



REPORT PRODUCED BY THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. IN RELATION TO THE PROPOSAL REFERRED TO IN ITEM FOUR OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS CONVENED FOR 28 JUNE 2016, IN THE FIRST CALL, AND 29 JUNE IN THE SECOND CALL (PROPOSAL TO AMEND THE ARTICLES OF ASSOCIATION)

04 May 2016



REPORT OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION

1. INTRODUCTION AND PURPOSE OF THE REPORT

This Report is established by the Board of Directors of FCC to justify the proposed resolution submitted for the approval of the Ordinary General Meeting of Shareholders convened for 28 June 2016 at 4 p.m., in the first call, and 29 June at the same time in the second call, under item Four of the agenda.

With a view to submitting the aforementioned proposal to the Ordinary General Meeting of Shareholders for approval, the Board of Directors of the Company must establish a written report according to the provisions of Article 286 of the Capital Company Law, and for this purpose this Report is produced as justification for the proposal.

By virtue of the foregoing, this report is established by the Board of Directors in order to explain the amendment to the Articles of Association following the changes made to the Capital Company Law by:

- (i) Law 5/2015, of 27 April, on the Promotion of Business Financing.
- (ii) Law 9/2015, of 25 May, Urgent Measures in Matters of Solvency.
- (iii) Law 15/2015, of 2 July, on Voluntary Jurisdiction.
- (iv) Law 22/2015, of 20 July, on Account Auditing.

2. JUSTIFICATION AND PROPOSED AMENDMENT

2.1 AMENDMENTS ARISING FROM THE LAW ON URGENT MEASURES IN MATTERS OF SOLVENCY

The amendment of Clause 4 of the Articles of Association is proposed to the General Meeting: the purpose is to adapt its wording to Article 285 of the Capital Company Law, according to the wording provided in Law 9/2015 of 25 May, on Urgent Measures in Matters of Solvency, whereby the Board of Directors is empowered to transfer the registered address within the national territory.

Current wording	Proposed wording
<p><u>Clause 4. Registered address, branches and corporate web site</u></p> <p>1. The Company's registered address is in the City of Barcelona, at calle Balmes, no. 36.</p> <p>2. The Board of Directors is authorised to open, close and transfer branches, offices, agencies, establishments, factories or delegate offices in any city in Spain or abroad, as well as to change the registered address within the same municipal territory by amending this clause in order to include any new address that the Company may have, as a result of a move.</p> <p>3. The Company will have a corporate web</p>	<p><u>Clause 4. Registered address, branches and corporate web site</u></p> <p>1. The Company's registered address is in the City of Barcelona, at calle Balmes, no. 36.</p> <p>2. The Board of Directors is authorised to open, close and transfer branches, offices, agencies, establishments, factories or delegate offices in any city in Spain or abroad, as well as to change the registered address within the national territory same municipal territory by amending this clause in order to include any new address that the Company may have, as a result of a move.</p> <p>3. The Company will have a corporate web</p>



<p>site ("www.fcc.es") under the terms established by Law.</p> <p>This corporate web site will provide information according to the right of information of shareholders, and it will disseminate the documentation and information required by law and these Articles of Association and other internal regulations of the Company, and any information that is deemed appropriate for shareholders and investors by this medium.</p> <p>The Board of Directors is competent to modify, remove or move the Company's website.</p>	<p>site ("www.fcc.es") under the terms established by Law.</p> <p>This corporate web site will provide information according to the right of information of shareholders, and it will disseminate the documentation and information required by law and these Articles of Association and other internal regulations of the Company, and any information that is deemed appropriate for shareholders and investors by this medium.</p> <p>The Board of Directors is competent to modify, remove or move the Company's website.</p>
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2.2 AMENDMENTS ARISING FROM THE LAW ON THE PROMOTION OF BUSINESS FINANCING

The amendment of Clauses 14 and 17 of the Articles of Association is proposed to the General Meeting: the purpose is to adapt their wording to the provisions of Article 406 of the Capital Company Law, according to the wording provided by the Law on the Promotion of Business Financing. In this regard the Board of Directors is empowered to issue any bonds and securities whose issuance is expressly attributed to the General Meeting, pursuant to the provisions of the Capital Company Law.

Current wording	Proposed wording
<p>Clause 14. Powers of the General Meeting</p> <p>The General Meeting will rule on any matters attributed to it by Law, these Articles of Association or by the Rules of the General Meeting and especially in relation to the following points:</p> <ul style="list-style-type: none"> a) The approval of the financial statements, the distribution of profit and the approval of the corporate management. b) The appointment, ratification and removal of directors and the appointment and removal of liquidators and, where applicable, account auditors and the exercise of social responsibility action against any of them. c) The amendment of these Articles of Association. d) The increase and reduction of the share capital and the delegation to the Board of Directors of the power to increase the share capital, in which case it may also be authorised to exclude or limit the preferential subscription right under the terms established by Law. e) The issue or creation of new categories or series of shares. f) The issue of bonds and other securities 	<p>Clause 14. Powers of the General Meeting</p> <p>The General Meeting will rule on any matters attributed to it by Law, these Articles of Association or by the Rules of the General Meeting and especially in relation to the following points:</p> <ul style="list-style-type: none"> a) The approval of the financial statements, the distribution of profit and the approval of the corporate management. b) The appointment, ratification and removal of directors and the appointment and removal of liquidators and, where applicable, account auditors and the exercise of social responsibility action against any of them. c) The amendment of these Articles of Association. d) The increase and reduction of the share capital and the delegation to the Board of Directors of the power to increase the share capital, in which case it may also be authorised to exclude or limit the preferential subscription right under the terms established by Law. e) The issue or creation of new categories or series of shares. f) The issue of bonds and other securities



<p>and the delegation to the Board of Directors of the power to issue them.</p> <p>g) The elimination or limitation of the preferential subscription right.</p> <p>h) The acquisition, disposal or contribution to another company of essential assets; and the transfer to entities dependent on essential activities carried out up to that time by the Company, even if the latter retains full control over the same. The essential nature of the activities and the operating assets will be shown when the volume of the transaction exceeds twenty-five per cent (25%) of the total balance sheet assets.</p> <p>i) The transformation, merger, de-merger, overall transfer of assets and liabilities and the transfer of the registered address to a location abroad.</p> <p>j) The winding-up of the Company.</p> <p>k) The approval of the final liquidation balance sheet.</p> <p>l) Any transactions with an equivalent effect to that of the liquidation of the Company.</p> <p>m) The directors' remuneration policy under the terms established by Law.</p> <p>n) Any remuneration or incentive system for directors or senior executives consisting of the provision of shares, share options or any other kind of share-based remuneration.</p> <p>o) The authorisation for the acquisition of own shares within the legal limits.</p> <p>p) The approval and amendment of the Rules of the General Meeting.</p> <p>Any other items determined by Law or these Articles of Association.</p>	<p>which, according to any applicable regulations, fall within the remit of the General Meeting and the delegation to the Board of Directors of the power to issue them.</p> <p>g) The elimination or limitation of the preferential subscription right.</p> <p>h) The acquisition, disposal or contribution to another company of essential assets; and the transfer to entities dependent on essential activities carried out up to that time by the Company, even if the latter retains full control over the same. The essential nature of the activities and the operating assets will be shown when the volume of the transaction exceeds twenty-five per cent (25%) of the total balance sheet assets.</p> <p>i) The transformation, merger, de-merger, overall transfer of assets and liabilities and the transfer of the registered address to a location abroad.</p> <p>j) The winding-up of the Company.</p> <p>k) The approval of the final liquidation balance sheet.</p> <p>l) Any transactions with an equivalent effect to that of the liquidation of the Company.</p> <p>m) The directors' remuneration policy under the terms established by Law.</p> <p>n) Any remuneration or incentive system for directors or senior executives consisting of the provision of shares, share options or any other kind of share-based remuneration.</p> <p>o) The authorisation for the acquisition of own shares within the legal limits.</p> <p>p) The approval and amendment of the Rules of the General Meeting.</p> <p>Any other items determined by Law or these Articles of Association.</p>
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Current wording	Proposed wording
<p>Clause 17. Convening the Meeting</p> <p>1. An Ordinary or Extraordinary General Meeting shall be convened in a valid manner at their first session when the shareholders present or represented hold at least fifty per cent (50%) of the subscribed share capital with a voting right; the second session shall be convened in a valid manner when the shareholders present or represented hold at least forty-five per cent (45%) of the subscribed share capital with a voting right. The foregoing excludes any events where,</p>	<p>Clause 17. Convening the Meeting</p> <p>1. An Ordinary or Extraordinary General Meeting shall be convened in a valid manner at their first session when the shareholders present or represented hold at least fifty per cent (50%) of the subscribed share capital with a voting right; the second session shall be convened in a valid manner when the shareholders present or represented hold at least forty-five per cent (45%) of the subscribed share capital with a voting right. The foregoing excludes any events where,</p>



<p>according to the items included on the Agenda, it is not possible to meet the requirement for validly convening the General Meeting of a percentage of capital greater than that established by applicable regulations.</p> <p>2. Furthermore, the percentages referred to in the previous paragraph will also apply to the Ordinary and Extraordinary General Meeting to be able to validly consent to the issue of bonds, the increase or reduction of the capital, the transformation, merger or de-merger of the Company, the overall transfer of assets and liabilities, the elimination or limitation of the pre-emptive right of new shares, the transfer of the registered address and, in general any amendment to the Articles of Association.</p> <p>3. If, in order to validly adopt a resolution in relation to some or various items of the agenda of the announcement of the General Meeting, pursuant to any applicable legal regulations or the Articles of Association, the presence of a particular percentage of the share capital is necessary and this percentage is not reached, or the consent of particular interested-party shareholders is required and these individuals are not present or represented, the General Meeting will be restricted to deliberating and ruling on any items of the agenda that do not require the attendance of the aforementioned percentage of the share capital or the aforesaid shareholders.</p>	<p>according to the items included on the Agenda, it is not possible to meet the requirement for validly convening the General Meeting of a percentage of capital greater than that established by applicable regulations.</p> <p>2. Furthermore, the percentages referred to in the previous paragraph will also apply to the Ordinary and Extraordinary General Meeting to be able to validly consent to the issue of bonds which, according to any applicable regulations, fall within the remit of the General Meeting, the increase or reduction of the capital, the transformation, merger or de-merger of the Company, the overall transfer of assets and liabilities, the elimination or limitation of the pre-emptive right of new shares, the transfer of the registered address and, in general any amendment to the Articles of Association.</p> <p>3. If, in order to validly adopt a resolution in relation to some or various items of the agenda of the announcement of the General Meeting, pursuant to any applicable legal regulations or the Articles of Association, the presence of a particular percentage of the share capital is necessary and this percentage is not reached, or the consent of particular interested-party shareholders is required and these individuals are not present or represented, the General Meeting will be restricted to deliberating and ruling on any items of the agenda that do not require the attendance of the aforementioned percentage of the share capital or the aforesaid shareholders.</p>
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2.3. AMENDMENTS ARISING FROM THE LAW ON VOLUNTARY JURISDICTION

The amendment of Clause 16 of the Articles of Association is proposed to the General Meeting: the purpose is to adapt its wording to the provisions of Article 169 of the Capital Company Law, according to the wording provided by the Law on Voluntary Jurisdiction. The reference to the competence of the court of the registered address to convene the General Meeting in the events described in sections 4 and 5 is thereby replaced by a reference to the legal secretary or registrar of the business and trade register of the registered address, as established by the Capital Company Law.

Current wording	Proposed wording
<p><u>Clause 16. Authority and Obligation to Call the Meeting</u></p> <p>1. General Meetings must be convened by the Board of Directors or, where applicable, by the liquidators of the Company. The Board of Directors will convene the General</p>	<p><u>Clause 16. Authority and Obligation to Call the Meeting</u></p> <p>1. General Meetings must be convened by the Board of Directors or, where applicable, by the liquidators of the Company. The Board of Directors will convene the General</p>



<p>Meeting as and when it is deemed necessary or suitable for the corporate interests and, at any rate, on the dates or in the periods established by Law and these Articles of Association.</p> <p>2. The Board of Directors must convene the General Meeting and when requested to do so, by means of a notarised request, by shareholders that represent at least three per cent (3%) of the share capital, with the items to be addressed therein indicated in the request.</p> <p>3. In this event, the General Meeting must be convened by the Board of Directors to be held within two (2) months of the date on which the Board of Directors receives the notarial request to convene it; the Agenda must include any items concerned by the request.</p> <p>4. If the General Meeting is not convened within the period established by law or the articles of association, it may be convened, at the request of any shareholder, by the commercial court of the registered address, after the directors have been informed.</p> <p>5. If the Board of Directors does not provide a suitable response to the request to convene the General Meeting submitted by the minority, the meeting may be convened by the commercial court of the registered address, after the directors have been informed.</p>	<p>Meeting as and when it is deemed necessary or suitable for the corporate interests and, at any rate, on the dates or in the periods established by Law and these Articles of Association.</p> <p>2. The Board of Directors must convene the General Meeting and when requested to do so, by means of a notarised request, by shareholders that represent at least three per cent (3%) of the share capital, with the items to be addressed therein indicated in the request.</p> <p>3. In this event, the General Meeting must be convened by the Board of Directors to be held within two (2) months of the date on which the Board of Directors receives the notarial request to convene it; the Agenda must include any items concerned by the request.</p> <p>4. If the General Meeting is not convened within the period established by law or the articles of association, it may be convened, at the request of any shareholder, by the commercial court of the registered address, after the directors have been informed.</p> <p>5. If the Board of Directors does not provide a suitable response to the request to convene the General Meeting submitted by the minority, the meeting may be convened by the commercial court of the registered address, after the directors have been informed.</p>
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2.4. AMENDMENTS ARISING FROM THE LAW ON ACCOUNT AUDITING

The amendment of Clause 40 of the Articles of Association is proposed to the General Meeting: the purpose is to adapt it to Article 529 quaterdecies amended by Law 22/2015 of 20 July, on Account Auditing (which shall enter into force on 17 June 2016), in relation to the Audit and Control Committee (for the purpose, on the one hand, of expressly incorporating the provision that "*as a whole, the members of the Committee will have the relevant technical knowledge in relation to the field of activity of the company*", and, on the other, of supplementing the powers of the Committee).

Current wording	Proposed wording
<p><u>Clause 40. The Audit and Control Committee</u></p> <p>1. The Board of Directors will call on an Audit and Control Committee, without executive functions and with the powers to inform, advise and propose within its sphere of activity; it shall comprise a minimum of three</p>	<p><u>Clause 40 The Audit and Control Committee</u></p> <p>2. The Board of Directors will call on an Audit and Control Committee, without executive functions and with the powers to inform, advise and propose within its sphere of activity; it shall comprise a minimum of three (3) and a maximum of six (6) Directors</p>



<p>(3) and a maximum of six (6) Directors appointed by the Board of Directors, based on a report by the Appointments and Remuneration Committee, for a period not exceeding their term as directors and without prejudice to the possibility of being re-elected indefinitely, to the extent that this is also the case as directors. All the members of the Audit and Control Committee will have to satisfy the condition of being non-executive directors, and the majority of its members must be independent directors, of whom one will be appointed in view of his/her knowledge and experience in matters of accounting, auditing or both.</p> <p>2. The Committee will elect a Chairperson from among its members and a Deputy Chairperson may also be elected. The term of these posts may not exceed four (4) years or their terms as members of the Committee, although they may be re-elected provided that at least one year has elapsed since the end of the previous term.</p> <p>Any person without the capacity as director and appointed by the Committee will act as Secretary and, where applicable, Deputy Secretary.</p> <p>3. The members of the Committee may be assisted at their meetings by up to two (2) advisers for each of these members, as required. These advisers may speak at the meetings but may not vote.</p> <p>4. Without prejudice to the other functions attributed by Law, these Articles of Association and the Board Rules, the following are part of the powers of the Audit and Control Committee:</p> <p>a) Informing the General Meeting of Shareholders on the questions raised in relation to those matters that fall within the scope of authority of the Committee.</p> <p>b) Supervising the efficiency of the</p>	<p>appointed by the Board of Directors, based on a report by the Appointments and Remuneration Committee, for a period not exceeding their term as directors and without prejudice to the possibility of being re-elected indefinitely, to the extent that this is also the case as directors. All the members of the Audit and Control Committee will have to satisfy the condition of being non-executive directors, and the majority of its members must be independent directors, of whom one will be appointed in view of his/her knowledge and experience in matters of accounting, auditing or both. As a whole, the members of the Committee will have the relevant technical knowledge in relation to the field of activity of the Company.</p> <p>2. The Committee will elect a Chairperson from among its members and a Deputy Chairperson may also be elected. The term of these posts may not exceed four (4) years or their terms as members of the Committee, although they may be re-elected provided that at least one year has elapsed since the end of the previous term.</p> <p>Any person without the capacity as director and appointed by the Committee will act as Secretary and, where applicable, Deputy Secretary.</p> <p>3. The members of the Committee may be assisted at their meetings by up to two (2) advisers for each of these members, as required. These advisers may speak at the meetings but may not vote.</p> <p>4. Without prejudice to the other functions attributed by Law, these Articles of Association and the Board Rules, the following are part of the powers of the Audit and Control Committee:</p> <p>a) Informing the General Meeting of Shareholders on the questions raised in relation to those matters that fall within the scope of authority of the Committee and, in particular, about the result of the audit by explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in this process.</p> <p>b) Supervising the efficiency of the</p>
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<p>internal control of the Company, the internal auditing services of the Company and the risk management systems, including those a tax nature, and discussing any significant shortcomings of the internal control system detected during the audit.</p> <p>c) Overseeing the preparation and submission of any necessary financial information.</p> <p>d) Raising proposals for selecting, appointing, re-electing and replacing the external auditor with the Board of Directors and the conditions under which he/she is contracted and regularly receiving from this individual any information about the auditing plan and the results of its implementation, and maintaining his/her independence in the performance of his/her functions.</p> <p>e) Establishing the appropriate relationships with the external auditor so as to receive information about matters that may jeopardise his/her independence, for assessment by the Committee, and any other related to the accounts audit process, and any other communications established by accounts auditing legislation and auditing regulations. At any rate, they shall receive annually from the external auditors a declaration of its independence with respect to the Company or entities directly or indirectly related to it, as well as any information on any additional services provided and the corresponding fees received from those entities by the external auditor or by persons or entities related to the auditor, according to the provisions in account auditing legislation.</p>	<p>internal control of the Company, the internal auditing services of the Company and the risk management systems and discussing any significant shortcomings of the internal control system detected during the audit with the auditor, without infringing on its independence. For these purposes and, where applicable, they may submit recommendations or proposals to the Board of Directors and the corresponding period for their monitoring.</p> <p>c) Overseeing the process of preparing and submitting the required financial information and submitting recommendations or proposals to the Board of Directors geared towards safeguarding its integrity.</p> <p>d) Raising proposals for selecting, appointing, re-electing and replacing the auditor with the Board of Directors and taking responsibility for the selection process, according to the provisions of community regulations, and the conditions under which he/she is contracted and regularly receiving from this individual any information about the auditing plan and the results of its implementation, and maintaining his/her independence in the performance of his/her functions.</p> <p>e) Establishing the appropriate relationships with the external auditor so as to receive information about matters that may jeopardise his/her independence, for assessment by the Committee, and any other related to the account auditing process and, as applicable, the authorisation of any services other than those that are prohibited, under the terms considered in the regulations governing account auditing activity in relation to the independence and any other communications established in account auditing legislation and any other auditing regulations. At any rate, they shall receive annually from the external auditors a declaration of its independence with respect to the Company or entities directly or indirectly related to it, as well as detailed and individualised</p>
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<p>f) Issuing an annual statement on the independence of the account auditor prior to the issuance of the auditors' report. In any event, that statement must address the provision of any additional services as referred to in the section above, considered both individually and from an overall perspective, different from the legal audit and relating to the independence or the auditing regulations.</p> <p>g) Previously advising the Board of Directors on all matters considered by Law, these Articles of Association and in these Rules of the Board, especially on:</p> <ol style="list-style-type: none"> 1º. any financial information that the Company must disclose periodically, and 2º. the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens. <p>h) Any others which, as applicable, are attributed to it by these Articles of Association or the Rules of the Board of Directors.</p> <p>The provisions of letters d), e) and f) of the previous section will be understood without prejudice to the regulations governing account auditing.</p> <p>5. For the purpose of its operation, the Committee will convene, at the discretion of its Chairperson, as many times as necessary to fulfil its functions and at least once every quarter.</p> <p>6. It will be quorate when a majority of its members are present or represented; it will adopt its decisions by absolute majority vote of those present or represented. In the event of a tie, the Chairperson will have the casting vote.</p>	<p>information on any additional services provided and the corresponding fees received from those entities by the external auditor or by persons or entities related to the auditor, according to the legislation on regulations governing account auditing activity.</p> <p>f) Issuing an annual statement on the independence of the account auditor or auditing company appointed, prior to the issuance of the auditors' report. In any event, that statement must address the justified valuation of the provision of any additional services as referred to in the previous section, considered both individually and from an overall perspective, different from the legal audit and relating to the independence or the regulations governing account auditing activity.</p> <p>g) Previously advising the Board of Directors on all matters considered by Law, these Articles of Association and in these Rules of the Board, especially on:</p> <ol style="list-style-type: none"> 1º. any financial information that the Company must disclose periodically, and 2º. the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens. <p>h) Any others which, as applicable, are attributed to it by these Articles of Association or the Rules of the Board of Directors.</p> <p>The provisions of letters d), e) and f) of the previous section will be understood without prejudice to the regulations governing account auditing.</p> <p>5. For the purpose of its operation, the Committee will convene, at the discretion of its Chairperson, as many times as necessary to fulfil its functions and at least once every quarter.</p> <p>6. It will be quorate when a majority of its members are present or represented; it will adopt its decisions by absolute majority vote of those present or represented. In the event of a tie, the Chairperson will have the casting vote.</p>
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<p>7. The Audit and Control Committee will draft an action plan for the coming year which it will submit to the Board of Directors, along with a report on its activity from the year, which shall be used as a basis for the assessment conducted by the Board of Directors on a yearly basis of the way in which it and its Committees operate, so that, on the basis of the result, the latter can propose an action plan to correct any discrepancies detected.</p> <p>8. Through the Rules of the Board of Directors, these regulations on the Audit and Control Committee will be developed, with priority being given to the independence in the way in which it operates at all times.</p>	<p>7. The Audit and Control Committee will draft an action plan for the coming year which it will submit to the Board of Directors, along with a report on its activity from the year, which shall be used as a basis for the assessment conducted by the Board of Directors on a yearly basis of the way in which it and its Committees operate, so that, on the basis of the result, the latter can propose an action plan to correct any discrepancies detected.</p> <p>8. Through the Rules of the Board of Directors, these regulations on the Audit and Control Committee will be developed, with priority being given to the independence in the way in which it operates at all times.</p>
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