SPECIFIC REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE CONCERNING THE DIRECTOR REMUNERATION POLICY OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (2018-2020)

1. Introduction

Article 38 of the Bylaws of Fomento de Construcciones y Contratas, S.A. establishes a remuneration system for directors in accordance with the director Remuneration Policy approved by the General Meeting in the legally established terms.

Article 529 *novodecies* of the Spanish Corporate Enterprises Act states that the policy should be consistent where pertinent with the remuneration system prescribed by company bylaws and be approved by the General Meeting at least every three years as a separate item on the Agenda.

This article also contemplates that the director Remuneration Policy shall remain valid for three years following the year of its approval and that any amendment or replacement thereof in this period will require the approval of the General Meeting according to the established procedure.

The Remuneration Policy proposal of the Board of Directors will be reasoned and accompanied by a specific report of the Appointments and Remuneration Committee. Both documents will be posted on the company's website from the notice of the General Meeting and therefore available to shareholders, who may also request that they be dispatched to them at no charge. The notice convening the General Meeting will mention this right.

On the basis of the foregoing, the Appointments and Remuneration Committee of Fomento de Construcciones y Contratas, S.A. (hereinafter referred to as the “Company” or “FCC”) issues this report on the 2018-2020 Remuneration Policy for FCC directors that the Committee proposes to the Board of Directors as prescribed by article 38.4.f) of the Regulations of the Board of Directors, who shall in turn present it to the Company's General Meeting for approval.

The Appointments and Remuneration Commitment considers that the Remuneration Policy contained in this Report complies with the pertinent legislation currently in force, Company Bylaws and further corporate policies, rules and regulations, and is also in line with the main recommendations for remuneration to directors and best practices applied by other comparable companies.

2. General principles

The general principles and foundations of the Remuneration Policy are as follows:

- The Remuneration Policy must observe the following criteria contemplated in article 28.4 of the Regulations of the Board of Directors:

(…)

i. *The remuneration for Non-executive Directors shall suffice to reward them for the dedication, qualifications and responsibility that the post requires of them, yet must not be so high as to compromise their independence;*

ii. *Remuneration comprising the delivery of shares in the Company or other companies in the Group, share options or other share-based instruments, variable remuneration linked to the Company's performance or membership of pension schemes should be confined to executive directors except where directors are obliged to retain the shares until the end of their tenure;*

iii. *Remuneration related to Company earnings should consider any qualifications in the external auditor's report leading to a reduction in such earnings; and*

iv. *In case of variable awards, remuneration policies should include technical safeguards to ensure that they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or similar circumstances.*

- Moreover, pursuant to article 38.3 of the Company Bylaws, the Remuneration Policy for FCC directors considers the functions and responsibilities of each director as a member of the Board and its Committees, and is commensurate with the dedication thereof to the Company with a view to motivating and retaining the most qualified professionals. Accordingly, the director Remuneration Policy seeks to ensure that directors receive a competitive market remuneration in line with the remuneration paid in the market by companies of similar size and activity, and it is reviewed periodically by the Appointments and Remuneration Committee so that the latter may propose any appropriate amendments to the Board of Directors.

- Article 38 of the Company Bylaws, particularly in sections 2 and 4, addresses the relative importance of variable components in remuneration with respect to fixed components and criteria followed to determine the different components of the director remuneration package (*remuneration mix*).

  Variable remuneration will be established, applied and maintained in harmony with the Company's commercial and risk management strategies, risk profile, objectives, risk management practices, and the performance and short, medium and long term interests of Fomento de Construcciones y Contratas, S.A. as a whole, and will entail measures put in place to preclude conflicts of interest.

- Lastly, in accordance with article 38.7 of the Company Bylaws, director remuneration must in any case be reasonably proportional to the importance of the Company, the economic context of the time and the market standards of comparable companies. The established remuneration system must aim to promote the long-term profitability and sustainability of the Company, and incorporate the safeguards necessary to prevent excessive risk-taking and reward for unfavourable results.

3. Annual remuneration that directors will receive for membership on the Board and its different Committees

According to article 529 *septdecies* of the Spanish Corporate Enterprises Act, the director Remuneration Policy will set out the remuneration of directors in their capacity as such within a remuneration system established by company bylaws, and must include the maximum amount of the annual remuneration to pay to all directors in their capacity as such, and the Board of Director is responsible for determining the remuneration for each director.

Pursuant to article 38 of the Company Bylaws:

(…)
2. The remuneration of directors in their condition as such, for the Board of Directors as a whole, will entail a share in net profit, which cannot exceed two per cent (2%) of the Company's profit for the financial year as stated in the consolidated financial statements of the Group of which the Company is the parent entity, once the Legal Reserve requirements have been met and a minimum dividend of four per cent (4%) of the nominal value of the shares has been paid to shareholders. The percentage for each financial year shall be set at the General Meeting.

3. The Board of Directors shall distribute remuneration among its members as decided by the General Meeting, taking into account the duties and responsibilities carried out by each of them on the Board itself and its internal Committees, and any other criteria set out in the Regulations of the Board of Directors.

4. Without prejudice to the foregoing, directors shall be remunerated for their attendance at Board meetings and its internal Committees. To this end, the General Meeting shall determine the corresponding amount for each financial year in this regard, which shall be distributed by the Board among its members in consideration of their actual attendance at the meetings of the Board and the internal Committees thereof of which they are members.

A mixed remuneration system is thus established, comprising two components:

A) Fixed remuneration, referenced to the existence, as applicable, of net profit:

The annual remuneration that will be paid to directors for their membership on the Board or its different Committees, will entail a share in the net profit of the Company for the financial year as stated in the consolidated financial statements of the Group, yet not exceeding two per cent (2%) thereof, once the Legal Reserve requirements have been met and a minimum dividend of four per cent (4%) of the nominal value of the shares has been paid to shareholders. In any case, the General Meeting is tasked to set the percentage corresponding to each financial year.

B) Remuneration for actual attendance at the meetings of the Board of Directors and its Committees

Directors will receive remuneration for actual attendance, either in person or via a remote communication medium (such as videoconferencing or multi-conferencing), at the meetings of the Board or its Committees.
The Board of Directors will agree upon the specific amount of remuneration for the actual attendance at the meetings of the Board, Executive Committee, Audit and Control Committee, and Appointments and Remuneration Committee.
The amount of remuneration per meeting will be as follows for 2018:

REMUNERATION FOR ACTUAL ATTENDANCE	AMOUNT IN EUROS PER MEETING
Board of Directors	2,500
Executive Committee	1,875
Audit and Control Committee	1,500
Appointments and Remuneration Committee	1,500

Non-executive director remuneration contains no variable remuneration items linked to the value of FCC shares or any other instrument.

3.1. Other remuneration

In accordance with article 38.5 of its Bylaws, the Company will maintain a general liability insurance for directors in the usual conditions and according to the circumstances of the Company.

An accident policy was arranged for all directors in the performance of their duties and in their personal lives, covering:

- Death

- Total permanent disability
- Absolute permanent disability
- Severe disability

The policy has a one-year duration that is renewable annually and entails a premium of €7,385.17.

3.2. Additional remuneration

Directors may accrue additional remuneration as compensation for services provided other than those inherent in their position. In such cases, a service provision agreement between the company and the relevant director would be approved, establishing the amount.

4. Remuneration of executive directors

Article 529 octodecies of the Spanish Corporate Enterprises Act states that the remuneration of directors for the performance of executive duties will be consistent with the director Remuneration Policy, which contemplates the amount of fixed annual remuneration and variation thereof in the reference period of the policy, different parameters for establishing the variable components, and the main terms and conditions of their contracts, particularly entailing concepts such as duration, penalties for early termination and discharge of the contractual relationship, exclusivity agreements, post-contractual non-compete clauses, permanence, and loyalty clauses.

For the performance of executive functions, executive directors will have the right to be paid remuneration (including, where pertinent, salaries, bonuses, compensation for early termination of such functions and amounts paid by the Company for insurance premiums) as deemed to be fitting following a prior proposal from the Appointments and Remuneration Committee approved by the Board of Directors, and subject to the limits established under the pertinent legislation in force.

The principles of the Company's Remuneration Policy that applies to the remuneration of executive directors include:

1. Remuneration must be in line with the interests of the shareholders, oriented to creating long-term value and compatible with appropriate risk management, and the strategy, values and long-term interests of Fomento de Construcciones y Contratas, S.A.
2. The variable component of the remuneration must be in line with the objectives agreed to within the framework of prudent risk management.
3. Overall remuneration must be competitive with a view to attracting and retaining the best professionals.
4. Conflicts of interest must be avoided.

4.1. Fixed components

In addition to the right of Board members to receive a fixed remuneration, where pertinent, based on a share in the net profit of the Company and attendance allowances on the basis of their actual attendance at the meetings of the Board of Directors and its Committees, directors will also receive a fixed amount for the performance of senior management duties.

The fixed remuneration corresponding to each executive director for the performance of executive functions will be established according to the functions themselves, level of responsibility and professional profile.

The fixed remuneration will be reviewed annually by the Appointments and Remuneration Committee, which will establish whether there is a need for variation based on the performance of the company, results and fulfilment of the duties. The Board of Directors will agree upon the amount of the fixed remuneration for executive directors annually.

For 2018, the fixed remuneration of the Chief Executive Officer is €525,000.

4.2. Variable components

The Chief Executive Officer is the only executive director of the Company who receives variable remuneration, which is structured as follows:

a. Participation in the variable remuneration system up to 50% of the fixed salary based on the achievement of set objectives.

   This variable remuneration will be directly subject to the achievement of corporate objectives, for which the results in terms of EBITDA and operating cash flow of the corresponding financial year will be considered to be the parameters, following, in this regard, the guidelines implemented in companies held by Fomento de Construcciones y Contratas, S.A. to determine the variable remuneration of executives.

   Notwithstanding the foregoing, while the results of the companies in a given financial year measured according to the cited parameters might not reach the objectives set by the Company, the Board of Directors, at its own discretion, may opt to pay the Executive a variable remuneration above what would normally correspond to him in strict application of the requirements in that regard.

b. The remaining fifty per cent (50%) of the variable component will directly depend upon how much the Executive has achieved in terms of set objectives. In this regard, the Company's Board of Directors shall decide upon the specific amount following a prior report from the Appointments and Remuneration Committee.

The actual fixed salary received during the year (January to December) shall be taken as the base for calculating the variable of that year.

4.3. Remuneration in kind

The Chief Executive Officer is a beneficiary of the following items as remuneration in kind:

a. Travel insurance:

Accident insurance for travel by plane, train or ship to perform professional duties at the company, applicable to all Company employees.

The coverage amount is €601,012.10 per person, with a maximum of €4,207,091.00 per accident. The premium is paid in full by the Company.

b. Accidental death or total permanent disability insurance:

Accidental death or total permanent disability insurance, which is applicable to all Company employees and which aims to cover accidents leading to death or total permanent disability during or outside working hours under the terms and conditions of the valid policy.

The coverage for both contingencies will cover the sum of a year's worth of their respective fixed salaries. The premium is paid in full by the company.

c. Health Insurance:

The Company will assume 50% of the payment of the health insurance as established for all employees.

4.4. Indemnity due to the Chief Executive Officer

In case the contractual relationship is terminated by the Chief Executive Officer for any of the following causes:

- Substantial changes in working conditions conflicting with the CEO's professional training, undermining his/her dignity or following a serious transgression by the Company of good faith.
- Absence of payment for three consecutive months or six alternate months, or prolonged delay in payment of the agreed remuneration as established by contract.
- Company succession or substantial change in the ownership thereof entailing a replacement of administrative bodies or in the content of its main activities, so long as the termination occurs within the three months following such changes.

- Any other serious breach of contract by the Company, save for cases of force majeure, for which the Chief Executive Officer shall receive no indemnity whatsoever.

Upon free and unilateral abandonment of the company, the Chief Executive Officer will have the right to an indemnity comprising the sum of the following two items:

a) The amount resulting from a settlement calculated as from the start of the contractual relationship (and according to the applicable legislation in force on that date) of the employment relationship that the Chief Executive Officer previously held with any company in the FCC Group.

b) The result of multiplying 7 days of salary by the number of years elapsed since the date of the beginning of the contractual relationship until its termination.

Early termination of the prior relationship, save for dismissal with cause, will entail an indemnity under the terms established by the Workers' Statute regarding wrongful dismissal.

4.5. Further conditions applicable to the Chief Executive Officer

- **Duration:** The contract is for an indefinite period of time.

- **Exclusivity and non-compete**: Dedication must be exclusive and therefore no service provision contracts or agreements may be entered into with other companies, firms or entities.

  The non-compete clause shall survive for one year following termination of the contract. Certain prohibitions regarding competition and the capture of customers, employees, suppliers and service providers are contemplated and enforceable for one year following the termination of the contract.

- **Notice of Termination**: A written termination notice must be given at least 3 months in advance for termination of the contract by the Chief Executive Officer or the free and unilateral decision to terminate the contract by the Company.

- **Code of conduct**: The provisions of the code of conduct concerning confidentiality, professional ethics and conflict of interests must be strictly observed.

- **Conflicts of interest**: Articles 22 and 23 of the Regulations governing the FCC's Board of Directors states that directors have a duty to refrain from attending and intervening in deliberations that could affect matters in which their own interests could be directly or indirectly involved, and abstain from voting on the corresponding decisions. Additionally, directors must duly notify the Board in good time through either the Corporate Responsibility Department or any body that may subsequently take its place, of any situation with a potential for a conflict of interests with the interests of the Company or group of companies integrated in the FCC Group or related companies.

- **Liability:** According to article 29.1 of the Board Regulations, directors shall be liable to the Company, shareholders and creditors for any damage and injuries caused by acts or omissions that contravene the law or the Bylaws, or by acts or omissions in breach of the inherent duties of their positions, so long as there was negligence or bad faith.

Madrid, 9 May 2018.