation has been mitigated by selective increased presence abroad and by incorporating new contracts, focusing on a few select territories and complex civil works with high added value, with a growth of the portfolio of works abroad.

The continuing sales relationship with clients involved has allowed for the modulation of the services rendered without losing orders and market share in Spain has been maintained.

Also, a restructuring plan has been implemented in 2013 in the cement area that is achieving an adjustment of the operating and production capacity.

- **Risks that materialised in the year:** Country risk. Existence of certain unstable geographic markets.

Underlying circumstances:

The existence of certain unstable geographic markets in which FCC Group operated led to an ongoing re-planning of works abroad, with a negative impact on the Group's financial statements.

How the control systems operated and response plans:

During 2013 FCC Group carried out a thorough strategic, operational and financial reorganisation in the markets where these risks materialised, aimed at mitigating those risks.

In this way and as part of the Group's strategy starting in 2013, a selective increase of the Group's presence abroad is being carried out, incorporating new contracts and focusing on a few select territories and in complex civil works with high added value.

- **Risks that materialised in the year:** General decline of activity.

Underlying circumstances:

The current financial and economic crisis has caused a widespread decline of economic activity, which has reduced the turnover but has not affected the market share in the sectors where the Group operates.

How the control systems operated and response plans:

In the light of this situation, FCC Group took several measures to adapt its production capacity to the market situation, foreseeing possible greater adverse effects on its financial statements. These measures were related to personnel and the restructuring of assets and divestments.

- **Risks that materialised in the year:** Impairment of intangible assets.

Underlying circumstances:

The current financial and economic crisis has caused a loss of value of some of FCC Group's investments.

How the control systems operated and response plans:

FCC Group recognised, in 2012 and 2013, significant impairments of certain goodwill, adapting the Group's assets to its true recovery capacity.

- **Risks that materialised in the year:** Loss of value of investments.

Underlying circumstances:

In June 2013, Alpine, the construction subsidiary operating in central and Eastern Europa filed for bankruptcy and was then liquidated. This occurred after the impairment of its activity was clear, especially starting in the second quarter of the year, with the subsequent incapacity to meet the obligations stemming from its refinancing agreements signed on 30 March 2013.

How the control systems operated and response plans:

FCC Group full reflected the impact of this situation on its financial statements, by valuing all Alpine's assets at zero in the first quarter of 2013, without estimating any additional effects.

E.6 Explain the response and monitoring plans for the Company's main risks.

As established in the eighth recommendation of the Unified Code of Good Governance for Listed Companies published by the CNMV, and as described in the eighth article of the Rules of the Board of Directors of the Company approved in December 2013, among the Group's general policies and strategies that are reserved for the approval of the Board of Directors due to their impact on the Group's business, are the risk control and management policies and the regular monitoring of internal reporting and control systems.

In order to develop its responsibilities in this field, the Company's Board of Directors essentially relies on the various Committees and Bodies described in section E.2. In this respect, the Audit Committee, as stated also in the Rules of the Board of Directors approved in December 2013, has among its functions the monitoring and analysis of the risk management and control policy. This policy must identify the different types of risks to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; the determination of the risk level the Company sees as acceptable; the measures in place to mitigate the impact of risks identified, should they occur; 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.

One of the major risks for FCC Group in 2013 was the inherent risk related to the construction business both in Spain and abroad. In this respect the response plans established by the Group are part of a global restructuring process for the construction business, and were as follows:

- Construction in Spain: Adjustments of the production means to the actual needs of the market, preventing the impairment of returns:
    - Adaptation of headcount to the current market situation.
    - Reduction of the sales structure, adapting it to the current market situation.
- Construction abroad: Returns are boosted by focusing on specific territories, selecting the most profitable works and markets, as well as on the growth of the industrial business in select territories. In addition to this, just like in Spain the sales structure is being reduced, adapting it to the current market situation.

The rest of the response plans carried out by FCC Group for each of the risks materialised in 2013 are set out in the preceding heading E 5.

F – INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (ICFR) at your company.

F.1 **The Company's control environment**

Indicate, at least the following, specifying the main characteristics thereof:

F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) the implementation thereof; and (iii) supervision thereof.

The bodies and functions that are responsible within FCC Group for the existence, maintenance, implementation and supervision of an adequate and effective ICFR, and the responsibilities attributed to these bodies, are the following:

Board of Directors

As set out in article 8 of the Regulations of the Board of Directors of FCC, S.A., the Board is ultimately responsible for the approval of the Company's general policies and strategies and, in particular, for the risk management and control policy, identifying the main risks of the Company and implementing and monitoring the adequate internal control and reporting systems, with the purpose of ensuring its future feasibility and competitiveness by adopting the most relevant decisions for the better development thereof.

Executive Commission

As set out in article 40 of the Regulations of the Board of Directors of FCC, S.A, the Board may permanently delegate to the Executive Commission all of the powers pertaining to the former, except those which are reserved to the Board by the Law, the Articles of Association or the Regulations of the Board of Directors.

In addition, just like the Board, the Commission ensures that the organisational structure of FCC Group, the planning systems and the management processes of the operations are designed to face the various risks to which it is exposed in the course of business.

The Board of Directors shall designate the Directors who are to make up the Executive Commission, ensuring that the share structure of the different director categories is similar to that of the Board itself.

The functioning of the Executive Commission is determined in article 36 of the Articles of Association of FCC.

Audit and Control Committee

The Regulations of the Board of Directors of FCC establish, in article 41, the incorporation of a permanent Audit and Control Committee, made up by a minimum of three Directors, designated by the Board of Directors taking into account their knowledge and experience in the field of accounting, auditing or risk management. All members will be external Directors and the committee will name a Chairman among them who will hold the position for a maximum period of four years, and they may also choose a Vice-Chairman. The fundamental function of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing, from time to time, the process of preparing economic and financial reports, the internal controls and the independence of the external auditor. In particular, by way of illustration only, and notwithstanding any other tasks with which it may be entrusted by the Board of Directors, the Audit and Control Committee will be responsible for:

- Supervising the Company's internal auditing services, which see to the proper functioning of the reporting and internal control systems, and the head of the internal auditing function is under the obligation to submit the annual work plan to the Committee and to directly report any incidents arising in the development thereof, as well as submitting a report on its activities at the end of each year.
- Analysing and submitting the risk management and control policy to the Board for approval, identifying at least:
  - (i) The different types of risks that the Group faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks;
  - (ii) Establishing the risk level that the Company deems acceptable;
  - (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise;
  - (iv) And the reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks.
- Supervising the process of preparing the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, informing the Board of Directors prior to its adoption of the following decisions:
  - (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate;
  - (ii) And the incorporation of or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.
- In relation to the reporting and internal control systems:
  - (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
  - (ii) Reviewing from time to time the internal control and risk management systems, so that the main risks are identified, managed and adequately disclosed, following up on the Risk Maps and the action plans that are necessary to mitigate the most relevant risks that are identified, among which are those arising from the Internal Control over Financial Reporting.

Steering Committee

The Steering Committee is presided over by the Chairman and CEO of FCC Group and it is made up by all of the members designated by the Board of Directors in full session. Its functions related to the Internal Control over Financial Reporting include the monthly review of the financial reports of the consolidated FCC Group, most importantly in periods when said reports are to be filed with the Spanish Securities Exchange Commission (CNMV).

General Administration Management

The General Administration Management performs the following functions related to the Internal Control over Financial Reporting:

- Coordinating the Administration of the different areas, establishing the administrative processes and procedures generally applied in the Group and promoting the uniform application of the accounting and tax policies.
- Defining and issuing the accounting standards applied in the Group.
- Drawing up and supervising the consolidated accounting and management reporting.
- Developing the accounting and tax management of FCC, S.A. and its subsidiaries not allocated to the operating areas.
- Drawing up the Group's consolidated financial statements.
- Defining and publishing the tax criteria that are generally applied to the FCC Group, both individually and at the consolidated group level.
- Advising the different areas in tax matters and taking part in solving any matters brought up by them.
- Preparing the Tax Group's consolidated corporate income tax statement.
- Designing and publishing the procedures, documents and software applications generally used in FCC Group, for accounting and tax purposes.
- Advising the different areas in terms of procedures and taking part in solving any matters brought up by them.

General Finance Management

The General Finance Management is entrusted with the centralised management of the finances of FCC Group. This entails the centralised financial management of the following aspects: financing the Group's activities, managing the Group's debt and financial risks, optimising the cash and financial asset management, the financial control and management of the Group, investor relations, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of bonds, guarantees and insurance.

In June 2013, the General Finance Management incorporated the function of Management, Budget and Financial Planning Control, which is in charge of the following functions: (i) coordination and preparation of the Annual Budget; (ii) definition and implementation of various scorecards and key indicators to support the Group Management in its decision making; and (iii) review and validation from time to time of the contract portfolio and the current offers to ensure that, in both cases, the criteria established by the Steering Committee in terms of margin, cash generation, return on investment and risks are fulfilled.

General Internal Auditing Management

The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks attached to achieving FCC Group's objectives. *(Additional information included in section F.5.1).*

In June 2013, the General Internal Auditing Management incorporated Risk Management, which until then was part of the General Administration and Information

Technology Management, to its Functions, with the following responsibilities and functions in the field of corporate risk management:

a. Identifying the risks that the Company faces, according to their status as potential threats to achieve the organisation's goals.

b. Proposing the procedure that is considered adequate for monitoring and controlling those risks and especially, those with preferential monitoring.

c. Establishing the mechanisms for communicating from time to time the evolution and monitoring of the identified risks.

General Organisation Management

The General Organisation Management, established in June 2013, takes on the remit of the Human Resources (hereinafter HR), Information Systems and Technology, and Aggregate Purchases Areas.

HR seeks to favour and boost the development of individuals, communication and a good working environment climate, in line with the Company's strategic goals and policies, via the efficient management of HR specialised services, in a context of diversity and internationalisation.

Information Systems and Technology has the following goals:

- Efficiently managing the Group's Information Technology (hereinafter IT) and Telecommunication Infrastructures, investing in the transformation, standardisation and improvement of service levels.
- Collaborating with businesses to achieve their strategic and operating goals, by re-engineering business processes and developing and implementing management applications.
- Providing sufficient, efficient and quality information to make it easier for management teams to make decisions.

  Additionally, the Information Security Management has been integrated in the IS&T organisation chart with the following functions:

- Preparing on a triennial basis FCC Group's Information Security Strategy Plan and follow up on compliance thereof from time to time.
- Coordinating with the FCC Information Security Committee and support it in the performance of its functions, as well as setting the common strategy on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and check from time to time that it is being met.
- Establishing the Risk Analysis and Management guidelines and defining the method to be applied.
- Coordinating with the different Business Areas to ensure Regulatory Compliance in the field of Personal Data Protection.
- Preparing the strategy for the development and gradual start-up of FCC Group's Business Continuity Plan according to ISO 25888 international standard and the guidelines of the *Business Continuity Institute*.
- Defining and implementing Internal Controls to verify the proper compliance with the corporate information security policies.
- Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the Internal Controls that are implemented.
- Performing internal audits of the Information Security Management System according to planned intervals.

The goal of the Purchase Department is to provide a purchase service satisfying internal customers and contributing to increase FCC's negotiating capacity, in keeping with principles of the Strategic Plan and the Group's general policies.

F.1.2. Whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- Departments and/or mechanisms entrusted with: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.

As defined in the Regulations of the Board of Directors of FCC, the design and review of the organisational structure and the definition of the lines of authority and responsibility is done by the CEO supported by the Steering Committee, and it is ratified by the Board of Directors.

The Regulations of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each of the commissions.

The CEO and the Steering Committee determine the distribution of tasks and functions, ensuring that everyone's powers are adequately known, in order to ensure that there is a proper separation of functions and efficient communication between them, including those related to personnel involved in the drawing up of the Group's financial reports.

The Appointment and Remuneration Commission proposes the appointment of senior executives with the profile best suited to their tasks and functions. Additionally, it is in charge of overseeing the observance of the remuneration policy established by the Company and, in particular, it proposes the remuneration policy for Directors and senior executives to the Board of Directors.

The process to determine the organisational structure is regulated by the Group's General Standards Manual in section 10 "Organisational Structure," which regulates the Bodies directly reporting to the Board of Directors, the distribution of the Group's management functions and the Appointment of Senior Executives.

The Chairman/CEO is entrusted with defining the lines of responsibility and authority and each Corporate Department must define its organisational structure and its lines of responsibility.

On the other hand, the Human Resources area is in charge of updating and reviewing, with the support of the relevant Departments, both the Group's organisational structure and its organisation chart. The detailed organisation chart of all the Group functions is published on the Company Intranet and is reviewed on a yearly basis.

In this respect, the General Human Resources Management is developing a project to modernise the reporting and human resources management system. Among other goals, this project is meant to clearly define the organisational structure and the lines of responsibility in order to optimise the distribution of tasks and functions.

In addition, the General Corporate Communication and Responsibility Management is responsible for establishing the procedures for the proper dissemination of the organisational structure and the lines of responsibility.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the recording of operations and the preparation of financial reports), body in charge of analysing breaches and proposing corrective actions and penalties.

FCC Group has a Code of Ethics, the latest version was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct and the relations between Group employees and the relations between employees and the rest of their stakeholders groups. It is compulsory for all individuals in the Group and for third parties voluntarily accepting its application.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental or ethical issues of particular importance. The guidelines for conduct set down in the Code of Ethics refer to basic behaviour principles, relations with and between employees, internal control and the prevention of fraud, commitment with the market, the company and the community.

The FCC Group Code of Ethics includes a chapter that is closely related to control over the preparation of financial reports called "Internal control and fraud prevention," which deals with the following topics: "Manipulating information", "Use and protection of assets", "Intellectual Property protection", "Corruption and bribery" and "Money laundering and irregular payments".

FCC group communicates and disseminates the Code within the Company, so that it is known by all the employees, who formally accept the commitment of compliance, as well as by third parties voluntarily accepting its application. The Code of Ethics is also published on the Group's corporate website so that anybody may access it.

The Group's training plan for 2013, prepared by the Group's General HR Management, includes specific training on the code of ethics in its induction course for new employees.

The Audit and Control Committee, pursuant to article 41 of the Regulations of the Board of Directors, has the following remits, among others:

- Receiving information from time to time from the Response Committee and from the General Internal Auditing Management (Risk Management), respectively, on the development of their activities and the functioning of the internal controls.

- Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are adequate for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general reporting procedure for matters related to the Code of Ethics, which is described in the "Whistleblowing Channel" section. The body in charge of analysing possible breaches is the Response Committee, which also establishes the system to propose corrective actions and, if it considers it necessary, penalties. This Committee reports to the Audit and Control Committee. Regarding the functioning of the Response Committee, it met five times in total in the year 2013.

Also, in relation to the recent reform of the Spanish Criminal Code in terms of the criminal responsibility of legal persons, FCC Group has prepared a Manual for preventing and responding to criminal offences. This Manual is being updated, the implications of the regulatory changes are being assessed.

- Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as any possible breaches of the code of conduct and irregular activities within the organisation, stating, if appropriate, the confidential nature thereof.

FCC Group has a procedure in place which allows individuals to report, in a confidential manner, any actions which represent inappropriate behaviours or actions in the light of the Code of Ethics.

A specific Response Committee has been set up whose functions are to ensure the proper functioning of the communication channel that has been established, valuing possible improvements of the controls and systems established by the Company, processing communications so that they can be solved, promoting the awareness of the Code of Ethics, and regularly preparing reports on the level of compliance thereof.

The Code of Ethics allows individuals to communicate, confidentially and in good faith, and preferably in their name, any observed actions that are contrary to the Code of Ethics. The communication paths forming the basis of the Whistleblowing Channel are:

– An html page in the Group's Intranet: internal communication channel.

– By letter sent to: Apdo. correos 19312, 28080-Madrid, managed by the Chair of the Response Committee.

– Email addressed to comitederespuesta@fcc.es, managed by the Response Committee.

In order to guarantee confidentiality in the Whistleblowing Channel, communications are centrally received by the General Manager of Internal Auditing who chairs the Response Committee, which is the body responsible for this procedure.

The Response Committee values the admissibility of the communication that is received, according to a preliminary review of its contents, placing on record the reasoned decision it makes. In any case the documentation that is generated is filed and the acceptance thereof entails the opening of proceedings, with the related information being incorporated to the Whistleblowing Management System.

- Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training at FCC is not a corporate benefit but rather it is a tool to help the Company grow, and enables employees to grow with it. The main goals of training at FCC are:

– To obtain better performance and efficiency from personnel in the performance of their functions and the functioning of the Company.

– To achieve the personnel's career development goals (improving their employability).

The General Administration Management and the General Human Resources Management of FCC jointly develop training plans for all the personnel involved in the preparation of the Group's Financial Statements. This Plan includes the permanent updating of the regulations affecting financial reporting and internal control in order to guarantee the reliability of the financial reporting, providing professionals at FCC with the necessary know-how and tools to optimise financial decision-making at all levels and in all the departments, developing their analytic capacity and their understanding of the impact of business decisions on the Company's financial statements.

In the year 2013, within the Corporate Training Plan, the Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Financial Administration, Analytical Accounting, Management

Control and Planning, Taxation, and Mergers & Acquisitions. The Process School includes training in Finance for Non-financial Personnel, Advanced Finances for Non-financial Personnel, Project Finance, Business Valuation, Analysis and Valuation of Investment Projects, Valuation, Monitoring and Financial Control of Investment Projects, Payment Means for International Trade and the Accounting thereof, Financing Foreign Trade, Corporate Income Tax, Value Added Tax (VAT), International Taxation, Derivative Financial Products, Accounting, Advanced Accounting, Consolidation of Financial Statements, the New International Financial reporting Standards (IFRS), Advanced Financial Excel, Management Control, FCC Group Risk Management, The Scorecard as a Management Tool, and Risk Management in International Engineering and Construction Projects.

Also in 2013 an information sheet was edited and disseminated titled "FINANCIAL TRAINING: The true common language in the company", which publicises the financial training offer at the Process School. FCC relies on first-rate suppliers in the fields which are not its core business.

During the year 2013, 833,356 training hours were provided, of which 40,076 hours (4.8%) were for acquiring, updating and recycling economic and financial knowledge including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business aspects that must be known for the adequate preparation of the Group's financial reports, benefiting approximately 2,539 people.

The Corporate Training Plan prepared for the year 2014 completes the financial training offer with the inclusion, within the Management School, of the Scorecard for Management course: an approach based on business diagnosis. Also, the FCC Process School includes e-learning for the courses on Project Finance, Payment Means for International Trade and the Accounting thereof, International Taxation, and International Financial Reporting Standards (IFRS). Finally, three self-training courses have been published with open access on the intranet: Finances for Non-financial Personnel, Accounting, and Financial Excel.

F.2 Evaluation of financial information risks

Indicate at least the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, in respect of:

- Whether the process exists and is documented.

The Group has implemented an integrated risk management model, which allows it to face the financial reporting risks as well as other risks to which its activities are subject. The adopted model allows it to develop a high level risk map, using the Enterprise Risk Management (Coso II) method, enabling reporting to Management and contributing to the definition of the Group's strategy.

For this purpose the risk maps of each of the Business Areas have been prepared. Given the uniqueness of the different business areas, each one is responsible for its risk management, and then the Group's corporate risk map is drawn up using the information that is reported.

FCC Group's risk model is described in the Risk Management procedure, as part of the Management Systems of the various Business Areas in the Group.

These Risk Maps take stock of the identification of the main risks of the Business Areas, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. Therefore, with support from the risk managers in the different Business Areas, acting as 'risk management coordinators', the Group's Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

- Identifying the key risks for FCC Group according to the potential threat they represent for achieving the objectives of the organisation.
- Evaluating risks. The risk assessment scales are defined according to their potential impact in the event they are materialised and their probability of occurrence.
- Additionally, for risks exceeding the Accepted Risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to make their critical level fall within the Accepted Risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.
- From time to time, the Management of each Business Area analyses, together with the General Internal Auditing Management (Risk Management), what risks have materialised in each of the Group Areas, reporting it to the Audit and Control Committee.
- From time to time Risk Committees are held in the different Business Areas, to analyse the risks that were identified and then monitoring those risks.
- The mechanisms for reporting from time to time the results of the risk evaluation and the monitoring thereof.
- Implementation of specific procedures to document risk management when making business decisions.

From time to time Risk Committees are held in the different Business Areas, to analyse the risks that were identified and then monitoring those risks, the results are reported subsequently to the Audit and Control Committee. The implementation model is described in a risk management procedure as part of the management systems of the Group's Business Areas.

This process of identifying and monitoring risks is carried out for all the Group's risks, particularly including the risks arising from the reliability of high-level economic and financial reporting.

Regarding the risks arising from the Group's criminal responsibility, in particular the risks of error or fraud that are considered in the Criminal Code, a preventive identification of risks has been carried out with controls to mitigate them, as well as how to respond to those risks.

In summary, the main characteristics of the Integrated Risk Management Model at FCC Group consist of:

- Preventing and controlling the risks that may affect achieving the goals set by the Group;
- Ensuring compliance with the legal regulations in force and with the Group's standards and internal procedures;
- Guaranteeing the reliability and integrity of the accounting and financial reports.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

The Operational Risks identified in the Risk map include the risk of reliability of the economic and financial reports affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business Areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered. The risk maps described herein are updated at least annually.

- The existence of a process to identify the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, shell companies or special purpose companies.

The Group has a register of companies that is permanently updated, which includes all of the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any companies that the Group is able to control regardless of the legal form of said control, therefore including both shell companies and special purpose companies. This companies' register is managed and updated according to the procedures regulated by the Group's Economic and Financial Manual.

The Corporate Intranet includes an individual file for each company with all the relevant information on each of the companies: shareholders, company purpose, governing body, etc.

Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Financial Manual on the list of the Group companies within the scope of consolidation, based on the data provided by the Business Areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

The risks associated to achieving the financial reporting objectives are an integral part of FCC Group's risk map, and therefore they take into account the effects of other types of risks.

In this respect, FCC Group's global risk management system, following the best business practices in this field and applying the Coso II method, has categorised risks as follows:

– **Strategic risks.** These are key risks for the Group and managing them is a priority. They include the risks related to the markets/countries/sectors in which FCC Group operates. They also include risks related to reputation, innovation, economic planning, definition of the structure and the objectives and the effectiveness of communication and the information flow.

– **Operational risks.** These are risks related to the operational management and the value chain of each of the businesses in which FCC Group operates. They include the risks related to bidding and contracting processes, the selection of partners, subcontracting and suppliers, labour risks, collection processes and customer satisfaction, as well as the risks that have an impact on the reliability of the financial reporting.

– **Compliance risks.** These are risks affecting internal or external regulatory compliance. They include risks related to compliance with the applicable laws (in the field of quality, the environment, information security, occupational risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.

– **Financial risks**. These are risks associated to financial markets and to generating and managing cash flows. They include risks related to liquidity, managing working capital, access to financial markets, exchange rates and interest rates.

These risks are aligned with the FCC Group global risk policy.

- What company governance body supervises the process.

The financial reporting risk identification process is supervised by the Audit and Control Committee via the General Internal Auditing Management that includes Risk Management, as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 41 of the Regulations of the Board of Directors.

In the year 2013 the Audit and Control Committee has regularly been informed of the results of the risk map updating over the year.

F.3 Control activities

Disclose, identifying the main characteristics, whether you have at least:

F.3.1. Procedures for reviewing and authorising the financial reports and the description of the ICFR system, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all of the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.

As stated in the preceding section of this document, the Group has implemented an integrated risk management model, which allows it to appropriately face the financial reporting risks as well as other risks to which its activities are subject.

This integrated risk management model is geared to the fulfilment of the four major objective categories established by said model:

– Effectiveness and efficiency of operations.

– Safeguarding of assets.

– Reliability of the financial reporting.

– Compliance with applicable laws and regulations.

This is how the objectives are related to the risks that could prevent the execution thereof and to the control activities necessary to ensure that the response to these risks is adequate and that the proposed objectives are reached:

OBJECTIVES => RISKS => CONTROL ACTIVITIES

The control activities are documented in the policies and procedures that are meant to ensure that the guidelines set by the FCC Group management are complied with, and that the necessary steps are taken to face any risks jeopardising the achievement of the Group's objectives. The control activities are carried out in any part of the organisation, at all levels, in all of the functions, and they comprise a number of very different activities. The Company personnel use the application systems and other resources established to ensure that the control objectives are achieved and that the risk mitigation strategies are executed.

FCC Group has control activities implemented both centrally and in each of the Business Areas, such as to mitigate the risks included in the risk maps indicated under 2 above. These control activities can be grouped as follows:

- High level reviews: Reviews related to approvals, authorisations, checking and reconcilement. Senior executive reviews the evolution of actual data compared to the forecasts included in the Strategic Plans and the data from prior periods.
- Direct management of specific functions or operating activities: Reviews of the operating functions carried out in relation to the goals to be reached and the risks jeopardising them.
- Information processing and security: Controls related to checking the exactness, integrity and authorisation of the transactions.
- Physical controls: Reconcilements done from time to time of the inventory and security of assets.
- Performance indicators: These are applied when comparing operational and financial data.
- Separation of functions: Functions are divided between different people to reduce the risk of error or fraud.

In order to cover all the above activities, the various Business Areas have defined, within their procedures, the controls they consider necessary to cover the risks existing in each of the Areas. With regard to reporting system controls, a distinction can be made between general controls such as IT management, IT infrastructures, security management, and software acquisition, maintenance and development, among others, and application controls such as control digits, reasonability tests, logical tests, and predefined data lists, among others.

The control weaknesses detected by the General Internal Auditing Management in the Internal Control System are notified to the Audit and Control Committee by means of a report listing the recommendations that are considered necessary for the weaknesses that were identified.

On the other hand, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements is carried out by the General Administration Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding Business Departments.

Additionally, a review is carried out by an external auditor, supervised by the Audit and Control Committee.

The main procedures are included in the General Standards Manual and in the Group's Economic and Financial Manual. These procedures include the closing of accounts and the maintenance of the Accounting Plan. Also, the Group's accounting managers are given instructions on how to record operations that have not taken place previously in the Group, and these criteria are included in the next update of the Manual.

FCC Group furnishes financial reports to the securities market on a quarterly basis and from time to time whenever relevant facts that must be reported occur, in accordance with the law in force.

Financial reports are prepared by the Group's General Administration Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information. Once a financial report is consolidated in a software application running in SAP environment, it is reviewed by the General Administration Management, the Steering Committee, the General Internal Auditing Management and the external auditor.

Last of all, the Audit and Control Committee informs the Board of Directors of its conclusions on the financial reports that are presented so that, once they are approved by the Board of Directors, they may be disclosed to the securities markets.

Article 10 of the Regulations of the Board of Directors states the following with regard to the specific functions in relation to the Financial Statements and the Management Report:

- The Board of Directors shall draw up the individual and consolidated financial statements and the management report, so that they give a true and fair view of the net worth, the financial position and the results of FCC's operations, as provided by Law, following the favourable report of the Audit and Control Committee. The integrity and exactness of said accounts will be certified beforehand by the General Administration Management and the General Finance Management, with the Approval of the Chairman, if he has executive powers, and otherwise of the CEO.
- The Board of Directors, after studying the reviews mentioned in the item above, may request any relevant clarifications from those who drafted them.
- The Board of Directors will particularly ensure that the above accounting documents are drafted in clear and precise terms enabling an adequate understanding of their contents. In particular, they shall include any remarks that are useful for said purpose.
- A member of the Board of Directors shall place on record that, prior to undersigning the preparation of the financial statements required by Law, he/she has reviewed the report on same that must be drawn up by the Audit and Control Committee and, in general, the necessary information for this purpose, and such member may place on record any remarks that are considered relevant.
- On a quarterly basis, the Board will review FCC Group's accounts, following a report from the Audit and Control Committee.
- Likewise, article 11 of those same Regulations establishes the following with regard to the specific functions in relation to the Securities Market:
- In particular, the Board will perform the following specific functions in relation to the Securities Market, in the manner provided in these Regulations:
    - The performance of any actions and the adoption of any measures required to ensure the transparency of FCC for the financial markets.
    - The performance of any actions and the adoption of any measures required to foster the proper price formation of FCC shares, particularly avoiding manipulations and the abuse of insider information.
    - The approval and updating of the Internal Conduct Regulations in matters related to Securities Markets.
    - The approval of the Annual Report on Corporate Governance stated in section 116 of the Spanish Securities Exchange Act.

    Last of all, article 14, "Market relations" states the following:

- The Board of Directors will adopt the necessary measures to ensure that the financial reports it discloses from time to time and any other information made available to markets is prepared according to the same principles, criteria and professional practices as the financial statements and is just as reliable as the latter.

On the other hand, the Group's Basic Standard for Internal Auditing establishes, among the functions and attributions of the General Internal Auditing Management, the "review of the (individual and consolidated) accounting information, the management reports, and the financial reports disclosed from time to time to the markets, evaluating that they are correct and reliable, their compliance with the law in force and the proper application of the generally accepted accounting principles" and "suggesting internal control measures enabling the compliance with the regulations in preparing and disclosing financial reports".

F.3.2. Internal control policies and procedures for IT systems (including among others, security of access, control of changes, operation thereof, continuing operations, separation of functions) supporting the company's relevant processes in relation to the preparation and disclosure of financial reports.

The General Organisation Management is responsible for FCC Group's Information Systems and Technologies Department. This department has the following functions:

- Managing the Group's technology resources and keeping them updated.
- Defining the business process reporting needs and setting priorities with users.
- Guaranteeing that the systems are suited to the management reporting needs.
- Supporting processes to improve the business processes for which the division is responsible.
- Guaranteeing that users have adequate technology support.
- Implementing the security measures proposed to guarantee the confidentiality, integrity and availability of information systems.
- Managing the Area suppliers.

FCC Group's internal control model considers computer processes, which comprise the IT environment, architecture and infrastructures and the applications supporting Business operations and the related financial accounting. The Business processes are supported by automatic controls implemented in the applications and manuals.

FCC Group applies an internal control model to the Reporting Systems and in particular to the control of the systems supporting the Group's financial statements, focusing on guaranteeing the integrity, confidentiality, availability and reliability of the financial reporting in the closing of accounts process and therefore of the information disclosed to the markets.

With reference to these indicators, priority is given to the following areas:

- Access to programs and data.
- Change management.
- Managing developments.
- Operations management.
- Documentation management.

Within these five areas, the following controls of the applications supporting the financial environment are considered particularly relevant:

- User management in the applications (registration-removal and modification).
- Information management policy.
- Information security policy.
- User role matrixes in the applications.
- Managing the demand for developments and functional changes.
- Managing the demand for infrastructure changes.
- Specification and approval of tests and acceptance by users.
- Specification of technical and functional requirements

- Managing jobs
- Operations contingency plan.
- Infrastructure backup policies.

Agreements

- Service level agreements and management thereof with third parties.
- Physical security of the Data Processing Centres (DPC).

It should be noted that the Company has a certified information security management system, based on the ISO/IEC 27001 international standard, for the Construction and Water business areas. This standard defines and establishes the principles of functionality, security and responsibility, and it may be extrapolated to different areas within the organisation.

FCC Group, fully aware of the importance of the security of the information it processes, has developed a set of policies and standards allowing it to ensure the confidentiality, integrity and availability of its IT systems. The aspects related to the Internal Control over Financial Reporting are regulated in the Corporate Standard called "Information Security."

This document defines the functional principles and who is responsible in terms of Information Security and it directly involves the business, evidencing the support in the first paragraph of the Policy itself:

"The CEO and the Steering Committee will be responsible for:

- Establishing the general criteria for classifying and managing information assets.
- Approving:
  - ✓ The Organisation and Security Management Model.
  - ✓ The Classification and Information Assets Management Model.

One of the fundamental principles governing the application of said standard is the Principle of Information Integrity. Information management will be governed by policies, standards, procedures and guides ensuring the confidentiality, integrity and availability thereof.

FCC Group has a security model that requires an organisational structure and the allocation of roles and responsibilities in the field of security in order to function:

- The Information Technology Committee is the highest body coordinating the information security in the Group.
- Information Security defines the security requirements of the projects developing new applications and it successively validates the functionality of the mechanisms and controls implemented in the applications before they go on to the production stage.
- Information Security is integrated within the Change Management Committee with the purpose of checking that the changes proposed for the IT infrastructure are compatible with the security requirements established in FCC Group's Information Security Policy.
- Information Security uses a number of monitoring tools that analyse the operation of FCC Group's information systems, which are able to generate alerts in real time whenever they detect possible security incidents.

  Information security is evaluated from time to time. In this respect, Information Security carries out the following audits:

- Regulatory compliance in the field of the Personal Data Protection, every two years.
- Analysis of IT system vulnerability.
- IT systems intrusion tests.

Since 2011, FCC Group outsources the management of the technology infrastructures of its information systems. The contract with the external firm incorporates a clause ensuring the performance of services according to best market practice regarding IT.

F.3.3. Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, together with evaluations, calculations or assessments entrusted to independent experts, which may materially affect the financial statements.

FCC Group has not outsourced any relevant activities destined to execute or process transactions that are recorded in the Group's financial statements, with the exception of the assessment of financial derivatives, the performance of actuarial calculations, and the performance of certain property appraisals from time to time.

There is an internal procedure for the hiring of external advisors which require certain levels of approval according to the sum involved, including, as the case may be, approval by the Company's CEO. The results or reports commissioned in the accounting, tax or legal areas are supervised by the heads of the General Administration Management, the General Legal Counsel Management and the General Internal Auditing Management, or of other Departments if it is considered necessary.

As indicated under the preceding item, FCC Group has outsourced the management services for its IT and telecommunication infrastructures. As part of the contract, investments will be made with a view to standardising the architecture of FCC systems, so that there are not any differences in terms of availability and integrity in the environments managed by the companies making up the Group.

FCC Group has two Data Processing Centres in Madrid configured with high availability. It also has implemented a Service Desk through which any incidents involving the Information Systems are channelled.

The following stand out among the projects carried out:

– Full renewal of workstations where key personnel will have an automatic backup to guarantee the availability of the information.
– Consolidation of global centres for operation services with standard tools.
– Implementation of a single telecommunications network (WAN) allowing the homogenisation of user access capacity to the Group's IT systems.

As an internal control procedure to supervise the management of these outsourced activities, a catalogue of services has been launched managed with unified service quality and measures according to pre-arranged Service Level Agreements (SLAs).

Last of all, it should be noted that FCC Group has procedures in place for the supervision of businesses in which it operated via corporate structures in which either it does not have a controlling interest or they are not directly administrated by the Group, for instance Joint Ventures (UTEs).

F.4 Reporting and communication

Indicate whether at least the following exist and describe their main characteristics:

F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation,

together with an updated accounting policy manual that is communicated to all the units through which the Company operates.

The responsibility to apply the Accounting Policies of FCC Group is centralised in the General Administration Management, to which the Group's Consolidation and Accounting Standards Department belongs, and its functions, among others, are the following:

- Defining the Group's accounting policies.
- Issuing the accounting standards applied in the Group.
- Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- Analysing the individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- Monitoring the new draft regulations being considered by the IASB, and the new standards approved by said body, as well as the process of validation thereof by the European Union, determining the impact they will have on the Group's Consolidated Financial Statements.

The Group's Consolidation and Accounting Standards Department regularly informs all those in charge of preparing the financial statements at the various levels in the Group of the amendments in the regulations, clarifying any doubts that may arise, and it in turn gathers the information required from the Group companies to ensure the consistent application of the Group's Accounting Policies and to determine the impact of the application of new accounting regulations.

FCC Group's General Internal Auditing Management details in its Internal Auditing Plan, among the various functions included within its responsibilities that of providing from an accounting regulation perspective, solutions to the technical enquiries received from any of the business areas in which the Group operates.

In cases where the application of accounting regulations is subject to different interpretations, the General Internal Auditing Management and/or the General Administration Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

FCC Group is made up of a large number of companies operating in different countries and it is obliged to prepare its consolidated financial statements according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union, as detailed in the Group's Economic and Financial Manual.

The Group's Economic and Financial Manual establishes, in its first chapter, the accounting basis that should apply for FCC Group, enabling the preparation of the Group's annual consolidated financial statements, together with any other financial statements and reports that are to be disclosed from time to time.

In FCC Group's subsidiaries, joint ventures and associated companies, where what has been established cannot be applied, the necessary information must be available in order to homogenise the reporting by introducing the relevant adjustments, so that the resulting information complies with the established criteria.

In order to homogenise FCC Group's economic and financial reporting according to international standards, financial statement models and a corporate accounting table have been developed, and these are also included in the Economic and Financial Manual.

This Manual is updated by the Administrative Coordination Division, according to the evolution of accounting standards, and it is available on the Group Intranet (FCCnet) in the chapter called "Regulations" and may be consulted by Group employees. Also, there is the possibility for users to create alerts that inform them of any updates of the manual.

The regulations are updated in a unified manner by the departments that are aware of, experienced and involved in the matter, and they are ultimately approved by the General Administration Manager. Throughout 2013 several updates have been performed according to the needs identified by the Group.

F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all of the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on ICFR.

FCC Group has implemented a shared reporting system based on the application in a SAP environment, which is meant, on the one hand, to meet the reporting needs for the individual financial statements and, on the other hand, to standardise and systematise the consolidation process of economic and financial reporting in the Group. This application gathers, by reporting units, at a 'company-sector' level or as legal persons, according to what is required, the information needed to put together economic and financial reports, whatever their nature, whether internal or external, the latter involving disclosures to public bodies and institutions.

This tool manages to centralise in a single system all the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and it uses a single accounting plan, and the information is automatically loaded into this consolidation system from SAP.

The procedures for gathering and preparing financial reports are documented in the Economic and Financial Manual, which establishes the dates when the following will be available from the Administration Area: the economic and financial information to be furnished by the Administration and Finance Departments of the Business Areas (standard 8.01.01); the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A. (Profit Centres and Joint Ventures), on the other hand, which is to be furnished to the Administration Area by the Administration and Finance Departments of the Business Areas (standards 8.01.02 and 8.01.03 respectively). Said procedures do not specifically consider information on the Internal Control over Financial Reporting System, said information having been obtained via specific requests to the areas involved.

Additionally, for the annual closing of accounts and with the objective of disclosing the annual financial report within the two months following the end of the financial year, pursuant to Royal Decree 1362/2007, of 19 October, in relation to the transparency requirements related to the information on issuers whose securities are listed on an official secondary market or on any other regulated market in the European Union, the General Manager of Administration sends out the financial year closing plan by e-mail, which includes a number of instructions for those in charge of providing the relevant financial reports. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Financial Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents / forms to be used for that purpose.

Another procedure for gathering the financial reports is the implementation of a tool in a SAP environment which allows the Corporate Finance Division of FCC Group to obtain all the banking information for each of the companies and with all the financial institutions with which they operate.

Regarding the description of the Internal Control over Financial Reporting Systems (ICFRS), FCC Group has identified the controls it has available to respond to the indicators proposed in CNMV circular 5/013 of 12 June 2013.

F.5 Supervision of the operation of the system

Indicate and describe the main characteristics of at least the following:

F.5.1. Whether the ICFR system supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including ICFR. Information will also be given on the scope of the ICFR system evaluation carried out during the year and on the procedure whereby the person in charge of performing the evaluation communicates the results, whether the company has an action plan detailing any corrective measures, and whether the impact on the financial reporting has been considered.

The FCC Group's Internal Auditing Basic Standards, in their third heading, state that "The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks in achieving the objectives of FCC Group."

The General Internal Auditing Management, by delegation of the Audit and Control Committee, has as its objective, as stated in the Group's Internal Auditing Basic Standards, under headings 4 and 5, that of evaluating the adequacy and effectiveness of the Internal Control Systems. To this end, the Internal Auditing function applies to the entire FCC Group everything referring to:

- The reliability and integrity of the economic and financial reports, both internal (management information) and for external disclosure.
- Review of the systems and operations to check the compliance with the policies, procedures and regulations approved by Senior Executives, and with the laws in force.

Also, heading 9 of these standards establishes the functions and powers of the General Internal Auditing Management:

- "The General Internal Auditing Management has the fundamental mission of assisting the Audit and Control Committee in the compliance with the powers and responsibilities conferred to said Committee by article 41 of the Regulations of the Board of Directors in force."
- "The functions of the General Internal Auditing Management are to supervise the efficiency of the internal controls, ensuring the compliance with legal requirements, the evaluation and enhancement of the risk management processes, and also to ensure that the financial reports that are prepared are correct and suitable for FCC Group. These functions are specifically the following:
    - ✓ Analysing and evaluating the systems, ensuring the compliance with the policies, procedures, standards, regulations and plans. The sufficiency and effectiveness of the internal control systems, making suggestions for the enhancement thereof.

- ✓ Reviewing the application and effectiveness of the risk management procedures and of the systems for assessing them.
- ✓ Watching over compliance with the standards and guidelines established by Management, especially the Code of Conduct and the General Standards Manual.
- ✓ Reviewing the (individual and consolidated) accounting information, the management reports and the financial information disseminated to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied. Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.
- ✓ Checking that assets really exist and the systems guaranteeing the integrity and safeguarding thereof.
- ✓ Supporting the different areas in their technical relations, control and monitoring with external auditors.
- ✓ Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective actions.
- ✓ Complying with the Annual Auditing Plan, reporting from time to time on the evolution thereof.
- ✓ Supervising the work of the external auditors, asking for and receiving information on any aspects related to the progress of the audits, acting as a communication channel between the external auditors and the Audit and Control Committee, submitting the conclusions of the review by the external auditors and, especially, any circumstances that might jeopardise their independence. They shall also make proposals on the appointment of the external auditors to enable the Audit and Control Committee to meet its obligations with the Board of Directors.
- ✓ Any other functions entrusted by the Audit and Control Committee.

The General Internal Auditing Management will act independently of the management areas. A resolution of the Board of Directors, passed on 26 October 2004, establishes that the General Internal Auditing Management is functionally dependent upon the Audit and Control Committee and organically dependent upon the Chairman of FCC Group. The members of the General Internal Auditing Management perform their functions independently, without sharing their responsibilities with other management areas.

As commented in section 2.1 above, the Group has implemented an integrated risk management model, which is to allow it to appropriately face the financial reporting risks as well as other risks to which its activities are subject. To this end, in June 2013 the General Internal Auditing Management incorporated Risk Management among its functions; until then it was part of the General Administration and Information Technology Management.

The worsening of the economic environment over recent years has increased the exposure of companies to a number of different risks. In this respect, the Group's General Internal Auditing Management, according to the provisions in the Auditing Plan prepared in compliance with the Basic Auditing Standards, considers that it is necessary to analyse and evaluate, via a number of different indicators, the impact on the business areas, with the purpose of advising the Audit and Control Committee and preparing the relevant recommendations to allow it to minimise the impact of risks related to the financial reporting that may affect the Group.

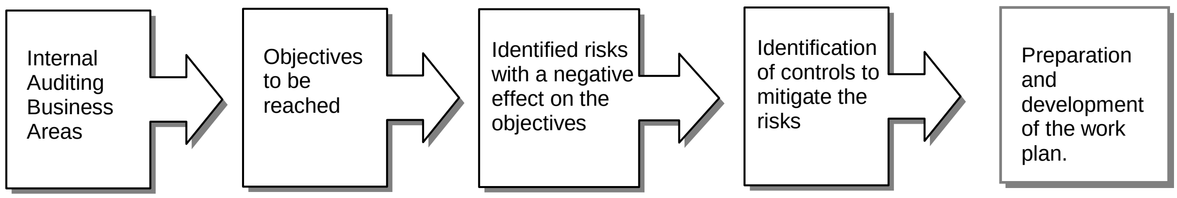
The scope of the auditing tasks is defined according to these variables, in order to provide the Audit and Control Committee and Management in general with reasonable security on the proper functioning of the internal control systems, on the compliance with the policies for managing the main risks of the Group and on the reliability of the economic and financial reports prepared by Management and submitted to the Board of Directors for approval.

The fundamental role of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time the process of preparing the economic and financial reports, its internal controls and the independence of the external Auditor.

The Audit and Control Committee holds meetings with the external auditor and listens to the explanations given by the General Manager of Finance and the General Manager of Administration.

The auditing plan does not include the tasks that may be carried out by the Internal Auditing Departments of the FCC Group listed companies Cementos Portland Valderrivas and Realia, notwithstanding the coordination tasks performed by the different Internal Auditing Departments, with the purpose of reporting to the FCC Group Audit and Control Committee the effect that the risks of said Groups may have on the consolidated financial statements of FCC Group.

The Auditing Plan (prepared pursuant to the Basic Auditing Standards) follows the plan given below:



According to the 2013 Auditing Plan, communicated to the Auditing Committee for the year 2013, the General Internal Auditing Management has carried out the following tasks in relation to the review of the Group's Internal Control over Financial Reporting system in a number of different areas:

- IT auditing: There have been reviews of the security model defined in SAP/Integra (the Group's financial application) and Incorpora (the Payroll application), reviews of the General IT Controls in the Construction areas, work to validate the effectiveness of automatic controls in the FCC Construcción Machinery SAP, Auditoría 27001 in the FCC CO and Aqualia areas, half-yearly reviews of SAP Integra (the FCC Group financial system) and reviews of the removal process implemented in the Employee and Identity Management Master Program.
- Environmental auditing: Review of the FCC Environment models for estimating environmental provisions.
- Work to review the financial reporting in the different business areas: Construction, Environment, Water, Energy, Waste, and Versia, mainly the reporting that refers to provisions, judgments and estimates.
- Analysis of the audit opinions on the companies audited: Systematic analysis of the audit opinions on companies in FCC Group, with the objective of monitoring any companies that are not given a favourable report from the auditor.
- Monitoring of the reporting obligations in respect of financial entities (covenants): coordination of the work between the external auditors and the business areas, analysing and reviewing the information prepared by said areas, which must be certified by the auditor. Involvement in the process of certifying financial ratios determined regarding statutory financial statements that were already audited.

– Criminal liability of the Legal Entity: Evaluation of the design of the controls implemented in FCC in relation to the modification of the Spanish Criminal Code, verification of the measures and controls established in the Group in order to prevent and detect any such offences (currently undergoing modification, assessing the implications of the regulatory changes).

– Internal communication channel: Review of the compliance with the communication obligations established in the FCC Group Internal Conduct Regulations and the Code of Ethics.

– Monitoring of the internal control recommendations issued in prior years.

– Other functions of the review of financial reports: Supervision of the quarterly, half-yearly and annual financial statements and notes to the financial statements. Internal Auditing reviews the consolidated and individual financial statements, in order to identify whether the sums and the information broken down in these statements are in compliance with the IFRS or PGC (Spanish General Chart of Accounts) standards. In addition, the reports sent from time to time to the CNMV are reviewed.

– Technical queries: Internal Auditing collaborates in responding to queries related to the accounting treatment of certain transactions owing to their complexity.

The results of the reviews carried out by the General Internal Auditing Management, together with any incidents that were detected, have been communicated to the Audit and Control Committee during the year.

F.5.2. Whether there is a discussion procedure whereby the account auditor (in accordance with what is provided in the Technical Auditing Standards (NTA)), the Internal Auditing function and other experts may communicate to senior executives and to the Auditing Committee or directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them. In addition whether there is an action plan to correct or mitigate the observed weaknesses

The FCC Group Internal Auditing Basic Standards, in heading seven, section i), states that "The Audit and Control Committee will be informed, via the General Internal Auditing Management and its relations with the external auditors, of the preparation process of the financial reports, of the proper application of generally accepted accounting principles, and of compliance with legal requirements and on the functioning of the Internal Control Systems."

As stated in the preceding paragraph, the purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with the effective supervision of the Internal Control Systems.

This objective consists of furnishing the Management of FCC Group with an independent opinion on the Organisation's ability to achieve its objectives, by means of a systematic and methodological approach towards the evaluation, management and enhancement of the effectiveness of these processes:

- Risk Management: Processes used by Management to identify, evaluate and respond to the potential risks that may affect whether the organisation achieves its business plans set out in the Strategic Plan.

- Internal Control: The policies, standards, procedures and activities making up the control system established by FCC Group to ensure the proper management and risk reductions.

As stated under the preceding item, heading 9 of the Group's Internal Auditing Basic Standards establishes, among the functions and remits of the General Internal Auditing Management, that of: "Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective actions."

FCC Group's General Internal Auditing Management reports to the Audit and Control Committee from time to time any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to adequately correct them. In 2013, it attended all the meetings of the Audit and Control Committee.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing Management performs a number of processes for the review of the accounting information (both individual and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

Additionally, the Group's auditor has direct access to the Group's Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee at least three times a year, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant. In 2013, the external auditor attended 5 meetings of the Audit and Control Committee.

F.6 Other relevant information

N/A

F.7 External auditors report

Report on:

F.7.1. Whether the ICFR system information disclosed to the markets has been reviewed by the external auditor, in which case the Company must include the relevant report as an Appendix. Otherwise, the reason why said report is not available must be explained.

The information included here on the Internal Control over Financial Reporting System was reviewed by the External Auditor, and the report thereof is attached as an Appendix to this document.

G – DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the Company's degree of compliance with the recommendations of the Unified Code of Good Governance.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company's procedures. General explanations will not be acceptable.

1. **The Articles of Association 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 headings A.10, B.1, B.2, C.1.23 and C.1.24.

Compliant

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

   a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

   See headings D.4 and D.7.

Explain

Although article 7.2.i of the Rules of the Board of Directors entrusts the Board with "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 Strategic Committee and the CEO, 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 has not yet publicly defined these two points.

3. **Even when not expressly required under company Laws, any decisions involving a structural corporate change should be submitted to the General Meeting of Shareholders for approval or ratification, especially the following:**

   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 original company, 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 winding-up the Company.**

See heading B.6.

Complies partially

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 winding-up the Company.

To avoid impairing the Board of Directors' ability to operate, this does not include subsidiarisation operations, since these operations often require quick decisions for opportunity reasons 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 Meeting of Shareholders, including the information stated in Recommendation 27 should be made available at the same time as the publication of the Meeting notice.**

Compliant

5. **Separate votes should be taken at the General Meeting of Shareholders on materially separate items, so shareholders can express their voting preferences separately. 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 Association, with votes taken on all articles or groups of articles that are materially different.**

Compliant

6. **Companies should allow split votes, so that financial intermediaries representing different clients may issue their votes according to instructions.**

Compliant

7. **The Board of Directors should perform its duties with unity of purpose and independent judgement, affording 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 in a sustained manner.**

   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

8. **The Board should seek, as core components of its mission, to approve the Company's strategy and the organisation required to carry it forward, and supervise and control that the management meets the objectives set while pursuing the Company's interests and corporate purpose. For such purpose, 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) **The investment and financing policy;**

      iii) **The design of the corporate group structure;**

      iv) **The corporate governance policy;**

      v) **The corporate social responsibility policy;**

      vi) **The remuneration and evaluation of senior officers policy;**

      vii) **Risk control and management, and the regular monitoring of internal information and control systems policy.**

      viii) **The dividend policy, as well as the policies and limits applying to treasury stock.**

      See sections: C.1.14, C.1.16 and E.2.

   b) **The following decisions:**

      i) **On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their severance clauses.**

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

      iii) **The financial information that all listed companies must disclose periodically.**

      iv) **All types of investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting of Shareholders.**

      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 similar nature whose complexity might impair the transparency of the group.**

   c) **Transactions which the Company performs 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. The amount is not 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 entrusted with the function in question; and that the Directors involved should neither exercise nor delegate their votes, and should leave 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 headings: D.1 and D.6.

Compliant

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and not more than fifteen members.

See heading: C.1.2.

Explain

Article 27 of the Articles of Association states that the Board of Directors shall comprise a minimum of five and a maximum of 22 members; as of 31 December 2013 there were 18 Directors.

Given the characteristics of the Company, the size of the Board is considered to be appropriate for proper management, running and administration of the Company’s businesses. This easily allows different types of Directors on the Board without jeopardising its operativity.

10. External Directors, both nominee 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.3 and C.1.3.

Compliant

11. Among external Directors, the relation between nominee members and independents should match the proportion between the capital represented

on the Board by nominee Directors and the remainder of the Company's capital.

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

1. **In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings, but where there are shareholders with blocks of shares with high absolute value.**
2. **In companies with a plurality of shareholders represented on the Board that are not otherwise related.**

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

Compliant

12. **The number of independent Directors should represent at least one third of all Board members.**

See section: C.1.3,

Compliant

13. **The nature of each Director should be explained to the General Meeting of Shareholders by the Board, 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 Appointments Committee. This Report should also disclose the reasons for the appointment of nominee Directors at the request 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 nominee Directorship.**

See sections: C.1.3 and C.1.8.

Compliant

14. **When there are few or no women directors the Appointments 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 professional profile among the candidates for Board places.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant

15. **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 during board meetings, 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 sections: C.1.19 and C.1.41.

    Compliant

16. **When the Chairman of the Board is also the Company's chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new items 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: C.1.22

    Not applicable

17. **The Secretary of the Board 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 Bylaws and the Rules of the General Meeting of Shareholders, the Board of Directors and others;

    c) Are informed by the 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 Appointments Committee and approved by a full Board meeting; the relevant appointment and removal procedures being those determined in the Rules of the Board of Directors.

    See section: C.1.34.

    Compliant

18. **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, each Director may propose the addition of other items to the agendas.**

    See section: C.1.29.

    Compliant

19. **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: C.1.28, C.1.29 and C.1.30.

Compliant

20. **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 Board meeting, the person expressing them can request that they be recorded in the minute book.**

Compliant

21. **The Board in full should evaluate the following points on a yearly basis:**

    a) **The quality and efficiency of the Board's operation;**

    b) **Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;**

    c) **The performance of its Committees on the basis of the reports furnished by them.**

    See sections: C.1.19 and C.1.20.

Compliant

22. **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 Association or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See section: C.1.41.

Compliant

23. **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: C.1.40.

Compliant

24. **Companies should organise induction programmes for new directors to acquaint them rapidly with knowledge about the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Compliant

25. **Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

    a) **Directors should inform the Appointments Committee of any other professional obligations, in case they might interfere with the necessary dedication;**

    b) **Indicate whether the Company has established rules about the number of Directorships its Board members can hold.**

    See sections: C.1.12, C.1.13 and C.1.17.

Compliant

26. **The proposal for the appointment or re-appointment of Directors which the Board submits to the General Meeting of Shareholders, as well as provisional appointments by the method of co-optation, should be approved by the Board:**

    a) **When proposed by the Appointments Committee, in the case of independent Directors.**

    b) **Subject to a report from the Appointments Committee in the case of all other Directors.**

    See section: C.1.3.

Compliant

27. **Companies should post the following particulars on the Directors 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, nominee or independent; in the case of nominee 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 thereon.**

Compliant

28. **Nominee 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 appoint nominee Directors, the latter's number should be reduced accordingly.**

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

Compliant

29. **The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a Director is in breach of his or her duties or comes under circumstances leading to the loss of independent status, according to the provisions in Order ECC/461/2013.**

    The removal of independent Directors 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 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

Compliant

30. **Companies should establish rules obliging Directors to inform the Board of any circumstance that might harm the company'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 proceedings.**

    The moment a director is indicted or tried for any of the crimes stated in Article 213 of the Capital Companies Act, the Board should examine the matter as soon as possible 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: C.1.42, C.1.43.

Compliant

31. **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, regardless of whether he or she has director status.

Compliant

32. **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 relevant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

See section: C.19.

Compliant

33. **Remuneration comprising the granting 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 granting of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

Compliant

34. **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

35. **In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce said earnings should be considered.**

Compliant

36. **In the case of variable remuneration, the 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, or other circumstances of this kind.**

Compliant

37. **When there is a Delegated or Executive Committee (hereinafter, "Delegated Committee"), the representation structure of the different director categories should be similar to that of the Board and the Secretary of the Board should be the Secretary of that Committee.**

See sections: C.2.1 and C.26.

Complies partially

The Executive Committee is made up by External Directors (80%) and Executive Directors, whereas 88.9% of the members of the Board of Directors are External Directors and 11.1 % are Executive Directors.

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

38. The Board must always be informed of the matters discussed and the decisions adopted by the Delegated Committee, and all the Board members must receive a Copy of the minutes of Delegated Committee meetings.

Compliant

39. In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees 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, taking into account the directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond to the work carried out.

b) These Committees should be formed exclusively by 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 Chairmen must be independent directors.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Committee meetings should draw up minutes and a copy must be sent to all Board members.

See sections: C.2.1 and C.2.4.

Complies partially

The Board of Directors has taken into account the knowledge, skills 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 has given 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).

The Audit and Control Committee is chaired by Mr Gustavo Villapalos Salas, an independent director of FCC.

40. The task of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

See sections: C.2.3 and C.2.4.

Compliant

41. 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

42. 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

See section: C.2.3.

Compliant

43. 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

44. The 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 considers as acceptable;

c) Measures in place to mitigate the impact of identified risks 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: E.

Compliant

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

a) The major risks identified as a consequence of the monitoring of the efficacy of the Company's internal control and its internal auditing, as the case may be, must be adequately managed and disclosed.

b) 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 executives are acting on the findings and recommendations of its reports.

c) 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 company.

2. With respect to the external auditor:

a) 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.

b) Ensure the independence of the external auditor, to which end:

i) The Company should notify any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

Compliant

46. 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

47. 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: C.2.3 and C.2.4.

Compliant

48. The Board of Directors should seek to present the annual accounts to the General Meeting of Shareholders 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: C.1.38.

Compliant

49. The majority of Appointments Committee members, or Appointments and Remuneration Committee members, as the case may be, should be independent directors.

See section: C.2.1

Explain

As mentioned under recommendation 44, when appointing the Appointments and Remuneration Committee members, the Board has given 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.

All members of the Appointments and Remuneration Committee are external Directors and 40% of the members are independent Directors.

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

a) Evaluate the balance of skills, knowledge and experience required 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: C.2.4.

Compliant

51. **The Appointments 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 Appointments Committee for its consideration to fill vacancies.

Compliant

52. **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: C.2.4

Compliant

53. **The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive Directors and senior officers.**

Compliant

H – OTHER INFORMATION OF INTEREST

1. If you consider that there are any relevant principles or aspects of corporate governance applied by your Company which has not been assessed in this report but which is necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.

2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it is obliged to furnish other than that required in the report herein.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practices, or international, industry or other codes. If applicable, identify the relevant code and the date of adherence.

   FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012.

   FCC adhered to the United Nations Global Compact on 7 May 2007.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 31 March 2014.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

NO

Name or company name of any directors not approving this report with their vote	Reasons (against, abstained from voting, did not attend meeting)	Explain the reasons