

**APPENDIX I**

**ANNUAL CORPORATE GOVERNANCE REPORT**

**PUBLICLY TRADED COMPANIES**

**ISSUER IDENTIFICATION**

**FISCAL YEAR** 2005

Tax ID number A28037224

**Name:**

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**

**Address:**

**BALMES, 36  
BARCELONA  
08007  
SPAIN**

**ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR  
PUBLICLY TRADED COMPANIES**

In order to better comprehend and complete the form, please read the instructions at the end of this report.

**A OWNERSHIP STRUCTURE**

**A.1. Complete the following table on the company's share capital:**

| Last modified | Share Capital (€) | Number of Shares |
|---------------|-------------------|------------------|
| 28-06-2002    | 130,567,483.00    | 130,567,483      |

**If there are different classes of shares, list them on the following table:**

| Class | Number of Shares | Par value |
|-------|------------------|-----------|
|       |                  |           |

**A.2. Details of direct and indirect significant shareholders and the number of shares held at the end of the fiscal year, excluding directors:**

| Name or company name of Shareholder | Number of direct shares | Number of indirect shares (*) | % of total share capital |
|-------------------------------------|-------------------------|-------------------------------|--------------------------|
| ACCIONA, S.A.                       | 19,657,500              | 0                             | 15.055                   |

(\*) Through:

| Name or company name of the direct owner of the shares | Number of direct shares | % of total share capital |
|--------------------------------------------------------|-------------------------|--------------------------|
|                                                        |                         |                          |
| <b>Total:</b>                                          |                         |                          |

**Indicate the most significant changes in the shareholder structure during the fiscal year:**

| Name or company name of Shareholder | Date of transaction | Description of Transaction |
|-------------------------------------|---------------------|----------------------------|
|                                     |                     |                            |

**A.3. Complete the following table on the members of the Board of Directors who own shares in the Company:**

| Name or company name of Director         | Date of first appointment | Date of latest appointment | Number of direct shares | Number of indirect shares (*) | % of total share capital |
|------------------------------------------|---------------------------|----------------------------|-------------------------|-------------------------------|--------------------------|
| DON GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN | 30-06-1991                | 21-06-2005                 | 7,200                   | 0                             | 0.006                    |
| B 1998, S.L.                             | 17-12-1996                | 28-06-2002                 | 59,871,785              | 8,653,815                     | 52.483                   |
| CARTERA DEVA, S.A.                       | 15-09-2004                | 21-06-2005                 | 100                     | 0                             | 0.000                    |
| JUAN CASTELLS MASANA                     | 21-06-2000                | 21-06-2005                 | 7,629                   | 0                             | 0.006                    |
| DOMINUM DESGA, S.A.                      | 27-09-2000                | 20-06-2001                 | 4,132                   | 0                             | 0.003                    |
| DOMINUM DIRECCIÓN Y GESTIÓN, S.A.        | 26-10-2004                | 21-06-2005                 | 10                      | 0                             | 0.000                    |
| EAC INVERSIONES CORPORATIVAS S.L.        | 30-03-1999                | 23-06-2004                 | 32                      | 0                             | 0.000                    |

|                                     |            |            |        |   |       |
|-------------------------------------|------------|------------|--------|---|-------|
| FERNANDO FALCÓ FERNÁNDEZ DE CÓRDOVA | 18-12-2003 | 21-06-2005 | 4,390  | 0 | 0.003 |
| FELIPE BERNABÉ GARCÍA PÉREZ         | 30-03-1999 | 21-06-2005 | 5,243  | 0 | 0.004 |
| IBERSUIZAS ALFA, S.L.               | 15-09-2004 | 21-06-2005 | 1      | 0 | 0.000 |
| IBERSUIZAS HOLDINGS, S.L.           | 15-09-2004 | 21-06-2005 | 1      | 0 | 0.000 |
| LARRANZA XXI, S.L.                  | 13-01-2005 | 21-06-2005 | 10     | 0 | 0.000 |
| FRANCISCO MAS SARDA-CASANELLES      | 06-03-1992 | 28-06-2002 | 32,000 | 0 | 0.025 |
| RAFAEL MONTES SÁNCHEZ               | 06-03-1992 | 23-06-2004 | 30,453 | 0 | 0.023 |
| MARCELINO OREJA AGUIRRE             | 21-12-1999 | 21-06-2005 | 10,162 | 0 | 0.008 |
| ROBERT PEUGEOT                      | 15-09-2004 | 21-06-2005 | 10     | 0 | 0.000 |
| ANTONIO PÉREZ COLMENERO             | 30-03-2005 | 21-06-2005 | 9,327  | 0 | 0.007 |

(\*) Through:

| Name or company name of the direct owner of the shares | Number of direct shares |
|--------------------------------------------------------|-------------------------|
| AZATE, S.A.                                            | 8,653,815               |
| <b>Total:</b>                                          | <b>8,653,815</b>        |

|                                                       |        |
|-------------------------------------------------------|--------|
| % Total share capital owned by the Board of Directors | 52.568 |
|-------------------------------------------------------|--------|

Complete the following table on the members of the Board of Directors who own direct shares in the Company:

| Name or company name of Director | Number of direct option rights | Number of indirect option rights | Equivalent number of shares | % of total share capital |
|----------------------------------|--------------------------------|----------------------------------|-----------------------------|--------------------------|
|                                  |                                |                                  |                             |                          |

A.4. Indicate, where applicable, the relationships of a family, commercial, contractual or corporate nature that exist between significant shareholders to the extent that they are known by the Company, except those which are irrelevant or the result of the Company's ordinary business activities:

| Name of Shareholder | Type of relationship | Brief Description |
|---------------------|----------------------|-------------------|
|                     |                      |                   |

A.5. Indicate, where applicable, the relationships of a commercial, contractual or corporate nature that exist between significant shareholders, except those which are irrelevant or the result of the Company's ordinary business activities:

| Name of Shareholder | Type of relationship | Brief Description |
|---------------------|----------------------|-------------------|
|                     |                      |                   |

A.6. Describe any shareholders' agreements between shareholders which have been notified to the Company:

| Participants in the shareholders' agreement | % of capital stock affected | Brief description of the agreement                                                        |
|---------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------|
| ESTHER KOPLOWITZ ROMERO DE JUSEU            | 52.483                      | RELEVANT EVENT OF 30/07/2004 <a href="http://www.cnmv.es">www.cnmv.es</a> SEE PART G-A.6. |
| ESTHER KOPLOWITZ ROMERO DE JUSEU            | 52.483                      | RELEVANT EVENT OF 13.01.05 <a href="http://www.cnmv.es">www.cnmv.es</a> SEE PART G-A.6.   |

Indicate, where applicable, any concerted actions by the shareholders of your company that are known to the company:

| Participants in the concerted action | % of capital stock affected | Brief description of the concerted action |
|--------------------------------------|-----------------------------|-------------------------------------------|
|                                      |                             |                                           |

Please provide the details of any modification or termination of such shareholders agreements or concerted actions during the fiscal year.

**A.7. Indicate any individual or legal entity that controls or has the ability to control the Company pursuant to article 4 of the Stock Market Act:**

| Name                             |
|----------------------------------|
| ESTHER KOPLOWITZ ROMERO DE JUSEU |

| Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>52.483% OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) IS CONTROLLED BY B 1998, S.L. WHICH IS IN TURN CONTROLLED BY ESTHER KOPLOWITZ ROMERO DE JUSEU (EK) WHO OWNS 73.37% OF THE LATTER:</p> <p>- 54.6107% DIRECTLY AND</p> <p>- 18.7601% INDIRECTLY THROUGH DOMINUM DESGA, S.A. (0.0001%), AND THROUGH DOMINUM DIRECCIÓN Y GESTIÓN, S.A. (18.76%), BOTH WHOLLY-OWNED BY EK.</p> <p>FURTHERMORE, EK OWNS 123,313 DIRECT SHARES IN FCC AND 39,172 INDIRECT SHARES IN FCC THROUGH THE COMPANIES DOMINUM DESGA, S.A. (4,132) AND EJECUCIÓN Y ORGANIZACIÓN DE RECURSOS, S.L. (35,040), WHOLLY-OWNED BY EK.</p> |

**A.8. Complete the following table on the Company's treasury stock:**

As of the end of the fiscal year:

| Number of direct shares | Number of indirect shares (*) | % of total share capital |
|-------------------------|-------------------------------|--------------------------|
| 434,322                 | 660,020                       | 0.838                    |

(\*) Through:

| Name or company name of the direct owner of the shares     | Number of direct shares |
|------------------------------------------------------------|-------------------------|
| ASESORIA FINANCIERA Y DE GESTIÓN, S.A.                     | 343,922                 |
| COMPAÑIA AUXILIAR DE AGENCIA Y MEDIACION, S.A. UNIPERSONAL | 316,098                 |
| <b>Total:</b>                                              | <b>660,020</b>          |

Please provide the details of any significant variations during the fiscal year according to the provisions of Royal Decree 377/1991:

| Date       | Number of direct shares | Number of indirect shares | % of total share capital |
|------------|-------------------------|---------------------------|--------------------------|
| 30-08-2005 | 0                       | 2,000                     | 0.002                    |
| 31-08-2005 | 0                       | 25,500                    | 0.020                    |
| 01-09-2005 | 0                       | 8,101                     | 0.006                    |
| 02-09-2005 | 0                       | -13,000                   | -0.010                   |
| 06-09-2005 | 0                       | 11,714                    | 0.009                    |
| 07-09-2005 | 0                       | 38,209                    | 0.029                    |
| 08-09-2005 | 0                       | 15,593                    | 0.012                    |
| 09-09-2005 | 0                       | 32,954                    | 0.025                    |
| 12-09-2005 | 0                       | 37,007                    | 0.028                    |
| 13-09-2005 | 0                       | 5,896                     | 0.005                    |
| 14-09-2005 | 0                       | 4,200                     | 0.003                    |
| 15-09-2005 | 0                       | 7,011                     | 0.005                    |
| 16-09-2005 | 0                       | 2,465                     | 0.002                    |
| 20-09-2005 | 0                       | 7,843                     | 0.006                    |
| 21-09-2005 | 0                       | 18,000                    | 0.014                    |
| 22-09-2005 | 0                       | 19,762                    | 0.015                    |

|            |   |         |        |
|------------|---|---------|--------|
| 23-09-2005 | 0 | -500    | 0.000  |
| 26-09-2005 | 0 | -13,921 | -0.011 |
| 27-09-2005 | 0 | -1,090  | -0.001 |
| 28-09-2005 | 0 | 2,515   | 0.002  |
| 30-09-2005 | 0 | 7,949   | 0.006  |
| 07-10-2005 | 0 | 3,896   | 0.003  |
| 12-10-2005 | 0 | 5,967   | 0.005  |
| 19-10-2005 | 0 | 1,504   | 0.001  |
| 15-11-2005 | 0 | 22,606  | 0.017  |
| 16-11-2005 | 0 | 35,759  | 0.027  |
| 17-11-2005 | 0 | 10,016  | 0.008  |
| 18-11-2005 | 0 | 16,826  | 0.013  |
| 21-11-2005 | 0 | 15,998  | 0.012  |
| 12-12-2005 | 0 | -25,000 | -0.019 |
| 20-12-2005 | 0 | 6,411   | 0.005  |
| 30-12-2005 | 0 | 31,731  | 0.024  |

|                                                                                                              |           |
|--------------------------------------------------------------------------------------------------------------|-----------|
| <b>Results obtained in the fiscal year from transactions with treasury stock<br/>(in thousands of euros)</b> | <b>58</b> |
|--------------------------------------------------------------------------------------------------------------|-----------|

**A.9. Describe the conditions and the deadline(s) under which the Board of Directors may carry out acquisitions or transfers of treasury stock as described in part A.8.**

Resolution of the General Meeting of Shareholders of 21.06.05:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and the companies of the Group meeting any of the circumstances contained in article 42, parts 1 and 2, of the Commerce Code are authorised to acquire treasury stock by purchasing such stock on any stock exchange where the stock is traded, at the market price on the date of purchase, which must be between the minimum and maximum values indicated below:

- Maximum value: the highest quoted price in the three months immediately prior to the acquisition date, plus ten percent.
- Minimum value: the lowest quoted price in the last three months immediately prior to the acquisition date, less ten percent.

By virtue of this authorisation, the Board, the Executive Committee or the Managing Director may acquire the treasury stock provided that at the time of purchase the total treasury stock, including that purchased, does not exceed 5% of the capital stock pursuant to the terms of article 75.2 of the Revised Text of the Public Corporations Act.

The term of the authorisation shall be 18 months from today's date.

The acquisition of treasury stock, which must be fully paid up, must allow the Company to record the provision stipulated in part 3 of article 79 of the Public Corporations Act, without decreasing the capital or the legal or unavailable reserves.

The authorisation to buy treasury stock granted to the Board by resolution of the General Meeting of Shareholders held on 23.06.04 is hereby null and void.

**A.10. Describe any legal or statutory restriction on voting rights and the legal restrictions on the acquisition or transmission of share capital.**

The restrictions are those established in article 18 of the Articles of Association:

Shareholders possessing two thousand or more shares, including those without voting rights, shall be entitled to attend the General Meeting, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated by the Company, by exhibiting the pertinent certificate.

Shareholders possessing fewer than two thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group.

## **B ADMINISTRATIVE STRUCTURE OF THE COMPANY**

### **B.1. Board of Directors**

#### **B.1.1. State the maximum and minimum number of directors according to the Articles of Association:**

|                             |    |
|-----------------------------|----|
| Maximum number of directors | 20 |
| Minimum number of directors | 3  |

#### **B.1.2. Complete the following table on the members of the Board:**

| Name or company name of Director         | Representative                     | Position on the Board | Date of first appointment | Date of latest appointment | Election procedure |
|------------------------------------------|------------------------------------|-----------------------|---------------------------|----------------------------|--------------------|
| DON GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN |                                    | DIRECTOR              | 30-06-1991                | 21-06-2005                 | GENERAL MEETING    |
| B 1998, S.L.                             | ESTHER KOPLOWITZ ROMERO DE JUSEU   | DIRECTOR              | 17-12-1996                | 28-06-2002                 | GENERAL MEETING    |
| CARTERA DEVA, S.A.                       | JOSÉ AGUINAGA CÁRDENAS             | DIRECTOR              | 15-09-2004                | 21-06-2005                 | GENERAL MEETING    |
| JUAN CASTELLS MASANA                     |                                    | DIRECTOR              | 21-06-2000                | 21-06-2005                 | GENERAL MEETING    |
| DOMINUM DESGA, S.A.                      | ESTHER ALCOCER KOPLOWITZ           | DIRECTOR              | 27-09-2000                | 20-06-2001                 | GENERAL MEETING    |
| DOMINUM DIRECCIÓN Y GESTIÓN, S.A.        | ALICIA ALCOCER KOPLOWITZ           | DIRECTOR              | 26-10-2004                | 21-06-2005                 | GENERAL MEETING    |
| EAC INVERSIONES CORPORATIVAS S.L.        | CARMEN ALCOCER KOPLOWITZ           | DIRECTOR              | 30-03-1999                | 23-06-2004                 | GENERAL MEETING    |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA      |                                    | DIRECTOR              | 18-12-2003                | 21-06-2005                 | GENERAL MEETING    |
| FELIPE BERNABÉ GARCÍA PÉREZ              |                                    | DIRECTOR              | 30-03-1999                | 21-06-2005                 | GENERAL MEETING    |
| IBERSUIZAS ALFA, S.L.                    | LUIS CHICHARRO ORTEGA              | DIRECTOR              | 15-09-2004                | 21-06-2005                 | GENERAL MEETING    |
| IBERSUIZAS HOLDINGS, S.L.                | PEDRO AGUSTIN DEL CASTILLO MACHADO | DIRECTOR              | 15-09-2004                | 21-06-2005                 | GENERAL MEETING    |
| LARRANZA XXI, S.L.                       | LOURDES MARTÍNEZ ZABALA            | DIRECTOR              | 13-01-2005                | 21-06-2005                 | GENERAL MEETING    |

|                                 |  |                   |            |            |                 |
|---------------------------------|--|-------------------|------------|------------|-----------------|
| FRANCISCO MAS SARDAS-CASANELLES |  | DIRECTOR          | 06-03-1992 | 28-06-2002 | GENERAL MEETING |
| RAFAEL MONTES SÁNCHEZ           |  | MANAGING DIRECTOR | 06-03-1992 | 23-06-2004 | GENERAL MEETING |
| MARCELINO OREJA AGUIRRE         |  | CHAIRMAN          | 21-12-1999 | 21-06-2005 | GENERAL MEETING |
| ROBERT PEUGEOT                  |  | DIRECTOR          | 15-09-2004 | 21-06-2005 | GENERAL MEETING |
| ANTONIO PÉREZ COLMENERO         |  | DIRECTOR          | 30-03-2005 | 21-06-2005 | GENERAL MEETING |

|                           |    |
|---------------------------|----|
| Total number of directors | 17 |
|---------------------------|----|

List any directors removed from the Board of Directors during the fiscal year:

| Name or company name of Director | Date of Resignation |
|----------------------------------|---------------------|
|                                  |                     |

**B.1.3. Complete the following tables on the directors:**

#### **EXECUTIVE DIRECTORS**

| Name or company name of Director | Committee that proposed appointment | Position in the Company's organization |
|----------------------------------|-------------------------------------|----------------------------------------|
| RAFAEL MONTES SÁNCHEZ            |                                     | MANAGING DIRECTOR                      |
| FELIPE BERNABÉ GARCÍA PÉREZ      | APPOINTMENTS AND REMUNERATION       | GENERAL SECRETARY                      |
| ANTONIO PÉREZ COLMENERO          | APPOINTMENTS AND REMUNERATION       | DIRECTOR OF HUMAN RESOURCES AND MEDIA  |

#### **EXTERNAL NOMINEE DIRECTORS**

| Name or company name of Director    | Committee that proposed appointment | Name of the significant shareholder represented or which proposed the appointment |
|-------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------|
| B 1998, S.L.                        |                                     | B 1998, S.L.                                                                      |
| DOMINUM DESGA, S.A.                 |                                     | B 1998, S.L.                                                                      |
| DOMINUM DIRECCIÓN Y GESTIÓN, S.A.   | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| EAC INVERSIONES CORPORATIVAS S.L.   |                                     | B 1998, S.L.                                                                      |
| FERNANDO FALCO FERNÁNDEZ DE CORDOVA | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| MARCELINO OREJA AGUIRRE             | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| IBERSUIZAS ALFA, S.L.               | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| IBERSUIZAS HOLDINGS, S.L.           | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| CARTERA DEVA, S.A.                  | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| ROBERT PEUGEOT                      | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| LARRANZA XXI, S.L.                  | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |
| JUAN CASTELLS MASANA                | APPOINTMENTS AND REMUNERATION       | B 1998, S.L.                                                                      |

#### **EXTERNAL INDEPENDENT DIRECTORS**

| Name or company name of Director | Committee that proposed appointment | Profile             |
|----------------------------------|-------------------------------------|---------------------|
| DON GONZALO ANES Y ÁLVAREZ       | APPOINTMENTS AND                    | PH.D. IN ECONOMICS, |

|                                |              |                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DE CASTRILLÓN                  | REMUNERATION | PROFESSOR OF HISTORY AND ECONOMIC INSTITUTIONS AT THE SCHOOL OF ECONOMIC SCIENCE AT THE UNIVERSITY COMPLUTENSE DE MADRID; DIRECTOR OF THE ROYAL ACADEMY OF HISTORY; DIRECTOR OF REPSOL YPF, S.A. DIRECTOR OF THE BANK OF SPAIN FROM 1980-1988; FORMER DIRECTOR OF THE MAGAZINE "MONEDA Y CRÉDITO"                                                                                                              |
| FRANCISCO MAS SARDA-CASANELLES |              | LAW DEGREE FROM THE UNIVERSITY OF BARCELONA; MEMBER OF THE BUSINESS COUNCIL OF THE CATALAN INSTITUTE OF TECHNOLOGY; ADVISORY MEMBER OF THE CATALUÑA CHAMBER OF COMMERCE, INDUSTRY AND NAVIGATION. FORMER CHAIRMAN OF THE BANCA MAS SARDÁ, FOMENTO DE OBRAS Y CONSTRUCCIONES, S.A., NIXDORF ESPAÑA, S.A., VICE PRESIDENT OF AUTOPISTES DE CATALUNYA, S.A. AND MEMBER OF THE ADVISORY BOARD OF CATALUÑA OLÍMPICA |

**OTHER EXTERNAL DIRECTORS:**

| Name or company name of Director | Committee that proposed appointment |
|----------------------------------|-------------------------------------|
|                                  |                                     |

Please explain why they cannot be considered nominee or independent directors:

Indicate any changes to the types of directors during the fiscal year:

| Name or company name of Director | Date of change | Previous Type | Current Type |
|----------------------------------|----------------|---------------|--------------|
|                                  |                |               |              |

**B.1.4. Indicate whether the types of directors stated in the preceding point match the distribution provided for in the Board of Directors Regulations.**

The types of directors comply with the provisions of article 6, "Qualitative Composition" of the Regulations of the Board of Directors.

**B.1.5. Indicate the powers vested in the Managing Directors(s), if any:**

| Name or company name of Director | Brief Description   |
|----------------------------------|---------------------|
| RAFAEL MONTES SÁNCHEZ            | SEE PART G-B0.10.5. |

**B.1.6. Identify the board members who hold administrative posts or sit on the boards of other companies that are part of the publicly-traded group of companies:**



| Name or company name of Director    | Name of Company or Group            | Title    |
|-------------------------------------|-------------------------------------|----------|
| CARTERA DEVA, S.A.                  | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| EAC INVERSIONES CORPORATIVAS S.L.   | REALIA BUSINESS, S.A.               | DIRECTOR |
| EAC INVERSIONES CORPORATIVAS S.L.   | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| EAC INVERSIONES CORPORATIVAS S.L.   | FCC CONSTRUCCIÓN, S.A.              | DIRECTOR |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | REALIA BUSINESS, S.A.               | DIRECTOR |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | FCC CONSTRUCCIÓN, S.A.              | DIRECTOR |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| IBERSUIZAS ALFA, S.L.               | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| RAFAEL MONTES SÁNCHEZ               | FCC CONSTRUCCIÓN, S.A.              | DIRECTOR |
| RAFAEL MONTES SÁNCHEZ               | CEMENTOS PORTLAND VALDERRIVAS, S.A. | DIRECTOR |
| ROBERT PEUGEOT                      | FCC CONSTRUCCIÓN, S.A.              | DIRECTOR |
| ANTONIO PÉREZ COLMENERO             | PER GESTORA INMOBILIARIA, S.L.      | DIRECTOR |

**B.1.7. Please provide the details of any board members who sit on the boards of directors of other companies quoted on the Spanish stock exchange, other than companies of your group, of which the company has been notified:**

| Name or company name of Director         | Quoted Company             | Title          |
|------------------------------------------|----------------------------|----------------|
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA      | SOGECABLE, S.A.            | VICE PRESIDENT |
| IBERSUIZAS ALFA, S.L.                    | LA SEDA DE BARCELONA, S.A. | DIRECTOR       |
| MARCELINO OREJA AGUIRRE                  | REPSOL YPF, S.A.           | DIRECTOR       |
| MARCELINO OREJA AGUIRRE                  | ACERINOX, S.A.             | DIRECTOR       |
| DON GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN | REPSOL YPF, S.A.           | DIRECTOR       |

**B.1.8. Complete the following tables regarding the aggregate remuneration paid to board members during the fiscal year.**

**a) In the company to which this report refers:**

| Breakdown of Remuneration                        | Data in thousands of euros |
|--------------------------------------------------|----------------------------|
| Fixed                                            | 2,205                      |
| Variable                                         | 484                        |
| Allowances                                       | 6                          |
| Allowances for meeting attendance                | 1,654                      |
| Stock options and/or other financial instruments | 0                          |
| Other                                            | 0                          |
| <b>Total:</b>                                    | <b>4,349</b>               |

| Other Benefits                                  | Data in thousands of euros |
|-------------------------------------------------|----------------------------|
| Advances                                        | 0                          |
| Loans granted                                   | 0                          |
| Pension plans and funds: Contributions          | 0                          |
| Pension plans and funds: Obligations assumed    | 0                          |
| Life insurance premiums                         | 0                          |
| Guarantees provided by the company to directors | 0                          |

**b) For sitting on the boards of other boards of directors and/or occupying executive positions in Group companies:**

| Breakdown of Remuneration                        | Data in thousands of euros |
|--------------------------------------------------|----------------------------|
| Fixed                                            | 0                          |
| Variable                                         | 0                          |
| Allowances                                       | 0                          |
| Allowances for meeting attendance                | 738                        |
| Stock options and/or other financial instruments | 0                          |
| Other                                            | 0                          |
| <b>Total:</b>                                    | <b>738</b>                 |

| Other Benefits                                  | Data in thousands of euros |
|-------------------------------------------------|----------------------------|
| Advances                                        | 0                          |
| Loans granted                                   | 0                          |
| Pension plans and funds: Contributions          | 0                          |
| Pension plans and funds: Obligations assumed    | 0                          |
| Life insurance premiums                         | 0                          |
| Guarantees provided by the company to directors | 0                          |

**c) Total remuneration by director type:**

| Type of Director     | By Company   | By Group   |
|----------------------|--------------|------------|
| Executive            | 2,962        | 200        |
| External nominees    | 1,226        | 538        |
| External independent | 161          | 0          |
| Other external       | 0            | 0          |
| <b>Total:</b>        | <b>4,349</b> | <b>738</b> |

**d) Profits earned by the parent company:**

|                                                                                                   |       |
|---------------------------------------------------------------------------------------------------|-------|
| <b>Total remuneration paid to directors (thousands of euros)</b>                                  | 5,087 |
| <b>Total remuneration paid to directors/profits earned by the parent company (expressed in %)</b> | 1.207 |

**B.1.9. List the executive staff members who are not executive directors and indicate the total remuneration paid to them during the fiscal year:**

| Name                                               | Title                                  |
|----------------------------------------------------|----------------------------------------|
| IGNACIO BAYÓN MARINÉ                               | CHAIRMAN, REALIA BUSINESS, S.A.        |
| JOSÉ LUIS DE LA TORRE SÁNCHEZ                      | CHAIRMAN OF FCC SERVICES               |
| DON ANTONIO GÓMEZ CIRIA                            | DIRECTOR OF INTERNAL AUDITS            |
| JOSÉ IGNACIO MARTÍNEZ-YNZENZA CÁNOVAS DEL CASTILLO | CEO, CEMENTOS P.V.                     |
| JOSÉ MAYOR OREJA                                   | CHAIRMAN, FCC CONSTRUCCIÓN, S.A.       |
| JOSÉ EUGENIO TRUEBA GUTIÉRREZ                      | DIRECTOR OF ADMINISTRATION AND FINANCE |
| JOSÉ LUIS VASCO HERNANDO                           | DIRECTOR OF ADMINISTRATION             |

|                                                                        |       |
|------------------------------------------------------------------------|-------|
| <b>Total remuneration paid to executive staff (thousands of euros)</b> | 4,258 |
|------------------------------------------------------------------------|-------|

**B.1.10. Please indicate whether there are guarantee clauses for cases of dismissal or control changes in favour of executive staff members, including executive directors of the company or the group. Indicate whether these contracts must be submitted to and/or approved by the governing bodies of the company or group:**

|                                |   |
|--------------------------------|---|
| <b>Number of beneficiaries</b> | 9 |
|--------------------------------|---|

|                                         |                           |                        |
|-----------------------------------------|---------------------------|------------------------|
|                                         | <b>Board of Directors</b> | <b>General Meeting</b> |
| <b>Body that authorises the clauses</b> | <b>X</b>                  |                        |

|                                                        |            |           |
|--------------------------------------------------------|------------|-----------|
|                                                        | <b>Yes</b> | <b>NO</b> |
| <b>Is the General Meeting informed of the clauses?</b> | <b>X</b>   |           |

**B.1.11. Describe the process for setting the remuneration of the members of the Board of Directors and the relevant clauses of the Articles of Association in this regard.**

Article 37 of the Articles of Association states that:

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

The remuneration will be paid to the board members in such a way that each member who sits on the Executive Committee will receive 75% more than members who do not sit on the Committee.

Article 42 of the Regulations of the Board establishes that one of the functions of the Appointments and Remuneration Committee is to "report on the remuneration system for directors and to review it periodically to ensure that it is commensurate with the functions they perform".

**B.1.12. Please identify the members of the Board of Directors who are at once board members or directors of companies which are significant shareholders in the publicly-traded company and/or its group companies:**

| <b>Name or company name of Director</b> | <b>Name of significant shareholder</b> | <b>Title</b>         |
|-----------------------------------------|----------------------------------------|----------------------|
| CARTERA DEVA, S.A.                      | B 1998, S.L.                           | DIRECTOR             |
| JUAN CASTELLS MASANA                    | B 1998, S.L.                           | DIRECTOR             |
| DOMINUM DESGA, S.A.                     | B 1998, S.L.                           | DIRECTOR             |
| DOMINUM DIRECCIÓN Y GESTIÓN, S.A.       | B 1998, S.L.                           | DIRECTOR             |
| EAC INVERSIONES CORPORATIVAS S.L.       | B 1998, S.L.                           | DIRECTOR             |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA     | B 1998, S.L.                           | DIRECTOR             |
| FELIPE BERNABÉ GARCÍA PÉREZ             | B 1998, S.L.                           | NON-MEMBER SECRETARY |
| IBERSUIZAS HOLDINGS, S.L.               | B 1998, S.L.                           | DIRECTOR             |
| LARRANZA XXI, S.L.                      | B 1998, S.L.                           | DIRECTOR             |
| RAFAEL MONTES SÁNCHEZ                   | B 1998, S.L.                           | DIRECTOR             |
| ROBERT PEUGEOT                          | B 1998, S.L.                           | DIRECTOR             |

**Describe any relevant relationships other than those mentioned above between the members of the Board of Directors and significant shareholders and/or companies of the group:**

| <b>Name or company name of Director</b> | <b>Name of significant shareholder</b> | <b>Description of relationship</b> |
|-----------------------------------------|----------------------------------------|------------------------------------|
|-----------------------------------------|----------------------------------------|------------------------------------|

|                           |              |                                                                            |
|---------------------------|--------------|----------------------------------------------------------------------------|
| CARTERA DEVA, S.A.        | B 1998, S.L. | SHAREHOLDERS' AGREEMENT WITH B 1998, S.L.                                  |
| LARRANZA XXI, S.L.        | B 1998, S.L. | B 1998, S.L. SHAREHOLDERS' AGREEMENT                                       |
| ROBERT PEUGEOT            | B 1998, S.L. | SHAREHOLDERS' AGREEMENT WITH B 1998, S.L. INDIRECTLY THROUGH SIMANTE, S.L. |
| IBERSUIZAS ALFA, S.L.     | B 1998, S.L. | B 1998, S.L. SHAREHOLDERS' AGREEMENT                                       |
| IBERSUIZAS HOLDINGS, S.L. | B 1998, S.L. | SHAREHOLDERS' AGREEMENT WITH B 1998, S.L.                                  |

**B.1.13. Please list any changes made to the Board of Directors Regulations in the fiscal year.**

There were no changes to the Board of Directors Regulations in 2005.

**B.1.14. State the procedures for appointing, re-electing, evaluating and removing directors. Describe the competent bodies, the procedures to be followed and the standards applied in each one of these procedures.**

The General Meeting is responsible for appointing and removing directors. Directors may be re-elected one or more times for five-year terms.

Under the shareholders' agreements referred to in part A.6. of this report, with regard to the FCC Directors corresponding to B 1998, S.L., the investors may appoint four (4) directors to the Board of Directors of FCC.

EK or EK's chosen representative will be entitled to appoint all of the members of the Board of Directors of FCC which B 1998, S.L. is entitled to appoint, other than those whom the investors are entitled to appoint.

Chapter IV of the Regulations of the Board entitled "Appointment and Removal of Directors" regulates the following:

**Article 16. Appointment of Directors**

Proposals for the appointment of Directors by the Board of Directors will be submitted to the General Meeting of Shareholders for its consideration and the appointment decisions that are adopted by virtue of the power of co-optation vested in the Board shall fall upon people of recognised honourableness, solvency, technical competence and experience, based on the report of the Appointments and Remuneration Committee.

**Article 18. Term of Office**

1. The term of office of Directors will be that established in the Articles of Association, which may not be more than five years.

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

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

4. The Board of Directors, at its complete discretion, may release outgoing Directors from this obligation or shorten the period of time.

**Article 19. Re-election of Directors**

Prior to the submitting any Director to the General Meeting of Shareholders for re-election, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and devotion to the post of the proposed Directors during their previous mandate.

**Article 20. Removal of Directors**

The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.

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

Pursuant to the provisions of Article 25 of these Regulations, the Directors being proposed for appointment, re-election or dismissal will abstain from participating in the deliberations referring to them. However, they may vote on such proposals.

**B.1.15. Indicate under what circumstances directors are obliged to resign.**

Article 20 of the Regulations of the Board establishes that:

1. The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.

2. The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases:

a. When they no longer occupy the positions or perform the functions associated with their appointment as executive directors.

b. In the case of nominated directors, when the shareholder whose interests they represent transfers its interest in FCC

c. When they are affected by circumstances of incompatibility or legal prohibition.

d. When at least two thirds of the Board members are in favour of the Director's resignation:

- when the Director is admonished by the Board for having infringed his obligations as a Director, following the proposal or report of the Appointments and Remuneration Committee or

- when the interests of FCC could be jeopardised by the Director remaining on the Board.

**B.1.16. Explain whether the Chairman of the Board is also the Chief Operating Officer of the Company. If so, state the measures that have been taken to limit the risk of power accumulating in one person:**

Yes ☐ NO ☒

| Risk Control Measures |
|-----------------------|
|                       |

**B.1.17. Are special quorums required to take any type of decision, other than the legally-mandated quorums?**

Yes ☐ NO ☒

**Describe how resolutions are passed by the Board of Directors, indicating the attendance quorum required and the type of majority needed to pass resolutions:**

**Passage of Resolutions**

| Description of Resolution                                                                                                                                                                                  | Quorum                                                                        | Type of Majority                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------|
| Permanent delegation of powers to the Executive Committee, the Chairman or the Managing Directors, and the appointment of the directors who will hold such posts. ALL OTHER RESOLUTIONS (SEE PART G-B1.17) | Two-thirds of the board members must be present or represented at the meeting | Two-thirds of the board members |

**B.1.18. Explain whether there are any special requirements, other than those relative to directors, for being appointed Chairman.**

Yes ☐ NO ☒

| Description of requirements |
|-----------------------------|
|                             |

**B.1.19. Indicate whether the Chairman casts the deciding vote:**

Yes ☐ NO ☒

| Matters in which there is a deciding vote |
|-------------------------------------------|
|                                           |

**B.1.20. State whether the Regulations of the Board set an age limit for Directors:**

Yes ☐ NO ☒

|                                 |  |
|---------------------------------|--|
| Age limit for chairman:         |  |
| Age limit for Managing Director |  |
| Age limit of board members:     |  |

**B.1.21. Indicate whether the Articles of Association or the Regulations of the Board establish a limited term of office for independent directors.**

Yes ☐ NO ☒

|                                    |   |
|------------------------------------|---|
| Maximum number of years of mandate | 0 |
|------------------------------------|---|

**B.1.22. State whether there are formal procedures for delegating votes in the Board of Directors. If so, describe them briefly.**

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

**B.1.23. State the number of Board of Directors meeting held during the fiscal year. Also state how many times the Board of Directors met without the Chairman in attendance:**

|                                                      |    |
|------------------------------------------------------|----|
| Number of Board meetings                             | 12 |
| Number of meeting without the Chairman in attendance | 0  |

**State the number of meetings held by the different Board committees during the fiscal year:**

|                                                                   |    |
|-------------------------------------------------------------------|----|
| Number of meetings of the Executive or Delegated Committee        | 11 |
| Number of meetings of the Audit Committee                         | 9  |
| Number of meetings of the Appointment and Remunerations Committee | 3  |
| Number of meetings of the Strategy and Investment Committee       | 1  |
| Number of committee meetings                                      | 0  |

**B.1.24. Indicate whether the individual and consolidated annual income statements presented to the Board for its approval are previously certified.**

Yes ☒ NO ☐

**Identify the person or people who has or have certified the individual and consolidated income statements of the Company to be formulated by the Board:**

| Name                          | Title                                                                 |
|-------------------------------|-----------------------------------------------------------------------|
| RAFAEL MONTES SÁNCHEZ         | MANAGING DIRECTOR                                                     |
| JOSÉ EUGENIO TRUEBA GUTIÉRREZ | DIRECTOR OF CORPORATE ADMINISTRATION AND FINANCE (SEE PART G-B.1.24.) |

**B.1.25. Explain any mechanisms established by the Board of Directors to avoid the individual and consolidated annual income statements being submitted to the General Meeting of Shareholders with provisos in the Auditor's Report.**

Among other things, the Audit Committee is responsible for reviewing the procedures used to prepare the financial and economic information published by the FCC Group periodically. Since this function is particularly crucial inasmuch as the annual information is concerned, prior to the annual income statements for 2005 being drafted by the Board of Directors, the

Audit Committee examined the accounts carefully so that once formulated by the Board the external auditor's report contained no provisos.

**B.1.26. Describe the measures adopted to ensure that information is distributed to the stock market in an equitable and symmetrical way.**

Article 14 of the Regulations of the Board entitled "Relations with Markets" establishes that:

1. The Board of Directors will take the necessary measures to inform the public immediately, by forwarding to the National Securities Market Commission (C.N.M.V.) and simultaneously posting on the FCC website:

- a) Any relevant events capable of having a significant influence on the formation of the stock market price of FCC shares.
- b) Changes that have a significant effect on the stockholder structure of FCC
- c) Substantial changes to the FCC regulations of governance, currently composed of the Articles of Association, the General Meeting Regulations, the Regulations of the Board of Directors and the Internal Code of Conduct.
- d) Any treasury stock transactions of particular importance.

2. The Board of Directors will adopt the necessary measures to ensure that the periodical financial information and any other information that is made available to the markets is prepared according to the same principles, standards and professional practices as the income statements and is just as reliable as they are.

Generally speaking, the people bound by the Internal Code of Conduct approved by the Board of Directors on 17<sup>th</sup>. June 2003 must respect the regulations of conduct contained in the Securities Market Act and provisions in development thereof and shall strictly abide by the provisions set forth in article 81 of the Securities Market Act.

In particular, they may not participate in any of the following conducts, either on their own behalf or that of a third party:

- Preparing or performing transactions with the securities or instruments to which the information refers.
- Disseminating or sharing such information with third parties, except in the normal performance of their duties.
- Recommending or advising third parties to acquire or assign negotiable securities or financial instruments or having someone else acquire or assign them based on such information.

Those subject to the Code of Conduct must keep all of the information and data referring to FCC or the securities issued by the companies of the Group confidential, notwithstanding the obligation to reveal such information and collaborate with administrative or legal authorities as required by law.

Furthermore, the abovementioned parties shall prevent such data or information from being used unfairly or abusively and shall report any cases which come to their attention and shall take the measures needed to prevent, avoid and/or correct the consequences.

The Director of Corporate Administration and Finance will keep a close eye on the value of the affected securities and instruments during the



examination or negotiation phase of any type of legal or financial transaction which could have a significant influence on the value of the affected securities or instruments. In the event of an abnormal fluctuation in the value or in the traded volume of the affected securities or instruments in which there were, in the opinion of the Corporate Finance Director, reason to believe that such fluctuations were caused as a consequence of the transaction being leaked prematurely, he or she shall report the situation to the Chairman of the Steering Committee and the Chairman of the Board of Directors and, after obtaining authorisation from the latter, shall immediately report it as a relevant event under the terms of part f) of article 83 bis, of the Securities Market Act. If the urgency of the situation allows, the Chairman of the Board will first inform the members of the Board of Directors.

Those bound by the Internal Code of Conduct will abstain from providing any confidential or privileged information to analysts, investors or the press which has not previously or simultaneously been provided to the general public.

**B.1.27. Is the Secretary of the Board also a Director?**

Yes ☐ NO ☒

**B.1.28. Indicate the mechanisms implemented by the Company to preserve the independence of auditors, financial analysts, investment banks and rating agencies, if any.**

These mechanisms are regulated under article 41 of the Regulations of the Board entitled "Audit and Control Committee":

"...

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

3. In particular, the Audit and Control Committee's powers include but are not limited to:

...

- Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Limited Liability Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December.

- Supervising the company's internal audit services.

- Overseeing the company's financial information process and internal control systems.

- Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications foreseen in the auditing legislation and in auditing standards.

- Guaranteeing the independence of its own members in relation to the Company's external auditors.
- Overseeing compliance with legal requirements and the correct application of generally accepted accounting standards.
- Supervising the preparation of the individual and consolidated Income Statements and the Directors' Report for their formulation by the Board of Directors in accordance with the law.
- Informing the Board on the accuracy and reliability of the individual and consolidated Income Statements and Directors' Report and of the financial information periodically disseminated to the markets.
- Evaluating the reports on proposed amendments of these Regulations , in accordance with the provisions of part 3, Article 4.
- Deciding on how to proceed in relation to the information rights of the Directors who come to the Committee for assistance, in accordance with the provisions of Article 30 of these Regulations. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in article 38.4 of these Regulations .
- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.

...

4. To perform its functions to the best of its ability, the Audit and Control Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

5. The Audit and Control Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.

...

9. It shall attend the Committee meetings and to collaborate and provide access to information to any member of the executive staff of FCC at their request. The Committee may also request the attendance of FCC's auditors at its sessions.

10. The Audit and Control Committee shall have access to all of the documentation and information needed to perform its functions.

11. For all other matters not specifically regulated hereunder, the provisions of Articles 37 and 38 of the Articles of Association and on a supplementary basis the provisions of the Articles of Association relative to the Board of Directors shall apply.

12. The members of the Audit and Control Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers will attend the meetings with voice but without vote.

**B.1.29.** Indicate whether the auditor does work for the Company and/or the Group other than auditing work and, if so, whether they declare the amount of the fees received for such work and the percentage which such work represents out of the total fees billed to the Company or the Group.

Yes ☒ NO ☐

|                                                                                                                           | Company | Group | Total: |
|---------------------------------------------------------------------------------------------------------------------------|---------|-------|--------|
| Fees paid for work other than auditing work performed (thousands of euros)                                                | 77      | 87    | 164    |
| Fees paid for work other than auditing work performed as a percent of the total fees invoiced by the auditing firm (en %) | 19,600  | 5,400 | 8,184  |

**B.1.30.** State for how many consecutive years the current auditors have been auditing the Company's annual income statements and/or those of the Group. Also state the percentage which the number of years audited by the current firm represents compared to the total number of years for which the income statements have been audited:

|                             | Company | Group |
|-----------------------------|---------|-------|
| Number of consecutive years | 16      | 16    |

|                                                                                                                    | Company | Group   |
|--------------------------------------------------------------------------------------------------------------------|---------|---------|
| No. of years audited by the current auditors / no. of years the company's / group's accounts have been audited (%) | 100,000 | 100,000 |

**B.1.31.** Indicate the interests held by the members of the Board of Directors of the Company in the capital of companies with identical, analogous, or complementary types of activities as those making up the business objective of the Company or the Group which have been notified to the Company. Also indicate their titles or the functions they perform in these companies:

| Name or company name of Director | Name of company | % ownership | Title or functions |
|----------------------------------|-----------------|-------------|--------------------|
|                                  |                 |             |                    |

**B.1.32.** Describe the procedures, if any, that exist for directors to receive the advice of external advisers:

Yes ☒ NO ☐

| Details of Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 31 of the Regulations of the Board, "Expert Assistance", establishes that:</p> <p>1. In order to be aided in the performance of their duties, external Directors may request the hiring of legal, accounting and financial advisers or other experts, at the Company's expense.<br/>Such requests must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of the Director's duties.</p> <p>2. Requests for external advisers or experts shall be submitted to the Chairman of FCC and will be authorised by the Board of Directors if, in the Board's opinion:</p> <p>a. it is necessary for the proper performance by independent Directors of their assigned duties.</p> <p>b. the cost is reasonable, in view of the importance of the problem and the assets and income of FCC and</p> <p>c. The technical assistance cannot be properly provided by internal FCC experts or technical personnel.</p> <p>3. Requests for expert assistance by any of the Board Committees may not be denied, except when a majority of the Board members considers that the conditions foreseen in part 2 of this Article are not met.</p> |

**B.1.33. Describe the procedures, if any, that exist for directors to receive the information they need to prepare for Board meetings well enough in advance:**

Yes ☒ NO ☐

| Details of Procedures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 38 of the Regulations of the Board, "Board of Directors Meetings" develops this procedure by establishing that:</p> <p>1. The Board of Directors will meet as required in the best interest of FCC and at least six times a year. The calendar of the ordinary sessions will be set by the Board at the beginning of each year. The calendar may be modified by agreement of the Board or by decision of the Chairman, who will notify the Directors of the change at least ten days in advance of the original meeting date, or the modified meeting date if it comes before the original date.</p> <p>2. The announcement of the ordinary sessions will be sent by post, fax, or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman.<br/>Notwithstanding the provisions of Article 30 of the Articles of Association, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration.<br/>In emergency situations, as decided by the Chairman, the minimum advance notice for the meeting will be 48 hours and in this case the meeting agenda will be limited to the urgent matters.</p> <p>3. The Chairman will decide the meeting agenda. The Directors may request the inclusion of items on the agenda and the Chairman will be obliged to include them when the request is made by at least three Directors or by any one of the Board Committees at least three days in advance of the meeting date.<br/>When a specific item is included on the meeting agenda at the request of the Directors, then the Directors who requested the inclusion of that item shall 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.<br/>Given the confidentiality obligations of the Board members, every effort will be made to ensure that the importance and reserved nature of the information is not used as a pretext - except under certain exceptional circumstances as determined by the Chairman - not to abide by this rule.</p> |

**B.1.34. Indicate whether there is a liability insurance policy covering the Company directors.**

Yes ☒ NO ☐

## B.2. Committees of the Board of Directors

### B.2.1. List the Board committees:

| Committee Name              | No. of Members | Functions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EXECUTIVE COMMITTEE         | FIVE           | <p>ARTICLE 40 OF THE REGULATIONS OF THE BOARD STATES THAT ALL OF THE FUNCTIONS AND POWERS NECESSARY TO CONDUCT THE COMPANY'S BUSINESS ARE PERMANENTLY DELEGATED IN THE EXECUTIVE COMMITTEE.</p> <p>CONSEQUENTLY, THIS COMMITTEE IS VESTED WITH THE BROADEST POWERS TO DIRECT, ADMINISTER AND DISPOSE OF THE COMPANY'S ASSETS; TO REPRESENT THE COMPANY IN AND OUT OF COURT; TO SIGN CONTRACTS AND OTHER INSTRUMENTS; AND TO PERFORM ANY AND ALL FUNCTIONS AND FACULTIES ENTRUSTED BY LAW AND BY THE ARTICLES OF ASSOCIATION TO THE BOARD OF DIRECTORS, WITH THE SOLE EXCEPTION OF THOSE WHICH ARE NOT DELEGABLE PURSUANT TO THE PROVISIONS OF ARTICLE 141, PART 1 OF THE PUBLIC CORPORATIONS ACT. ARTICLE 40.1 OF THE REGULATIONS OF THE BOARD OF DIRECTORS STATES THAT UNLESS OTHERWISE STIPULATED IN THE CONTENTS OF THE DELEGATION CONFERRED BY THE BOARD, THE EXECUTIVE COMMITTEE WILL HAVE THE POWER TO DECIDE ON INVESTMENTS, DISINVESTMENTS, CREDITS, LOANS, GUARANTEES, BONDS AND OTHER FINANCIAL FACILITIES FOR UNITARY AMOUNTS LESS THAN 18 MILLION EUROS. SEE PART G-B.20.1.</p> |
| AUDIT AND CONTROL COMMITTEE | FIVE           | <p>ARTICLE 41.2 OF THE REGULATIONS ESTABLISHES THAT THE BASIC FUNCTION OF THE AUDIT AND CONTROL COMMITTEE IS TO SUPPORT THE BOARD OF DIRECTORS IN ITS SUPERVISORY DUTIES BY PERIODICALLY REVIEWING THE PROCESSES USED TO PREPARE THE ECONOMIC-FINANCIAL INFORMATION, INTERNAL CONTROLS AND THE INDEPENDENCE OF THE EXTERNAL AUDITORS. SEE PART G-B.20.1.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

|                                         |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| APPOINTMENTS AND REMUNERATION COMMITTEE | SIX   | ACCORDING TO ARTICLE 42.3 OF THE BOARD OF DIRECTORS REGULATIONS , ITS RESPONSIBILITIES INCLUDE REPORTING TO THE BOARD OF DIRECTORS ON APPOINTMENTS AND RESIGNATIONS AND ON THE REMUNERATION PAID TO BOARD MEMBERS AS WELL AS THE COMPANY'S GENERAL REMUNERATION AND INCENTIVE PLAN POLICIES. SEE PART G-B.20.1.                                                                                                                                                             |
| STRATEGY COMMITTEE                      | EIGHT | ACCORDING TO ARTICLES 43.4 AND 43.5 OF THE BOARD OF DIRECTORS REGULATIONS , THIS COMMITTEE IS RESPONSIBLE FOR AIDING THE BOARD OF DIRECTORS IN THE DETERMINATION OF THE GROUP'S STRATEGY. IN PARTICULAR, IT REPORTS TO THE BOARD ON PROPOSED INVESTMENTS, DISINVESTMENTS AND THIRD PARTY AGREEMENTS, THE DEVELOPMENT OF NEW ACTIVITY LINES AND FINANCIAL TRANSACTIONS WHICH ARE OF SUCH RELEVANT THAT THEY COULD HAVE AN IMPACT ON THE GROUP'S STRATEGY. SEE PART G-B.20.1. |

## B.2.2. List the committees of the Board of Directors and their members:

### EXECUTIVE OR DELEGATED COMMITTEE

| Name                                | Title                |
|-------------------------------------|----------------------|
| RAFAEL MONTES SÁNCHEZ               | CHAIRMAN             |
| DOMINUM DESGA, S.A.                 | MEMBER               |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | MEMBER               |
| CARTERA DEVA, S.A.                  | MEMBER               |
| JUAN CASTELLS MASANA                | MEMBER               |
| JOSÉ EUGENIO TRUEBA GUTIÉRREZ       | NON-MEMBER SECRETARY |

### AUDIT COMMITTEE

| Name                                | Title                |
|-------------------------------------|----------------------|
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | CHAIRMAN             |
| IBERSUIZAS ALFA, S.L.               | MEMBER               |
| IBERSUIZAS HOLDINGS, S.L.           | MEMBER               |
| FRANCISCO MAS SARDA-CASANELLES      | MEMBER               |
| JUAN CASTELLS MASANA                | MEMBER               |
| JOSÉ MARIA VERDÚ RAMOS              | NON-MEMBER SECRETARY |

### APPOINTMENTS AND REMUNERATION COMMITTEE

| Name                                | Title                |
|-------------------------------------|----------------------|
| DOMINUM DESGA, S.A.                 | CHAIRMAN             |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | MEMBER               |
| RAFAEL MONTES SÁNCHEZ               | MEMBER               |
| CARTERA DEVA, S.A.                  | MEMBER               |
| ROBERT PEUGEOT                      | MEMBER               |
| ANTONIO PÉREZ COLMENERO             | MEMBER               |
| JOSÉ MARIA VERDÚ RAMOS              | NON-MEMBER SECRETARY |

## STRATEGY AND INVESTMENT COMMITTEE

| Name                                | Title    |
|-------------------------------------|----------|
| B 1998, S.L.                        | CHAIRMAN |
| DOMINUM DESGA, S.A.                 | MEMBER   |
| FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA | MEMBER   |
| IBERSUIZAS ALFA, S.L.               | MEMBER   |
| IBERSUIZAS HOLDINGS, S.L.           | MEMBER   |
| CARTERA DEVA, S.A.                  | MEMBER   |
| ROBERT PEUGEOT                      | MEMBER   |
| LARRANZA XXI, S.L.                  | MEMBER   |

### **B.2.3. Describe the organisation and transaction of each one of the Board committees and their responsibilities.**

#### **\*\* EXECUTIVE COMMITTEE**

The regulations are set out in 35 of the Articles of Association of FCC, part of which is transcribed below:

"... The Executive Committee will be convened by the Chairman him/herself or upon the request of two Committee members. The notice will be sent by letter, telegram or fax to each Committee members at least 48 hours in advance of the meeting date.

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

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

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

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

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

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

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

Furthermore, article 40 of the Regulations of the Board establishes that:

"... 2. The Board of Directors will appoint the members 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 are no longer 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, his or her functions will be performed by the Committee member chosen to replace him/her.

7. The Executive Committee will meet on a monthly basis, except in the month of August, and may meet on an extraordinary basis as required. 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 cast their votes.

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

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

10. For all other matters, the Executive Committee shall be governed by the pertinent provisions of the Articles of Association and on a supplementary basis by the provisions of the Articles of Association and these Regulations relative to the Board of Directors.

#### **\*\* AUDIT AND CONTROL COMMITTEE**

The regulations of transaction thereof are established in article 41 of the Regulations of the Board and in article 37. Said committee will be composed of four members appointed by the Board of Directors for a term not exceeding that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members. A majority of the Committee members shall be external directors.

The Committee will choose a Chairman and may also elect a Vice President from among its non-executive members. Their terms of office may not exceed four years or their terms of office as Committee members, although they may be re-elected one year after stepping down.

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

The Committee members may be assisted at their meetings by persons of their choice acting as their advisers, up to two advisers per member. These advisers will attend the meetings with voice but without vote.

#### **\*\* APPOINTMENTS AND REMUNERATION COMMITTEE**

Regulated in article 42 of the Regulations of the Board, its members are appointed by the Board of Directors for a term of office no longer than that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members.

The majority of the members of the Appointments and Remuneration Committee will be external Directors. The Appointments and Remuneration Committee will choose a Chairman from among its non-executive members. It will also designate a Secretary, who may or may not be a



member of the Committee, to aid the Chairman and provide for the smooth transaction of the Committee, duly reflecting the contents of the sessions and the deliberations in the meeting minutes.

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.

The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers will attend the meetings with voice but without vote.

To perform its functions to the best of its ability, the Appointments and Remuneration Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

The Appointments and Remuneration Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.

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

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

This body shall attend the Committee meetings to collaborate and provide access to information to any member of the executive staff of FCC at their request.

The Appointments and Remuneration Committee shall have access to all of the documentation and information needed to perform its functions.

#### **\*\* STRATEGY COMMITTEE**

Said committee is regulated in article 43 of the Regulations of the Board. Its members are appointed by the Board of Directors for a term of office no longer than that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members. The majority of the members of the Strategy Committee will be external Directors.

The Strategy Committee will choose a Chairman from among its non-executive members. It will also designate a Secretary, who may or may not be a member of the Committee, to aid the Chairman and provide for the smooth transaction of the Committee, duly reflecting the contents of the sessions and the deliberations in the meeting minutes.

The members of the Strategy Committee will step down from the Committee when they step down as Directors or when decided by the Board of Directors.

To perform its functions to the best of its ability, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers will attend the meetings with voice but without vote.

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

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

It shall attend the Committee meetings and to collaborate and provide access to information to any member of the executive staff of FCC at their request.

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

The Strategy Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.

**B.2.4. Indicate the advisory powers and powers delegated to each one of the committees:**

| Committee Name      | Brief Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EXECUTIVE COMMITTEE | REGULATED IN ARTICLE 40 OF THE REGULATIONS OF THE BOARD AND ARTICLE 35 OF THE ARTICLES OF ASSOCIATION. ALL OF THE FUNCTIONS AND POWERS NECESSARY TO CONDUCT THE COMPANY'S BUSINESS ARE PERMANENTLY DELEGATED IN THE EXECUTIVE COMMITTEE, WITH THE EXCEPTION OF THOSE WHICH ARE NOT DELEGABLE PURSUANT TO THE PROVISIONS OF ARTICLE 141, PART 1 OF THE PUBLIC CORPORATIONS ACT.<br>IN EXERCISING THESE FUNCTIONS AND POWERS, THE EXECUTIVE COMMITTEE MAY ASSIGN THEM TO OTHERS WITHIN THE SCOPE AND ACCORDING TO PREVIOUSLY-DETERMINED LIMITATIONS AND CONDITIONS, ENABLING THEM TO ACT JOINTLY OR SEVERALLY WITH OTHER PROXIES. IT MAY ALSO REVOKE ANY SUCH POWERS GRANTED.<br>ACCORDING TO ARTICLES 34 AND 35 OF THE ARTICLES OF ASSOCIATION, THE EXECUTIVE COMMITTEE MAY NOT GRANT GENERAL POWERS TO DECIDE ON THE FOLLOWING MATTERS:<br>-CONVENING THE GENERAL MEETING AND SETTING THE MEETING AGENDA.<br>-APPROVING INTERIM DIVIDENDS.<br>-SUPERVISING DELEGATE BODIES. SEE PART G-B.2.4 |

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AUDIT AND CONTROL COMMITTEE             | REGULATED IN ARTICLE 41 OF THE REGULATIONS OF THE BOARD AND ARTICLE 38 OF THE ARTICLES OF ASSOCIATION. SUPPORTS THE BOARD OF DIRECTORS IN ITS SURVEILLANCE ACTIVITIES BY PERIODICALLY REVIEWING HOW THE ECONOMIC-FINANCIAL INFORMATION IS PREPARED, BY CONDUCTING INTERNAL CONTROLS AND CHECKING THE INDEPENDENCE OF EXTERNAL AUDITORS. SEE PART G-B.2.4.                                      |
| APPOINTMENTS AND REMUNERATION COMMITTEE | REGULATED IN ARTICLE 42 OF THE REGULATIONS OF THE BOARD OF DIRECTORS. ITS RESPONSIBILITIES INCLUDE REPORTING TO THE BOARD OF DIRECTORS ON APPOINTMENTS AND REMOVALS AND ON THE REMUNERATION PAID TO BOARD MEMBERS AS WELL AS THE COMPANY'S GENERAL REMUNERATION POLICIES AND INCENTIVE PLANS. SEE PART G-B.2.4.                                                                                |
| STRATEGY COMMITTEE                      | REGULATED IN ARTICLE 43 OF THE REGULATIONS OF THE BOARD OF DIRECTORS. RESPONSIBLE FOR MAKING PROPOSALS AND REPORTS TO THE BOARD ON ALL STRATEGIC DECISIONS, INVESTMENTS AND DISINVESTMENTS OF RELEVANCE TO THE COMPANY OR THE GROUP, EVALUATING THEIR APPROPRIATENESS IN TERMS OF BUDGETS AND STRATEGIC PLANS. ALSO RESPONSIBLE FOR ANALYSING AND MONITORING BUSINESS RISKS. SEE PART G-B.2.4. |

**B.2.5. Indicate whether there are regulations governing the Board committees, where they are available for consultation and any changes made to them in the fiscal year. Also indicate whether reports on the activities of each committee have been prepared voluntarily.**

The Regulations of the Board approved on 14<sup>th</sup>. June 2004 contains provisions for the Executive Committee (article 40), the Audit and Control Committee (article 41) and the Appointments and Remuneration Committee (article 42) and the Strategy Committee (article 43).

On 2<sup>nd</sup>. February 2006, the Board of Directors met to evaluate the performance of the Board and its committees in 2005, as established in article 38.5 of the Regulations of the Board: "The Board will devote the first of its annual sessions to evaluating its own performance during the previous fiscal year, assessing the quality of its work and the effectiveness of its regulations and changing any aspects that are found not be working properly".

This evaluation may be considered very satisfactory from two different perspectives: first of all, in terms of the quality of its transactions, in other words, because the Board's work has been organised in compliance with all established procedures; through the ongoing evaluation of its different committees; through the commitment of the Board itself to continuously improving its administrative functions; and secondly, because the regulations have been fulfilled entirely, which means that the regulations are very effective for the internal governance of this listed company.

The different committees supported the launch of numerous projects which are in line with the Group's new strategy, which has rendered the Board more effective and more transparent in the fulfilment of its principal objective: protecting the Company's interests.

**B.2.6. If there is an Executive Committee, explain the level of delegation and autonomy in the exercise of its duties for the passage of resolutions on the management and administration of the Company.**

According to the Regulations of the Board, it is possible for the Board to permanently delegate in the Executive Committee all of the Board's powers, with the exception of those which are not delegable under the law, the Articles of Association of the Regulations of the Board (article 40.1).

Notwithstanding the above, there are a number of non-delegable powers which may only be exercised by the Board. Article 7, "Powers of the Board of Directors - List of Non-delegable Powers" of the Regulations of the Board states that the following may only be decided by the Board of Directors by adopting the pertinent agreements in each case as mandated by law or by the Articles of Association:

a. Appointing and removing the Chairman, Vice Presidents, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing the respective Boards of Directors the appointment and revocation of the Chairmen and Managing Directors of the tier one specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realía Business, S.A. and FCC Versia, S.A.) and appointing and removing members of the Steering Committee.

The Board may periodically modify the list of specialised subsidiaries referred to in the preceding paragraph.

b. Delegating powers 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.

c. Appointing and removing Board members to sit on the different Committees discussed in these Regulations.

d. Supervising the Delegated Committees of the Board.

e. Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.

f. Accepting the resignation of board members.

g. Formulating the annual accounts and presenting them to the General Meeting.

h. Determining the Group's strategy with the support of the Strategy Committee and the Managing Director.

i. Approving investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts above eighteen million (18,000,000) euros.

j. Organising the Board of Directors in general and modifying these Regulations in particular.

k.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.

Unless otherwise stipulated in the contents of the delegation conferred by the Board, the Executive Committee will have the power to decide on investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts less than eighteen million euros.

The Executive Committee is permanently entrusted with all of the functions and faculties needed to conduct the Company's business and as such is vested with broad-ranging powers to direct and administer, dispose of asset and represent the company in and out of court, sign all types of contracts and acts involving the acquisition, disposal or encumbrance of property, guarantee external transactions or business transactions, without limit, and to exercise any and all functions conferred by the Articles of Associations and the Public Corporations Act on the Board of Directors, with the sole exception of those which may not be delegated according to part 1 of article 141 of the Public Corporations Act.

In addition, the Board of Directors controls and supervises the actions of the Executive Committee. At each one of its sessions, the Board is informed of the resolutions passed by the Executive Committee.

**B.2.7. Indicate whether the Executive Committee reflects the percentage of participation on the Board of the different board members by type:**

Yes ☐ NO ☒

| If not, explain the composition of the Executive Committee                                                                                                                                                      |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| The composition of the Executive Committee is 80% external directors and 20% executive directors, while the composition of the Board of Directors is 82.35% external directors and 17.65 % executive directors. |  |

**B.2.8. If there is an Appointments Committee, state whether its members are external directors:**

Yes ☐ NO ☒

**C LINKED TRANSACTIONS**

**C.1. Provide the details of any relevant transactions involving a transfer of resources or obligations between the company or members of the group and the company's significant shareholders:**

| Name of significant shareholder | Name of the Group company              | Nature of relationship | Type of transaction   | Amount (thousands of euros) |
|---------------------------------|----------------------------------------|------------------------|-----------------------|-----------------------------|
| B 1998, S.L.                    | SERVICIOS ESPECIALES DE LIMPIEZA, S.A. | Contractual            | Provision of services | 16                          |

**C.2. Provide the details of any relevant transactions involving a transfer of resources or obligations between the company or members of the group and the company's director's or administrators:**

| Name or company name of the director or administrator | Name of the Group company              | Type of transaction | Type of transaction   | Amount (thousands of euros) |
|-------------------------------------------------------|----------------------------------------|---------------------|-----------------------|-----------------------------|
| B 1998, S.L.                                          | SERVICIOS ESPECIALES DE LIMPIEZA, S.A. | CONTRACTUAL         | Provision of services | 16                          |
| DOMINUM DESGA, S.A.                                   | SERVICIOS ESPECIALES DE LIMPIEZA, S.A. | CONTRACTUAL         | Provision of services | 8                           |
| DOMINUM DESGA, S.A.                                   | FALCON CONTRATAS Y SEGURIDAD, S.A.     | CONTRACTUAL         | Provision of services | 390                         |

**C.3. Describe the relevant transactions between the Company and members of the same Group of companies, provided that they are not eliminated in the process of preparing the financial statements and are not part of the Company's normal business transactions in terms of its object and conditions:**

| Name of Company or Group | Brief description of the transaction | Amount (thousands of euros) |
|--------------------------|--------------------------------------|-----------------------------|
|                          |                                      |                             |

**C.4. Describe how possible conflicts of interest involving the Company's directors are resolved, bearing in mind the provisions of article 127 of the Public Corporations Act.**

The directors of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out on their own behalf or that of third parties any activities of an identical, analogous or complementary nature to those making up the Company's business objectives.

The members of the Board of Directors do not own stockholdings in other companies with business activities that are identical, similar or complementary to those of Fomento de Construcciones y Contratas, S.A.

The directors of Fomento de Construcciones y Contratas, S.A. or persons acting on their behalf have not participated during the fiscal year in transactions with the Company or with a company belonging to the group outside of the ordinary business of the Company or under other than normal market conditions.

With regard to the members of the Board of Directors of FCC who occupy administrative positions or sit on the boards of other companies of the Group, please see part B.1.6.

These directors occupy positions or perform functions and/or hold interests of less than 0.01% in other companies of the FCC Group, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly, has a majority of votes.

**C.5. Describe the mechanisms in place to detect and resolve possible conflicts of interest between the Company and/or its group and its directors, executives or significant shareholders.**

Parts 3, 4, 5 and 6 of article 25 of the Regulations of the Board establish that the Director must inform the Board, well in advance, of any situation which may give rise to a conflict of interest with the FCC Group of companies or its subsidiaries.

The express authorisation of the Board of FCC will be required, based on the report of the Appointments and Remuneration Committee, in the following cases:

1. The provision of remunerated professional services by a Director to any company of the FCC Group other than those rendered by executive Directors in the performance of their duties as company employees.
2. The sale, transmission or any other arrangement involving an economic consideration of any kind by a Director to any company of the FCC Group of supplies, materials, goods or rights in general.
3. Transmission of supplies, materials, goods or rights in general by companies of the FCC Group to a Director other than in the course of the transmitting company's ordinary business.
4. Provision of goods or services by companies of the FCC Group to Director under lower than market conditions, even when they are part of the company's ordinary business.

In the case of ordinary transactions with the company, the Board of Directors may approve the generic line of transactions. In any event, all transactions of any kind carried out by Directors with FCC, its subsidiaries or associated companies shall be reported in the Annual Corporate Governance Report. This obligation extends to the transactions between the Company and its direct or indirect significant shareholders.

A possible conflict of interest is considered to exist as a result of stock ownership in any company in which the person, either by him or herself or jointly with family members as defined in article 25.2 of the Regulations of the Board, controls more than 15% of the political or economic rights or when, even though the ownership percentage is less, the person can designate at least one member of the governing body.

This information must be kept up to date by reporting any change in the situation previously reported and any possible new conflicts of interest as they arise. This information must be reported within fifteen days and always before taking any decision which could be affected by a conflict of interest.

Part 5.7 of the Internal Code of Conduct establishes that anyone subject to the Code, which includes directors and administrators, among others, must notify the Chairman of the Surveillance Committee of any possible conflicts of interest with any company of the FCC Group by reason of family relationships or any other circumstance, by writing to the Chairman explaining such conflicts of interest in detail.

The Chairman of the Surveillance Committee must be consulted in writing about any questions on this subject before taking any decision that could be affected by such a conflict of interest.

A conflict of interest due to family relations is not considered to exist when the relationship exceeds the fourth degree of consanguinity or affinity.

## **D** RISK CONTROL SYSTEMS

- D.1. General description of the risk control policy of the Company and/or Group, detailing and evaluating the risks covered by the system and explaining why the systems adequately cover each type of risk.**

The organisational structure of the FCC Group, the planning systems and the management processes governing its transactions are designed to control the different business risks faced by the Group. In this regard, risk management is part of the Group's management process and, as such, involves all members of the organisation. There are preventive policies, supervision and control policies and corrective action policies in place to meet the organisation's objectives.

The main risks covered by the system are listed below.

- 1 Market risks.
- 2 Operating Risks.
  - 2.1 Contracting Risks
  - 2.2 Production Process Risks
  - 2.3 Environmental Risks.
- 3 Organisational Risks.
  - 3.1 Labour Risks
  - 3.2 Information System Risks
- 4 Financial Management Risks
  - 4.1 Exchange Rate Risks
  - 4.2 Interest Rate Risks
  - 4.3 Risks associated with the reliability of economic-financial information
  - 4.4 Industrial and Shareholding Risks

**D.2. Indicate the control systems in place for evaluating, mitigating or reducing the principal risks to the Company and its Group.**

**1. Management of Market Risks.**

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

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

Strategic planning within the FCC Group is a process in which the objectives to be achieved in each activity are identified based on the improvements to be introduced, market opportunities and the level of risk that is considered acceptable. This process is the basis for the drafting of operating plans that specify the goals to be achieved each year.

The goals established during the planning process are reviewed periodically to analyse the deviations at different levels of responsibility and take the appropriate corrective action.

The General Regulations of organisation and transaction provide the framework for all members of the organisation, the authority delegated at different hierarchical levels and the basic principles to be observed in operating processes. These principles are the basis of the specific regulations governing these processes.

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

**2. Management of Transactional Risks**

**2.1. Management of Contracting Risks.**



For the FCC Group, the risks and opportunities that arise during the contracting process are one of the main challenges faced by the organisation. To deal with these challenges, the organisation has established formal policies and procedures that focus on:

a) Keeping technological capacity up to date at all times

The FCC Group is aware that doing business in a highly competitive market such as the one it operates in makes it necessary to offer the client added value through technical and economic capabilities. In this regard, the FCC Group is active in the area of technological research and innovation and places a great deal of emphasis on continuous personnel training:

b) The technical quality, economic viability and competitiveness of proposals.

The process of preparing, presenting and monitoring proposals is subject to different levels of authorisation within the organisation, assigning the principal tasks in this area to specific departments with highly qualified technical staffs.

## 2.2 Management of Production Risks.

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

a) Quality systems.

The different activities of the FCC Group are subject to formal quality control systems that are well-rooted within the organisation which have enabled it to obtain ISO 9000 certification and to pass the periodic evaluations by external professionals.

Based on general principles and basic criteria, the quality control systems are founded upon the assignment of responsibilities, the definition and documentation of processes and guidelines for detecting and correcting deviations.

The quality committees are the maximum executive bodies in this area and are responsible for establishing guidelines, monitoring compliance and system review. One of the responsibilities of the quality assurance departments is to conduct quality assurance audits of the different operating units.

b) Ongoing personnel training

The FCC Group has a training program in place based on specific training plans which offer both basic training and recycling, as well as training programs to cover specific needs as they arise. The quality assurance committees are responsible for establishing training plans, approving the implementation of training plans and ensuring that they are properly applied.

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

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

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

## 2.3 Management of Environmental Risks

The FCC Group has an ISO 14001 certified environmental management system based on:

- a) Compliance with all environmental regulations and the achievement of environmental targets that surpass external requirements.
- b) A decrease in environmental impact through proper planning.
- c) Regular analysis of risks and possible improvements.

The basis prevention tool for controlling this risk is the environmental plan prepared by each operating unit which consists of:

- a) Identifying the environmental aspects and applicable laws.
- b) Environmental impact evaluation criteria
- c) Measures to be adopted.
- d) A system for measuring the objectives achieved

### 3. Management of Organisational Risks.

#### 3.1 Management of Labour Risks.

One of the FCC Group's priorities in the conduct of its business is to guarantee the safety of its personnel and to comply with all labour legislation, placing the utmost importance on occupational risk prevention systems. These systems are formalised and organised on the basis of:

- a) The assignment of functions and responsibilities.
- b) Procedures integrated in the production process for evaluating risks and implementing prevention plans (safety plans).
- c) Ongoing training supported by specialists in the field.
- d) Regular reviews of the safety plans in the different operating units by prevention specialists.
- e) A safety audit system involving internal and external professionals.

#### 3.2 Management of Information System Risks

The complexity and volume of the activities of the FCC Group make it necessary to have information systems for managing all of the activities at the individual and global levels with a high degree of security.

These information systems are based on a set of electronic security methods, processes, and systems supervised by a Security Committee and designed to protect privileged information and mitigate the inherent risks through policies and systems that control the accessibility to information and the ability to retrieve information.

The Group has manuals and regulations of conduct referring to the physical and logical security of the information systems which covers the management of the principal risks: access to data processing centres, network access, protection of personal data (LOPD), backups, etc.

### 4. Management of Financial Risks

#### 4.1 Management of Exchange Rate Risks.

Because of the position it currently occupies in international markets, the concept of exchange rate risk within the global context of the FCC Group is of moderate importance. However, regardless of the extent of the risk, the policy of FCC is to reduce the negative effects that such risks can have on the financial statements, to the extent possible. In practice, the effect of exchange rate risks on transactions is mitigated, when the volume of the transaction merits it, by contracting the appropriate hedging instrument. As far as balance sheet transactions are concerned, the Company's policy, depending on the situation and provided that financial markets offer liquidity, is to try to obtain coverage by contracting financing transactions in the same currency in which the asset is denominated.

#### 4.2 Management of Interest Rate Risks.

Given the nature of our activities, in which the management of current assets plays a crucial role, it is a generalised policy of the Group to use as a reference for our financial debt the index that most faithfully reflects inflation. It is therefore the policy of our Company to ensure, to the extent possible, that both the working capital, which to a large extent covers our current liabilities, as well as the Group's indebtedness is referenced to floating interest rates. As an exception to this general policy, in the case of long-term transactions the Group closes its interest rate hedging transactions when the financial structure of the project so requires, referencing the debt to a fixed interest rate for a term that coincides with the maturity cycle of the transaction in question, all contingent upon the options available on the market.

#### 4.2 Management of risks associated with the reliability of economic-financial information

The FCC Group has certain processes for managing economic and financial information based on:

- a) An organisational structure that separates the administrative and accounting processes used as the basis for preparing the economic and financial information as a means of preventing the risk of manipulation. There is a centralised corporate department in charge of these processes which assigns responsibilities in the different business areas of the FCC Group to the departments that are functionally dependent on them.
- b) Continuous updating of financial reporting procedures, standards and systems.
- c) An economic and financial information review system and compliance with internal control systems through internal and external audits.

#### 4.4 Management of Financial and Industrial Risks

To protect the FCC Group's balance sheet, the Company adheres to an active Risk Management policy to manage the risks that have a direct effect on the Company's assets, either as a result of their destruction or the generation of obligations to third parties.

The process of analysing the risks to which the Company is exposed is an ongoing one. The potential losses are quantified and the appropriate measures taken to eliminate and/or reduce them, transferring those which remain to the insurance sector by taking out the pertinent insurance policies, optimising them in economic terms and choosing the most suitable financing mechanisms for retained risks, all with the ultimate goal of maintaining or guaranteeing the Company's net worth and thus generating value for shareholders.

**D.3. If any risks affecting the Company and/or Group have materialised, please indicate the circumstances under which this occurred and whether the established control systems were effective.**

The policies and procedures for preventing and externalising risks in 2005 were satisfactory since no risks materialised which had a significant effect on the company's net worth or on the normal conduct of its business.

**D.4. Indicate whether there a committee or other governing body in charge of establishing and supervising these control mechanisms and describe its functions.**

There is a delegated committee of the Company's supreme governing body, the Audit and Control Committee, which is responsible for establishing and supervising the Company's control systems (See B.1.28).

Risk management is part of the Group's overall management framework and involves all members of the organisation, accompanied by preventive, supervisory and control policies. There are different people responsible for designing the processes at different levels of the organisation and committees or bodies in charge of ensuring that the established controls work properly.

**D.5. Identification and description of the processes for ensuring compliance with the regulations affecting the Company and/or Group.**

The FCC Group has procedures in place to guarantee compliance with the regulations governing each one of the Group's economic activities, with different departments specialising in the regulations applicable to each company and the Group (business, labour, tax, environmental laws, etc.) These departments are in charge of:

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

**E GENERAL MEETING**

**E.1. List the quorums needed to hold the General Meeting as set forth in the Articles of Association. Describe how they differ from the minimums found in the Public Corporations (LSA).**

The Ordinary and Extraordinary General Meeting will be validly convened:

- On the first meeting date, when the shareholders present or represented possess at least fifty percent of the paid up share capital with voting rights. On the second meeting date, the General Meeting will be validly convened when the shareholders present or represented possess at least forty-five percent of the paid up share capital with voting rights.
- In order for the General Meeting of Shareholders to validly decide on debenture issues, capital increases or decreases, transformations, mergers and spin-offs and in general any amendment to the Articles of Association, shareholders possessing at least fifty percent of the paid up share capital with voting rights must be present or represented at the meeting on the first announced date. On the second announced meeting date, shareholders possessing forty-five percent of the share capital will suffice.

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

The differences between the Articles of Association and the general system foreseen in the Public Corporations Act are that:

\* regarding ordinary matters:

- On first call, the quorum of 25% found in the Public Corporations Act has been raised to 50% in the Articles.
- On second call, the quorum is 45%, while the Public Corporations Act establishes no quorum at all on second call.

\* regarding special matters:

- On first call there is no difference between the two.
- On second call, the Public Corporations Act sets an attendance limit of 25%, while the Articles of Association raise the attendance limit to 45%. In those cases where less than one-half of the share capital with voting rights is in attendance, there is no difference compared to the Public Corporations Act.

**E.2. Explain the system for passing resolutions. Describe how it is different than the system contained in the Public Corporations Act.**

There are no differences with respect to the method contained in the Public Corporations Act.

**E.3. List the shareholders' rights with regard to General Meetings that differ from those established in the Public Corporations Act.**

The shareholders' rights as set forth in the Articles of Association are as follows:

- Attendance Rights: Shareholders possessing at least two thousand shares registered in their name at least five days in advance of the Meeting date are entitled to attend the General Meeting.

Following the recommendations of the Olivencia Code and the Aldama Report for enabling more shareholders to participate in General Meetings, the Group has cut the number of shares required to attend the meeting in half.

On 21<sup>st</sup>. June 2005, the General Meeting of Shareholders approved the amendment of article 9.1 of the General Meeting Regulations, reducing the number of shares required to attend the general meeting to two thousand and passing a resolution to amend the Articles of Association accordingly (article 18 – Legitimation for attending the General Meeting), which was likewise amended at the General Meeting.

Article 18. Legitimation for attending General Meetings.

Shareholders possessing two thousand or more shares, including those without voting rights, shall be entitled to attend the General Meeting, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated by the Company, by exhibiting the pertinent certificate.

Shareholders possessing fewer than two thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group.

Directors, managers, technical personnel and others responsible for the management of the Company may also attend the General Meeting upon request. Company directors shall be obliged to attend. For any matter not specifically addressed in this article with regard to the right to attend General Meetings, the provisions of the Public Corporations Act shall apply.

Article 9. Attendance Rights and Responsibilities.

1. Shareholders possessing at least two thousand shares registered in their name at least five days in advance of the Meeting date are entitled to attend the General Meeting.

Shareholders possessing fewer than two thousand shares may form groups to reach the required minimum for the purposes of attending and voting at the Meeting. Any one of the shareholders forming part of the group may represent them. The formation of a group must be accredited in a written document signed by all of the shareholders involved, with a separate document for each General Meeting. Otherwise, any one of them may delegate another shareholder who is entitled to attend the General Meeting as their representative, according to the terms of the law and the Articles of Association, thereby grouping their shares together with those of the chosen representative.

- Grouping Rights: Shareholders possessing fewer than two thousand shares may form groups to reach the required minimum for the purposes of attending and voting at the Meeting. Any one of the shareholders forming part of the group may represent them.

**E.4. Indicate the steps taken, if any, to encourage the participation of shareholders in General Meetings.**

The General Assembly Regulations includes a series of measures intended to foster shareholder participation in the General Meeting. These measures are defined in the shareholders' information rights regulated in the following articles:

- Article 6. Information available once the meeting is announced

The company will make the following available to the shareholders, once the General Meeting is announced, at its headquarters, at the office of the CNMV and the stock exchanges where its shares are traded and on its corporate website:

- a) The full text of the meeting announcement.
- b) The text of the resolutions proposed by the Board of Directors in relation to the agenda items.
- c) The legally-mandated documentation or information which must be made available to shareholders on the agenda items starting on the date of the meeting announcement.
- d) Information on the channels of communication between the Company and its shareholders for gathering information or making suggestions.

- Article 7. The right to information prior to the General Meeting

1. Shareholders may, up to and including the seventh day prior to the first scheduled date of the General Meeting, ask questions or request information or explanations relative to the items contained on the agenda or the information available to the public which has been forwarded by the Company to the National Securities Market Commissions since the last General Meeting of Shareholders.

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

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

4. The Chairman may deny the requested information when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.

5. The Board of Directors may authorise any one of its members as well as its Secretary and Assistant Secretary, through the company's "Stock Market and Shareholder Relations Department", to respond to the information requests submitted by shareholders.

- Article 14. Information

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

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

- Article 15.3. Voting on Proposals

The assignment of proxies or electronic voting which will help to encourage the participation of shareholders in General Meeting regulated in article 15 states that: "Notwithstanding the alternative systems which may be employed by the Chairman, the procedure for voting on the proposed resolutions referred to above will be as follows:

a) The system for voting on the proposed resolutions relative to the agenda items will be by a negative deduction system. This means that for each proposal, the votes corresponding to all of the shares present and represented will be considered favourable votes, deducting those corresponding to the shares whose owners or representatives state that they are voting against or abstaining, in addition to those corresponding to the delegations received by the Board of Directors, recording the votes against and abstentions, for the proposal in questions. Negative votes and abstentions will be computed separately.

b) The system for voting on the proposed resolutions relative to items not on the agenda, when such voting is legally possible, will be by a positive deduction system. This means that for each proposal, the votes corresponding to all of the shares present and represented will be considered votes against, deducting those corresponding to the shares whose owners or representatives state that they are voting for the proposal or abstaining.

c) When technically possible and provided that the compliance with all legal requirements can be guaranteed, the Board of Directors may use electronic vote counting systems.

**E.5. State whether the Chairman of the General Meeting is the same person as the Chairman of the Board of Directors. If so, describe any measures that have been adopted to guarantee the independence and efficacy of the General Meeting.**

Yes ☒ NO ☐

| Details of Measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>According to the General Meeting Regulations (article 10.2), the General Meeting is chaired by the Chairman or Vice Presidents of the Board. If there is no pre-established order, the order will be determined by the number of years in office. In the absence of the Vice Presidents as well, the Meeting will be chaired by the oldest director.</p> <p>Measures to guarantee the independence and smooth transaction of the General Meeting:</p> <p>The Regulations of the Meeting of shareholders of Fomento de Construcciones y Contratas, S.A. contain a detailed set of measures to guarantee the independence and smooth transaction of the General Meeting which can be consulted on the Company's website.</p> <p>Among other measures, Article 7, "Information prior to the General Meeting" of the Regulations of the General Meeting states that shareholders may, up to and including the seventh day prior to the first scheduled date of the General Meeting, ask questions or request information or explanations relative to the items contained on the agenda or the information available to the public which has been forwarded by the Company to the National Securities Market Commissions since the last General Meeting of Shareholders.</p> <p>Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Shareholder Relations Department at the Company's registered offices, hand delivered or by post or courier. The provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.</p> <p>The information requests regulated in this article will be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Meeting of Shareholders but prior to the start of the meeting, using the same channel of communication.</p> <p>The Chairman may deny the requested information when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.</p> <p>The Board of Directors may authorise any one of its members as well as its Secretary and Assistant Secretary, through the company's "Stock Market and Shareholder Relations Department", to respond to the information requests submitted by shareholders.</p> <p>According to Article 23 of the Articles of Association, shareholders may request, either in writing or using other electronic or telematic modes of communications prior to the meeting or verbally during the meeting, copies of the reports or clarifications they deem necessary regarding to items contained on the meeting agenda. The Directors shall be obliged to provide such information, except in those instances where, in the Chairman's opinion, the publication of such information could be harmful to the Company's interests. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital</p> |

**E.6. Indicate any changes made to the General Meeting Regulations during the fiscal year.**

The following modifications were approved at the General Meeting held on 21<sup>st</sup>. June 2005, after which there were no subsequent modifications:

**Article 9. Attendance Rights and Responsibilities.**

"1. Shareholders possessing at least two thousand shares registered in their name at least five days in advance of the Meeting date are entitled to attend the General Meeting.

Shareholders possessing fewer than two thousand shares may form groups to reach the required minimum for the purposes of attending and voting at the Meeting. Any one of the shareholders forming part of the group may represent them. The formation of a group must be accredited in a written document signed by all of the shareholders involved, with a separate document for each General Meeting. Otherwise, any one of them may delegate another shareholder who is entitled to attend the General Meeting as their representative, according to the



terms of the law and the Articles of Association, thereby grouping their shares together with those of the chosen representative.

Justification: Adaptation of the General Meeting Regulations to the previously adopted resolution to amend the Articles of Association to reduce the number of shares required to attend General Meetings to two thousand and redrafting Article 18 accordingly.

Article 10, part 3. General Meeting Committee.

The following text is added to the end of part 3:

“The Chairman of the Meeting will be assisted in the performance of his or her functions by the Secretary.”

Justification:

Since the offices of Chairman of the Board and Chief Executive Officer are no longer occupied by the same person, it is fitting to clarify that one of the functions of the Secretary of the General Meeting is to assist the Chairman in any legal or material aspects as may be required during the General Meeting.

Article 14. Part 2. Information

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

Justification: Adaptation of the General Meeting Regulations to the changes in the composition of the Board of Directors following the appointment of the Managing Director on 26<sup>th</sup>. October 2004. The figure of the Managing Director is included for the purposes of assisting the Chairman when the latter determines that it is necessary to provide the information requested by shareholders.

**E.7. Indicate the attendance rates at General Meetings held during the fiscal year referred to in this report:**

**Attendance rates**

| Meeting date | % physically present | % represented | % distance votes | Total:  |
|--------------|----------------------|---------------|------------------|---------|
| 21-06-2005   | 60.590               | 39.410        | 0.000            | 100.000 |

**E.8. Briefly describe the resolutions passed at the general meetings held during the fiscal year in question and the percentage by which each was passed.**

In the year 2005 there was one General Meeting held on 21<sup>st</sup>. June in which the following resolutions were passed:

1.1.- Information to shareholders not subject to vote (first agenda item):

The General Meeting was informed of the changes made by the Board to the Board of Directors Regulations at its sessions held on 26<sup>th</sup>. October and 22<sup>nd</sup>. December 2004. Said modifications consisted of a sweeping revision of the Regulations to adapt them to the new structure of the Company's governing bodies.

1.2.- Results of the votes on the resolutions passed:

2. Examination and approval of the 2004 financial statements (balance sheets, profit and loss statements and notes to the financial statements) and directors' reports of Fomento de Construcciones y Contratas, S.A. and the consolidated group, as well as the Board of Directors' performance. (Second agenda item)

Approval of the balance sheet, profit and loss account, notes to the financial statements and directors' report for fiscal year 2004 for FOMENTO DE CONSTRUCCIONES Y CONTRATAS S.A. and the Consolidated Group. These documents were verified by the Company's auditors.

The performance of the Board of Directors during fiscal year 2004 was approved along with the financial statements of the company and its Consolidated Group.

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 0          |
| Abstentions     | 165,267    |
| Votes in favour | 78,944,229 |

3. Examination and approval of the proposed application of fiscal year profits (losses) (third agenda item):

|                                  |                      |
|----------------------------------|----------------------|
| Total available for distribution | 196,627,787.05 euros |
| - Interim dividend               | 88,490,549.48 euros. |
| - Complementary dividend         | 88,490,549.48 euros. |
| - Voluntary reserves             | 19,646,688.09 euros. |

The remuneration paid to the Board of Directors in fiscal year 2004 was approved in the amount of 1,548,117.00 euros, a figure equivalent to 0.4% of the earnings shown on the consolidated annual income statements for Fomento de Construcciones y Contratas, S.A.:

|                 |            |
|-----------------|------------|
| Total votes:    | 79,109,496 |
| Votes against   | 0          |
| Abstentions     | 6,500      |
| Votes in favour | 79,102,996 |

4. Amendment of the Articles of Association: articles 2 (Business Object), 18 (Legitimation for Attending the General Meeting), 29 (Requirements and Term of Office), 32 (Deliberations, Resolutions and Meeting Minutes), 35 (Executive Committee and Managing Director), 36 (Transaction of the newly created Executive Committee), 37 and 38 (Audit Committee) and 39 (Advisory Board). (Fourth agenda item)

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 0          |
| Abstentions     | 59,197     |
| Votes in favour | 79,050,299 |

5. Modification of the "Regulations of the General Meeting of Shareholders of Fomento de Construcciones y Contratas, S.A.". articles 9 (Attendance Rights and Responsibilities), 10 (General Meeting Committee) and 14 (Information). (Fourth agenda item)

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 0          |
| Abstentions     | 59,197     |
| Votes in favour | 79,050,299 |

#### 6. Ratification, Appointment and Re-election of Directors. (Sixth agenda item)

Ratification of the Directors appointed by the Board of Directors by co-optation at the following meetings:

15<sup>th</sup>. September 2004:

- Cartera Deva, S.A. (nominee director).
- Fernando Falcó y Fernández de Córdova (nominee director).
- Felipe Bernabé García Pérez (executive director).
- Ibersuizas Alfa, S.L. (nominee director).
- Ibersuizas Holdings, S.L. (nominee director).
- Robert Peugeot (nominee director).

26<sup>th</sup>. October 2004:

- Dominum Dirección y Gestión, S.A. (nominee director).

13<sup>th</sup>. January 2005:

- Larranza XXI, S.L. (nominee director).

30<sup>th</sup>. March 2005:

- Antonio Pérez Colmenero (executive director).

all of whose mandates ended on 21<sup>st</sup>. June 2005.

In order to fill the vacancies on the Board, as indicated above, and to fill three other vacancies occurring on 21<sup>st</sup>. June 2005 when the mandates of the directors Marcelino Oreja Aguirre, Gonzalo Anes y Álvarez de Castrillón and Juan Castells Masana expires, and on the recommendation of the Appointments and Remuneration Committee, the following members of the Board of Directors were re-elected for five-year terms:

- Gonzalo Anes y Álvarez de Castrillón (independent director).
- Juan Castells Masana (nominee director).
- Marcelino Oreja Aguirre (nominee director).
- Cartera Deva, S.A. (nominee director).
- Fernando Falcó y Fernández de Córdova (nominee director).
- Ibersuizas Alfa, S.L. (nominee director).
- Ibersuizas Holdings, S.L. (nominee director).
- Robert Peugeot (nominee director).
- Dominum Dirección y Gestión, S.A. (nominee director).
- Larranza XXI, S.L. (nominee director).
- Felipe Bernabé García Pérez (executive director).
- Antonio Pérez Colmenero (executive director).

|                 |               |
|-----------------|---------------|
| Total votes     | 70,874,430 ** |
| Votes against   | 93,823        |
| Abstentions     | 59,197        |
| Votes in favour | 70,721,410    |

\*\* In tallying the votes, those corresponding to the shares represented by the Chairman of the Board, Marcelino Oreja Aguirre, were not taken into account, pursuant to the terms of article 114 of the Stock Market Act.

7. Authorisation of the Board to increase the share capital within five years, including by means of the issue of non-voting shares, and revocation of the previous authorisation. (Seventh agenda item)

In accordance with the report prepared by the Directors, the Board of Directors was authorised to increase the share capital one or more times within a period of five years starting from the date of this resolution without having to consult the General Meeting in advance.

The total amount of the capital increases may not exceed the sum of SIXTY-FIVE MILLION, TWO HUNDRED AND EIGHTY-THREE THOUSAND, SEVEN HUNDRED AND FORTY-ONE EUROS (65,283,741€), i.e., half of the share capital, and must be carried out in the form of cash investments and issues of ordinary or non-voting shares, with or without additional paid-in capital.

The Board was authorised to set, for each capital increase carried out under this delegation, the amount of the additional paid in capital in each case and the general conditions of the transaction, all subject to the terms of article 153.1 b) of the Public Corporations Act:

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 94,122     |
| Abstentions     | 13,590     |
| Votes in favour | 79,001,784 |

8.- Authorisation to issue debentures or other fixed income securities within a term of five years. (Eighth agenda item)

Based on the report drafted on the subject by the Directors, the Board of Directors is empowered to create and issue, one or more times, and at the times deemed most convenient for the company's interests but within five years of 21<sup>st</sup>. June 2005, debentures, bonds or other fixed income securities of any kind, except for those convertible to shares, which recognise or create a debt, up to an amount which may not exceed, along with those of prior issues still in force, a figure equivalent to that of the capital and reserves of the company at the time of issue, either simple, mortgage or a combination of the two, but under no circumstances may the total issue exceed the maximum authorised amount:

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 9,434      |
| Abstentions     | 6,500      |
| Votes in favour | 79,093,562 |

9. Authorisation to purchase treasury stock and authorisation of subsidiaries to purchase stock in Fomento de Construcciones y Contratas, S.A.; all within the limits and meeting the requirements set forth in Article 75 and following of the Public Corporations Act. (Ninth agenda item)

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and the companies of the Group meeting any of the circumstances contained in article 42, paragraphs 1 and 2, of the Commerce Code are authorised to acquire treasury stock by purchasing such stock on any stock exchange where the stock is traded, at the

market price on the date of purchase, which must be between the minimum and maximum values indicated below:

- Maximum value: the highest quoted price in the three months immediately prior to the acquisition date, plus ten percent.
- Minimum value: the lowest quoted price in the last three months immediately prior to the acquisition date, less ten percent.

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 299        |
| Abstentions     | 6,500      |
| Votes in favour | 79,102,697 |

10. Re-election of the Auditors of the Company and the Consolidated Group. (Tenth agenda item)

The auditing firm DELOITTE, S.L. was re-elected as the auditor of the Consolidated Group for fiscal year 2006:

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 2,344      |
| Abstentions     | 6,500      |
| Votes in favour | 79,100,652 |

11. Authorisation of directors to develop, notarise, register, correct and execute the resolutions passed. (Eleventh agenda item)

|                 |            |
|-----------------|------------|
| Total votes     | 79,109,496 |
| Votes against   | 0          |
| Abstentions     | 6,500      |
| Votes in favour | 79,102,996 |

12. - Approval of the meeting minutes:

This agenda item was not put out to vote since the minutes were notarised at the Meeting.

**E.9. State how many shares a shareholder must possess to attend the General Meeting and whether there are any statutory restrictions.**

Following the recommendations of the Olivencia Code and the Aldama Report for enabling more shareholders to participate in General Meetings, the Group has cut the number of shares required to attend the meeting in half. On 21<sup>st</sup>. June 2005, the General Meeting approved the modification of Article 18 of the Articles of Association on the legitimation for attending the General Meeting:

Article 18. Legitimation for attending General Meetings.

Shareholders possessing two thousand or more shares, including those without voting rights, shall be entitled to attend the General Meeting, provided that the ownership of the shares is registered in the ledger of account entries at least five days in advance of the Meeting date and the shareholder accredits such ownership at the Company's registered offices or any other location indicated by the Company, by exhibiting the pertinent certificate.

Shareholders possessing fewer than two thousand shares may group together for the purpose of meeting attendance, choosing one shareholder to represent the group.

Directors, managers, technical personnel and others responsible for the management of the Company may also attend the General Meeting upon request. Company directors shall be obliged to attend. For any matter not specifically addressed in this article with regard to the right to attend General Meetings, the provisions of the Public Corporations Act shall apply.

**E.10. Indicate and give the reasons for the Company's policies relative to voting by proxy at the General Meeting.**

Notwithstanding the provisions of the Articles of Association where proxies are regulated, it is the policy of the Board of Directors not to demand unnecessary formalities in the proxy voting procedure which might hinder the rights of the shareholders who wish to exercise their right to attend the General Meeting, albeit with no impairment of the minimum guarantees needed to verify the delegation of a proxy by the shareholder.

**E.11. Indicate whether the Company is aware of the policy of institutional investor with regard to participating in Company decisions:**

Yes ☐ NO ☒

| Describe the policy |
|---------------------|
|                     |

**E.12. Indicate the address of the corporate website and how the corporate governance contents can be accessed on the site.**

On the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website, [www.fcc.es](http://www.fcc.es), there is a section on the home page entitled "Information for Shareholders and Investors" which includes the information required by Law 26/2003 of 18 July, the Order ECO/3722/2003 of 26 December and the Circular 1/2004 of 17 March of the National Securities Market Commission, ORDER EHA/3050/2004 of 15 December and Royal Decree 1333/2005 of 11 November.

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

The page includes a link to the data notified by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. to the website of the National Securities Market Committee.

**F LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

**Indicate the Company's level of compliance with the existing corporate governance recommendations or its non-compliance with them.**

**In those cases where the Company does not comply with the recommendations, explain the recommendations, standards, practices or criteria applied by the Company.**

**Until such time as the document referred to in ORDER ECO/3722/2003 of 26 December has been drafted, the recommendations contained in the Olivencia and the Aldama Reports should be used as a reference.** The most relevant aspects in terms of compliance with the corporate governance code ("Olivencia Code"), which were subsequently updated and modified by the "Aldama Report" are discussed below.

## 1. FUNCTIONS OF THE BOARD OF DIRECTORS

### Recommendation 1.

"The Board of Directors should accept expressly that the essence of its mandate is a general supervisory function. It should exercise, without the possibility of delegation, the responsibilities that such function involves and draw up formally a catalogue of the issues reserved for deliberation by it".

The Board of Directors expressly accepts that the essence of its mandate is to supervise, direct, control and represent FCC, notwithstanding the non-delegable responsibilities of both the Board as a governing body and its individual members.

In any event, the Board of Directors, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Association, shall be obliged to address the following issues constitute the formal list of issues that may only be addressed by the Board (Article 7 of the Regulations of the Board) which are as follows:

a. Appointing and removing the Chairman, Vice Presidents, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing the respective Boards of Directors the appointment and revocation of the Chairmen and Managing Directors of the tier one specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realía Business, S.A. and FCC Versia, S.A.) and appointing and removing members of the Steering Committee.

The Board may modify the list of specialised subsidiaries referred to in the preceding paragraph.

b. Delegating powers 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.

c. Appointing and removing Board members to sit on the different Committees discussed in these Regulations.

d. Supervising the Delegated Committees of the Board.

e. Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.

f. Accepting the resignation of board members.

g. Formulating the annual accounts and presenting them to the General Meeting.

h. Determining the Group's strategy with the support of the Strategy Committee and the Managing Director.

i. Approving investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts above eighteen million (18,000,000) euros.

j. Organising the Board of Directors in general and modifying these Regulations in particular.

k. 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.

The Board is assisted in the performance of its functions by specialised committees in order to diversify the work and ensure that in certain cases where the immediacy and importance of the issues do not require that they be forwarded directly to the full Board, the proposals and resolutions first pass through a specialised body that can filter and inform its decisions, thereby reinforcing the guarantees of objectivity and the reflection process. These specialised committees are: the Executive Committee, the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee.

## 2. INDEPENDENT DIRECTORS

Recommendation 2.

“The Board of Directors should include a reasonable number of independent directors, who should be persons of repute in their professional fields who are unrelated to either the executive management team or to major shareholders.”

The number of independent directors is four (11.76%), all of whom meet the general requirements of competency, experience, solvency and honour referred to in the Olivencia code and the Aldama Report and are not prohibited from sitting on the board due to any type of incompatibility. The different professional backgrounds of the independent directors enrich the Board with different points of view and the contribution of pluralistic experiences outside of the business world.

## 3. COMPOSITION OF THE BOARD

Recommendation 3.

In the composition of the Board of Directors there should be an ample majority of external directors (both nominee directors and independent directors) over executive directors, and the ratio between nominee directors and independent directors should be established taking into consideration the ratio between share capital corresponding to major shareholders and other share capital.

This recommendation was updated by the Aldama Report in the sense that there should be an ample majority of external directors and within them a very significant level of participation by independent directors, bearing in mind the stockholder structure and the capital represented on the Board.

The Company complies fully with this recommendation, given that 70.59% of the Board members are external nominee directors and the remaining 11.76% are external independent directors.

Given the ratio between the capital held by significant shareholders and the rest, the recommendation regarding the ratio of nominee to independent directors is complied with partially.

## 4. NUMBER OF DIRECTORS

Recommendation 4.

“The size of the Board of Directors should be that required to ensure that it operates in the most efficient and participative manner possible.” The appropriate size, in principle, is probably between five and fifteen members.

The Aldama Report refrains from recommending a maximum and minimum number of Board members, limiting itself to stating that it should have the number required to ensure that it operates in the most efficient and participative manner possible.

The Board of Directors believes that twenty (as of 31.12.05 there were seventeen Directors) is an appropriate number in view of the Group's complexity and the distribution



of tasks among the plenary Board, the Executive Committee, the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee.

## 5. CHAIRMAN OF THE BOARD OF DIRECTORS

### Recommendation 5.

"In the event that the Board opts for the formula whereby its Chairman is also the Company's chief executive, it should adopt the necessary precautions to reduce the risks arising from the concentration of power in a single person."

The office of Chairman and Chief Executive Officer are not held by the same person.

## 6. SECRETARY OF THE BOARD

### Recommendation 6.

"Greater importance should be attached to the Secretary of the Board of Directors, reinforcing the Secretary's independence and stability and highlighting the Secretary's function of overseeing the formal and material legality of the conduct of the Board."

The Secretary of the Board is independent and oversees the formal and material legality of the Board's conduct.

The Secretary is a professor of mercantile law and a partner in one of Spain's most prestigious law firms, which undoubtedly guarantees that the procedures and regulations of governance are respected and reviewed on a regular basis.

## 7. COMPOSITION OF THE EXECUTIVE COMMITTEE

### Recommendation 7.

"The composition of the Executive Committee, if there is one, should reflect the same balance as exists within the Board itself between the different kinds of directors. Relations between these two bodies should be governed by the principle of transparency, in such a way that the Board is kept fully aware of the issues dealt with and decisions adopted by the Committee."

The Executive Committee is composed of five (5) Directors: one (1) executive director and four (4) external directors.

The Board of Directors is informed at each one of its sessions of the resolutions adopted by the Executive Committee.

## 8. CONTROL COMMITTEES

### Recommendation 8.

"The Board of Directors should create internal Control Committees made up exclusively of external directors, with responsibility for information and accounting control (Audit); the selection of directors and senior management personnel (Appointments); the laying down and reviewing of remunerations policies (Remuneration); and the evaluation of the system of governance (Compliance)."

The Board of Directors of Fomento de Construcciones y Contratas, S.A. has set up the following Delegated Committees:

- the Audit and Control Committee is composed of five external directors (100%).
- 66.67% of the members of the Appointments and Remuneration Committee are external directors.
- Strategy Committee: on 30 May 2005, following the favourable report of the Appointments and Remuneration Committee, eight external directors were appointed (100%).

## 9. SHAREHOLDER INFORMATION

Recommendation 9.

"That such measures as may be required be adopted to ensure that the directors receive in good time sufficient information, drawn up specifically and designed for the preparation of the meetings of the Board. Important or reserved information may only be excluded in exceptional circumstances."

Article 38, "Board of Directors Meetings" of the Regulations of the Board establishes that the announcement of the ordinary sessions will be sent by post, fax, or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman. Notwithstanding the provisions of Article 30 of the Articles of Association, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration. In emergency situations, as decided by the Chairman, the minimum advance notice for the meeting will be 48 hours and in this case the meeting agenda will be limited to the urgent matters.

The Chairman will decide the meeting agenda. The Directors may request the inclusion of items on the agenda and the Chairman will be obliged to include them when the request is made by at least three Directors or by any one of the Board Committees at least three days in advance of the meeting date.

When a specific item is included on the meeting agenda at the request of the Directors, then the Directors who requested the inclusion of that item shall 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.

## 10. FUNCTIONS OF THE BOARD OF DIRECTORS

Recommendation 10.

"To ensure the proper running of the Board of Directors, its meetings should be held with the frequency required to enable it to perform its duties; the Chairman should encourage the participation of all board members, endeavouring to ensure that each one is free to adopt the stance he or she considers appropriate; particular care should be taken in the wording of the minutes and an evaluation should be made at least once a year of the quality and efficacy of the Board's work."

Article 38 "Board of Directors Meetings" of the Regulations of the Board establishes that the Board of Directors will meet as often as required and at least six times per year. The calendar of the ordinary sessions will be set by the Board at the beginning of each year. The calendar may be modified by agreement of the Board or by decision of the Chairman, who will notify the Directors of the change at least ten days in advance of the original meeting date, or the modified meeting date if it comes before the original date.

The announcement of the ordinary sessions will be sent by post, fax, or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman. Notwithstanding the provisions of Article 30 of the Articles of Association, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration.

In emergency situations, as decided by the Chairman, the minimum advance notice for the meeting will be 48 hours and in this case the meeting agenda will be limited to the urgent matters.

The Board, at its meeting held on 2<sup>nd</sup>. February 2006, devoted the first of its annual sessions to an assessment of its own transactions during the preceding year, evaluating

the quality of its work, the efficacy of its regulations and correcting those aspects which have been shown to be dysfunctional, if any.

The number of meetings held during the fiscal year (12) surpasses those recommended in the Board of Directors Regulations (6).

## 11. SELECTION AND RE-APPOINTMENT OF DIRECTORS

### Recommendation 11.

"The involvement of the Board in the selection and re-appointment of its members should follow a formal and transparent procedure, and should be based on a reasoned proposal prepared by the Appointments Committee."

The selection and re-election of the members of the Board must adhere to the procedures established in the Board of Directors Regulations, the Articles of Association and the Public Corporations Act, with the participation of the Appointments and Remuneration Committee.

In particular, on 30<sup>th</sup> May 2005, the Appointments and Remuneration Committee reported to the Board of Directors in favour of:

- the proposed appointments of the members of the Strategy Committee.
- The proposed appointment and re-election of the Directors who had been elected and re-elected at the ordinary General Meeting.

## 12. RESIGNATION OF BOARD MEMBERS

### Recommendation 12.

"Companies should include in their regulations the obligation incumbent upon the directors to resign in situations in which they may have a negative effect on the functioning of the Board or on the standing and reputation of the company."

Articles 20 "Director Resignation", of the Regulations of the Board lists the circumstances under which directors must resign:

1. The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.

2. The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases:

a. When they no longer occupy the positions or perform the functions associated with their appointment as executive directors.

b. In the case of nominated directors, when the shareholder whose interests they represent transfers its interest in FCC

c. When they are affected by circumstances of incompatibility or legal prohibition.

d. When at least two thirds of the Board members are in favour of the Director's resignation:

- when the Director is admonished by the Board for having infringed his obligations as a Director, following the proposal or report of the Appointments and Remuneration Committee or
- when the interests of FCC could be jeopardised by the Director remaining on the Board.

### 13. AGE OF DIRECTORS

#### Recommendation 13.

"An age limit should be established for the occupation of positions on the Board. This could be between sixty-five and seventy years of age for executive directors and for the Chairman, and somewhat more flexible in the case of other Board members."

The recommendation in the Aldama Report modified the one found in the Olivencia Report. It does not set an age limit but merely states that any company that implements such a policy must state it clearly in its internal regulations.

FCC has no statutory or regulatory provision in this regard.

### 14. INFORMATION RIGHTS FOR DIRECTORS

#### Recommendation 14.

"There should be formal recognition of the right of each and every board member to gather and obtain the information and the advice required for the purposes of his supervisory duties. The channels through which this right is to be exercised – including recourse to external experts in special circumstances – should be established."

Articles 30 and 31 of the Regulations of the Board establish the information and inspection authority and the right of Directors to be assisted by experts.

#### Article 30. Information and Inspection Authority

1. In order to perform their duties, Directors may inform themselves of any aspect of FCC and its subsidiaries and associated companies, domestic or foreign. To this end, they may examine documentation, talk to the directors of the departments in question and visit the company's facilities.

2. So as not to disturb the ordinary transactions of the FCC Group, the exercise of these information rights shall be channelled through the Chairman who will respond to the Directors' requests by either providing the information directly or offering the appropriate interlocutors at the pertinent organisational level.

If such a request for information is denied, delayed or deficiently handled, the requesting Director may repeat his petition to the Audit and Control Committee, which shall listen to the versions of the Chairman and requesting Director and then decide how to proceed.

4. The requested information may only be denied when, in the opinion of the Chairman or the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Information requests shall not be denied when the request is supported by a majority of the Board members.

#### Article 31. Expert Assistance.

1. In order to be aided in the performance of their duties, external Directors may request the hiring of legal, accounting and financial advisers or other experts, at the Company's expense.

Such requests must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of the Director's duties.

2. Requests for external advisers or experts shall be submitted to the Chairman of FCC and will be authorised by the Board of Directors if, in the Board's opinion:

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 income of FCC and

c. the technical assistance cannot be properly provided by internal FCC experts or technical personnel.

3. Requests for expert assistance by any of the Board Committees may not be denied, except when a majority of the Board members considers that the conditions foreseen in part 2 of this Article are not met.

## 15. DIRECTOR REMUNERATION

### Recommendation 15.

“The policy as regards the remuneration of directors – which should be proposed, evaluated and reviewed by the Remuneration Committee – should be based on principles of moderation, should bear a relation to the Company's income and should be disclosed in the form of a detailed breakdown by individual cases. The remuneration of directors is based on principles of moderation and bears a relation to the Company's income.”

The remuneration of directors is based on principles of moderation and bears a relation to the Company's income. Global information is provided in the annual report as provided for in article 200 of the Public Corporations Act and part B.1.8. of this report. The actual remuneration of the members of the Board of Directors is lower than the limit allowed in the Articles of Association. The principles for Director remuneration are established in article 32 of the Regulations:

### Article 32. Remuneration of Directors

1. The Board, following the proposal of the Appointments and Remuneration Committee, will pay its members the remuneration agreed by the General Meeting of Shareholders in accordance with the Articles of Association. Each board member shall be entitled to receive the remuneration established by the Board of Directors in accordance with the Articles of Association, following the proposal of the Appointments and Remuneration Committee.

2. The remuneration paid to Directors will be stated in the Directors' Report. The remuneration paid to the executive Directors for the performance of their functions shall be part of the information included in the Annual Corporate Governance Report regarding the remuneration and cost FCC Group executives.

3. The remuneration referred to in this Article is compatible with and separate from the salaries, remunerations, indemnities, pensions, stock options or any other kind of compensation established in general or specifically for those members of the Board of Directors who perform executive functions, regardless of the type of contractual relationship with the Company, whether it be an employment relationship - common or special for executives - mercantile or service provision, which relationships shall be compatible with sitting on the Board of Directors.

4. The Company will take out liability insurance for its Directors.

## 16. GENERAL OBLIGATIONS OF DIRECTORS AND CONFLICTS OF INTEREST

### Recommendation 16.

“The Company's internal regulations should detail the obligations arising from the general duties of diligence and loyalty incumbent upon the directors, envisaging, in particular, situations of conflict of interest, their duty of confidentiality, the exploitation of business opportunities, and the use of corporate assets.”

The Regulations of the Board discuss the obligations of Directors in Chapter V “Obligations of Directors” (articles 22 to 29), addressing the following issues:

- general obligations of directors
- confidentiality
- non-competition

- conflicts of interest
- the use of FCC information
- business opportunities and the use of company assets
- indirect transactions
- information obligations of directors

## 17. TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

### Recommendation 17.

“The Board of Directors should seek the adoption of appropriate measures designed to extend the duty of loyalty to major shareholders, establishing, in particular, precautions in respect of transactions between such shareholders and the company.”

This report provides detailed information on the relevant transactions with significant shareholders in fiscal year 2005.

The Regulations of the Board contain measures for making the obligation of loyalty applicable to significant shareholders and people related to them. More specifically, article 25 establishes that directors shall abstain from attending and participating in deliberations affecting matters in which they could have a personal interest and from voting on those issues. A personal interest on the part of the Director is likewise considered to exist when it affects:

- a. The Director's spouse or a person to whom the Director is related by consanguinity or affinity up to and including the 4<sup>th</sup> degree or
- b. A company in which the Director holds a significant interest. An interest is considered to be significant when the Director, by himself or in union with relatives of the type mentioned in a. above, owns more than 15% of the political and economic rights or, even without this percentage, may appoint at least one member to the company's Board of Directors.

Directors shall inform the Board well in advance of any situation which may cause a conflict of interest with the interests of the FCC Group of companies or its associated companies.

The express authorisation of the Board of FCC will be required, based on the report of the Appointments and Remuneration Committee, in the following cases:

1. The provision of remunerated professional services by a Director to any company of the FCC Group other than those rendered by executive Directors in the performance of their duties as company employees.
2. The sale, transmission or any other arrangement involving an economic consideration of any kind by a Director to any company of the FCC Group of supplies, materials, goods or rights in general.
3. Transmission of supplies, materials, goods or rights in general by companies of the FCC Group to a Director other than in the course of the transmitting company's ordinary business.
4. Provision of goods or services by companies of the FCC Group to Director under lower than market conditions, even when they are part of the company's ordinary business.

In the case of ordinary transactions with the company, the Board of Directors may approve the generic line of transactions.

In any event, all transactions of any kind carried out by Directors with FCC, its subsidiaries or associated companies shall be reported in the Annual Corporate Governance Report. This obligation extends to the transactions between the Company and its direct or indirect significant shareholders.

## 18. COMMUNICATIONS WITH SHAREHOLDERS

### Recommendation 18.

“Measures should be decided upon to make the procedure for the delegation of votes more transparent and to increase the level of communication between the company and its shareholders, in particular institutional investors.”

The formal publication of the announcement of the General Meeting by the Company (in 8-10 national daily newspapers) goes well beyond the legal requirements (publication in one daily newspaper, stock market gazettes and the BORME). The Stock Market and Investor Relations Department also provides shareholders with information on the agenda and the resolutions to be submitted to the shareholders for their approval. All of this means that shareholders who cannot personally attend the General Meeting can delegate a proxy to vote for them on each agenda item.

The purpose of the Regulations of the General Meeting is threefold: first of all, to reinforce the transparency which should preside over the Company's governing bodies by making the procedures for preparing and holding the General Meetings public. Secondly, to specify the different ways in which shareholders can exercise their political rights in relation to General Meetings. And thirdly, to unify in a single text all of the regulations governing the General Meeting of Shareholders, thus favouring the knowledge of shareholders with regard to the transaction of the Company's supreme governing body.

The Regulations contain a series of measures relative to shareholders' information rights, proxies and electronic voting intended to encourage shareholder participation at general meetings.

On the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website [www.fcc.es](http://www.fcc.es), there is a section on the home page entitled “Information for Shareholders and Investors” which includes the information required by Law 26/2003 of 18 July, the Order ECO/3722/2003 of 26 December and the Circular 1/2004 of 17 March of the National Securities Market Committee. That information consists of economic-financial information and information relative to each general meeting of shareholders, the announcement and agenda, the proposed resolutions, voting by proxy and electronic voting.

## 19. MARKET TRANSPARENCY

### Recommendation 19.

“The Board of Directors, beyond the requirements imposed by current legislation, should be responsible for supplying the markets with speedy, accurate and reliable information, particularly in relation to the structure of its body of shareholders, substantial modifications to its regulations of governance, transactions of particular relevance with related parties, or treasury stock.”

The financial information is supplied to the markets in a timely manner and in the appropriate format. The market is also informed in a timely manner of any relevant events, particularly in relation to the structure of its body of shareholders, substantial modifications to its regulations of governance, transactions of particular relevance with related parties, or treasury stock.

Furthermore, pursuant to article 116 of the Stock Market Act on the rights of investors to key information on the decision-making processes in listed companies and the most important aspects of their corporate governance, the Board of Directors Regulations establish that, in addition to that mentioned above, the Board must prepare and publish an annual corporate governance report as mandated by law.

## 20. FINANCIAL INFORMATION

### Recommendation 20.

“All periodic financial information which, in addition to the annual information, is offered to the markets should be drawn up in accordance with the same principles and professional

practices as apply in the preparation of the annual accounts and should be verified by the Audit Committee prior to publication.”

All periodic financial information is drawn up in accordance with the same principles and professional practices as apply in the preparation of the annual accounts

According to the Board of Directors Regulations, all information made available to the markets is prepared according to the same professional principles, practices and criteria as those used to prepare the annual accounts and is just as reliable. To this end, the information is reviewed before being distributed by the Audit and Control Committee, one of whose functions is to ensure that the same principles and practices as those used to prepare the annual accounts are employed.

## 21. EXTERNAL AUDITORS

### Recommendation 21.

“The Board of Directors and the Audit Committee should monitor situations which may jeopardise the independent status of the Company’s external auditors and, specifically, should verify the percentage represented by fees paid by the Company to the audit firm, in all respects, in terms of such firm’s total income. Information should be issued publicly on fees paid corresponding to professional services other than audit services provided by the audit firm.”

The Board’s relations with the external auditors of FCC are channelled through the Audit and Control Committee as provided for in the Articles of Association.

The percentage of the fees paid by the Group in proportion to the auditor’s total income in Spain is 1.2%.

## 22. AUDITORS’ RESERVATIONS

### Recommendation 22.

“The Board of Directors should endeavour to ensure that the accounts which it draws up are submitted to the General Meeting without reservations and qualifications in the audit report. When this is not possible, both the Board and the Auditors should explain clearly to both shareholders and the markets the nature and scope of the discrepancies.”

In compliance.

## 23. ANNUAL CORPORATE GOVERNANCE REPORT

### Recommendation 23.

“The Board of Directors should include in its annual public report information on its regulations of governance, explaining any aspects in which these regulations fail to conform to the recommendations of this Code.”

The Company, as established in article 116 of the Stock Market Act, publishes an Annual Corporate Governance Report which is approved by the Board of Directors, forwarded to the CNMV and made available to all shareholders and investors on the Company’s website. This report is provided to shareholders as a Schedule to the Annual Report at the Ordinary General Meeting of Shareholders.

## **G** OTHER INFORMATION OF INTEREST

**If you believe there are any relevant principles or aspects relative to the corporate governance practices of your company which have not been addressed in this report, please explain them below.**



**You may include any additional information or clarification of previous sections of the report, to the extent that they are relevant and not repetitive.**

**More specifically, please indicate whether the company is subject to any laws other than the laws of Spain inasmuch as corporate governance is concerned and, if so, include any information the company is obliged to provide other than that requested in this report. The directors who have drafted this report would like to make it known that in fiscal year 2004 the Company achieved a high level of compliance with the recommendations of the Olivencia Code and the Aldama Report.**

EXPLANATORY ANNEX:

PART A:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) is controlled by B 1998, S.L., which owns 52.483% of FCC's share capital. Of that amount, 59,871,785 are direct shares and 8,653,815 are indirect shares through its subsidiary Azate, S.A.

Fomento de Construcciones y Contratas, S.A. (FCC) is controlled by B 1998, S.L. which is in turn controlled by Esther Koplowitz Romero de Juseu (EK), who holds 73.37% of its share capital:

- Directly with 54.6107% and
- Indirectly with 18.7601%, through Dominum Desga, S.A. (0.0001%), and Dominum Dirección y Gestión, S.A. (18.76%), both wholly-owned by EK.

Furthermore, EK owns 123,313 direct shares in FCC and 39,172 indirect shares in FCC through the companies Dominum Desga, S.A. (4,132) and Ejecución y Organización de Recursos, S.L. (35,040), wholly-owned by EK.

The company B 1998, S.L. is partially owned by different investors (the investors) in the amount of 26.63%:

- Cartera Deva, S.A. (5.01%)
- Ibersuizas Holdings, S.L. (10.55%)
- Simante, S.L. (5.73%)
- Larranza XXI, S.L. (5.34%)

PART A.6.

On 30<sup>th</sup>. July 2004, a Relevant Event was published on the website of the CNMV which referred to the acquisition of a part of the interest held by EK 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 French Peugeot family through the company Simante, S.L.

On 13<sup>th</sup>. January 2005, the Group published as a relevant event the fact that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the company Larranza XXI, S.L. (a company of the Bodegas Faustino) on the transfer to the latter of a minority shareholding held by the former in the company B 1998, S.L., a company which in turn possesses, directly or indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Also on 13<sup>th</sup>. January 2005, the Group published as a relevant event the fact that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the investment companies company 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. on the transfer to the latter of a minority shareholding held by the former in the company B 1998, S.L., a company which in turn possesses, directly or

indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

The Relevant Events highlight the principal agreements relative to the control of the companies (FCC and B 1998, S.L.) reached by EK and the investors since the respective acquisitions:

- EK will continue to control B 1998, S.L., and therefore Azate, S.A. and FCC.
- The Board of Directors of B 1998 S.L. will be composed of twelve directors. The Investors will be entitled to appoint 4 directors but may never appoint more than one-third of the members of the Board of Directors of B 1998, S.L.
- EK will be entitled to appoint the majority of members of the Board of Directors of FCC and its subsidiaries. The investors, as a whole, may appoint up to 4 members but never more than one-third of the members of the Board of Directors of FCC.
- EK will be entitled to designate the Chairman of the Board of Directors of FCC and the Managing Director of FCC and at least two-thirds of the members of its Executive Committee.
- The Pay-Out of FCC will be at least 50%.

There are also numerous agreements between EK and the Investors designed to protect the latter's investment in B 1998, S.L. as minority shareholders. They are described below:

- WITH REGARD TO B 1998, S.L.:

With regard to B 1998, S.L. and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:

- amendments of the Articles of Association which involve moving the registered offices abroad, changing the business objective or increasing or reducing share capital, except when such transactions are imposed by legal imperative or when capital reductions are carried out through the acquisition of shares in B 1998 S.L. owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, by B 1998 S.L. for subsequent amortisation or when they are carried out by means of the amortization of the shares in B 1998, S.L. owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, and charged to the reserves which are only accessible to EK.

- transformations, mergers and spin-offs in any of their forms or the overall assignment of assets and liabilities;

- the dissolution or winding up of B 1998 S.L.;

- the suppression of preferential rights in capital increases and the exclusion of shareholders;

- any change to the administration system of B 1998 S.L.;

- the establishment or modification of the dividend policy agreed by the Investors in respect of the statutory or extrastatutory rights attached to the shares owned by the Investors;

- any encumbrance of any relevant assets of B 1998, S.L. and specifically of FCC shares or shares in any other company in which B 1998 S.L. may hold an interest now or in the future;

- any increase in the annual overhead costs which exceeds those shown on the Company's balance sheet ending 31<sup>st</sup>. December 2003, plus the annual increase in the Consumer Price Index, plus two percentage points. For calculation purposes, the remuneration received by B 1998 S.L., as a consequence of being part of the Board of Directors of FCC (hereinafter, "FCC Board Remuneration") will be excluded as will the remuneration received by members of the Board of Directors of B 1998 S.L. to the extent that it does not exceed the remuneration of the Board of Directors of FCC;

- the granting or maintenance of powers which could entail the use of FCC stocks;

- the indebtedness of B 1998 S.L and the giving or receiving of guarantees totalling more than 500,000 euros;
- the creation or acquisition of direct subsidiaries (excluding FCC subsidiaries) or the taking of interests in companies other than those in which B 1998 S.L. currently holds an interest.

- WITH REGARD TO FCC:

With regard to FCC and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:

- amendments of the Articles of Association which involve moving the registered offices abroad or increasing or reducing share capital, except when such transactions are imposed by legal imperative;
- changes to the business objective inasmuch as they involve the incorporation of activities unrelated to the construction, services, cement and real estate sectors;
- transformations, mergers and spin-offs;
- 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. no longer holds an indirect share of more than 50% of the voting rights in the company formed by the merger;
- the suppression of preferential subscription rights in capital increases;
- the modification of the administration system;
- the disposal, encumbrance or acquisition of FCC assets unrelated to the Company's business objective, provided that they are relevant, and any such actions included within the business objective of FCC when the value of the individual transaction or a group of transactions is equal to or greater than 700,000,000 euros (plus the annual increase in the Consumer Price Index) or any significant change to the current structure of the FCC Group or which represents more than 10% of the consolidated assets of the FCC Group;
- any other transactions involving a variation of more than 20% of the capital and reserves of FCC or 10% of the consolidated assets of the FCC Group;
- the granting of powers which permit the disposals, encumbrances or acquisitions referred to above; the foregoing in no way limits the right of EK to appoint and remove the Managing Director of FCC;
- the indebtedness of FCC and the giving or receiving of guarantees by FCC (excluding the guarantees required as part of the normal business transactions and project financing) which exceed 2.5 times the amount of the gross operating results shown on the last consolidated balance sheet of FCC.

If it is not possible to reach a consensus between EK and the Investors needed to pass the resolutions under the special circumstances referred to above, they will take the necessary actions required to maintain the pre-existing situation.

For further information, please see the full contents of the shareholders' agreements which are available on the website of the National Securities Market Commission under the heading of Relevant Events reported by the Company on 30<sup>th</sup>. July 2004 and 13<sup>th</sup>. January 2005.

- The Company has no knowledge of the existence of concerted actions.

PART B0.10.2.

Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26<sup>th</sup>. October 2004.

PART B0.10.5.

Article 35.2 of the Regulations of the Board establishes that the Board of Directors may permanent delegate the powers of the Board in one or more of its members, with the exception of those which are not delegable under the law, the Articles of Association or the Regulations.

In order to be valid, the permanent delegation of the powers of the Board of Directors and the appointment of the Director or Directors to whom such powers are delegated, regardless of the office they hold, shall require the favourable vote of at least two-thirds of the components of the Board of Directors.

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

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

- Supporting the Board of Directors in the definition of the Group's strategy.
- Preparing the Business Plan and Annual Budgets to be submitted to the Board of Directors for its approval.
- Preparing and submitting to the Board of Directors or to the Executive Committee for approval, depending on whether the individual amount is higher or lower than eighteen million euros, respectively, proposals for investments, disinvestments, credits, loans, guarantees, bonds and other types of financial facilities.
- Hiring and firing of company personnel with the exception of the appointments to be made by the Board of Directors pursuant to the terms of these Regulations.

Once a year, at the first Board meeting of the year, the Managing Director will report to the Executive Committee on the actual level of compliance with the forecasts in terms of the proposed investments submitted to the Committee and to the Board of Directors.

Article 7.2 of the Regulations of the Board establishes that:

In any event, the Board of Directors, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Association, shall be obliged to address the following issues constitute the formal list of issues that may only be addressed by the Board:

a. Appointing and removing the Chairman, Vice Presidents, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing the respective Boards of Directors the appointment and revocation of the Chairmen and Managing Directors of the tier one specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realia Business, S.A. and Fcc Versia, S.A.) and appointing and removing members of the Steering Committee.

The Board may periodically modify the list of specialised subsidiaries referred to in the preceding paragraph.

- b. Delegating powers 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.
- c. Appointing and removing Board members to sit on the different Committees discussed in these Regulations.
- d. Supervising the Delegated Committees of the Board.
- e. Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.
- f. Accepting the resignation of board members.
- g. Formulating the annual accounts and presenting them to the General Meeting.
- h. Determining the Group's strategy with the support of the Strategy Committee and the Managing Director.
- i. Approving investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts above eighteen million (18,000,000) euros.
- j. Organising the Board of Directors in general and modifying these Regulations in particular.
- k. 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.

Furthermore, article 8.1 (General Functions – Equilibrium in the Performance of Functions) establishes that the Board of Directors is responsible for performing all acts as may be necessary to attain the business objectives set forth in the Articles of Association, in accordance with the applicable laws. The fact that the Board may empower certain members of the Board within the limits allowed by the law does not deprive the Board of those powers. (article 8.2)

The Board of Directors, at its session held on 26<sup>th</sup>. October 2004, delegated numerous powers to Rafael Montes Sánchez relative to: financial matters, customer and supplier relations, labour relations, administration and disposal, companies and associations, legal matters and internal affairs. This delegation of powers facilitates Group management and expedites the external manifestation of the company's will.

#### PARTS B.1.8 AND B.1.10.

The body which authorises the guaranteeing or reinforcing clauses in the Executive Committee.

As indicated in the notes to the income statements for each fiscal year that are prepared by the Board of Directors and submitted to the General Meeting for approval, an insurance policy was taken out to cover the payment of contingencies relative to death, permanent disability, retirement and other items payable to the executive directors and executive staff members listed in parts B. 1. 3 and B.1.9, respectively.

In particular, the contingencies eligible for indemnification are those which result in the termination of the labour relationship for any of the following reasons

- a) Unilateral decision of the company
- b) Dissolution or disappearance of the parent company for any reasons, including merger or spin-off.
- c) Death or permanent disability.
- d) Other causes of physical or legal disability.

- e) A substantial change in professional conditions.
- f) Resignation at the age of 60 at the director's request and with the company's approval.
- g) Resignation at the age of 65 years by unilateral decision of the director.

The consolidated income statement of the FCC Group includes the payment of insurance premiums in the amount of 2,529,000 euros, 1,922,000 of which refer to the executive directors and senior staff referred to in part B.1.10.

The executive directors who ceased to be such in 2004 received a total of 3,942,000 euros in insurance benefits.

#### PART B0.10.17.

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

#### PART B0.10.24.

Part 1 of article 10 of the Regulations of the Board "Specific functions relative to the Annual Accounts and Directors' Report" states that the Board of Directors will draw up the Annual Accounts and the Directors' Report, both individual and consolidated, to reflect a faithful image of the equity, financial situation and results of FCC, as provided for under the law, based on the report of the Audit and Control Committee. These accounts will first be certified for their integrity and accuracy by the Director of Administration and Finance with the Chairman's approval, if he has executive powers, and otherwise by the Managing Director.

#### PART B0.10.29.

Data relative to the main auditor and other auditors participating in the audits of the different companies of the Group.

#### PART B0.2.4.

##### \* EXECUTIVE COMMITTEE

Article 40, part 1 of the Regulations of the Board establishes that the Board may permanently delegate all of the powers of the Board in the Executive Committee with the exception of those which are not delegable under the law, the Articles of Association or these Regulations. Unless otherwise stipulated in the contents of the delegation conferred by the Board, the Executive Committee will have the power to decide on investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts less than eighteen million euros.

##### \* AUDIT AND CONTROL COMMITTEE:

Parts 2 and 3 of article 41 of the Regulations of the Board establish that the basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the economic-financial information, internal controls and the independence of the external auditors.

In particular, the Audit and Control Committee's powers include but are not limited to:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Limited Liability Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December.
- Supervising the company's internal audit services.
- Overseeing the company's financial information process and internal control systems.
- Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related

to the auditing process and in relation to any and all communications foreseen in the auditing legislation and in auditing standards.

- Guaranteeing the independence of its own members in relation to the Company's external auditors.
- Overseeing compliance with legal requirements and the correct application of generally accepted accounting standards.
- Supervising the preparation of the individual and consolidated Income Statements and the Directors' Report for their formulation by the Board of Directors in accordance with the law.
- Informing the Board on the accuracy and reliability of the individual and consolidated Income Statements and Directors' Report and of the financial information periodically disseminated to the markets.
- Evaluating the reports on proposed amendments of these Regulations , in accordance with the provisions of part 3, Article 4.
- Deciding on how to proceed in relation to the information rights of the Directors who come to the Committee for assistance, in accordance with the provisions of Article 30 of these Regulations. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in article 38.4 of these Regulations .
- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.
- 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.

#### \* APPOINTMENTS AND REMUNERATION COMMITTEE

Parts 3, 5 and 10 of article 42 of the Regulations of the Board establish that:

The Appointments and Remuneration Committee is responsible for proposing or informing the Board of Directors as follows:

- a. Reporting on proposals for the appointment or re-election of Directors and proposals for reprimanding Directors as referred to in Article 20.2 d) of these Regulations.
- b. Proposing the people or positions that should be considered executive staff members or positions of the Company, in addition to those envisaged in Article 2.2 of these Regulations.
- c. Informing the Board of the Directors' remuneration scheme and revising it periodically to ensure that it is in keeping with the duties performed by the Directors.
- d. Informing the Board of the incentive plans for the executives of the FCC Group, particularly those that are related to the value of the shares.
- e. Informing on the fundamental aspects of the general compensation policy of the FCC Group and the remunerations and types of contracts of FCC executives.
- f. Reporting on proposals for the appointment of members to the Committees of the Board of Directors.
- g. Preparing and maintaining a record of the situation of Directors and Executives of FCC
- h. Receiving the information provided by Directors under Article 24.2 of these Regulations.
- i. Informing on the professional or commercial transaction referred to in Article 25.4 of these Regulations, if any.
- j. Informing on the business opportunities previously studied and ruled out by the FCC Group but taken advantage of by Directors for their own benefit or of the use of assets belonging to the Group of Companies referred to in parts 1 and 3 of Article 27 of these Regulations.
- k. Receiving and filling in the record of situations referred to in letter h. above the personal information provided by the Directors as established in Article 29 of these Regulations.
- l. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in Article 38.4 of these Regulations. 38.4 of these Regulations .

To perform its functions to the best of its ability, the Appointments and Remuneration Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

The Appointments and Remuneration Committee shall have access to all of the documentation and information needed to perform its functions.

#### \* STRATEGY COMMITTEE

Article 43 of the Regulations of the Board establishes that the Strategy Committee is responsible for supporting the Board of Directors in determining the Group's strategy following the guidelines set out by the Board and for preparing the pertinent reports and proposals.

In particular, the Strategy Committee will inform the Board on the proposed investments, third-party agreements, new activity lines and financial transactions which, due to their relevance and in the opinion of the Board could have an effect on the Group's strategy. It will also report to the Board on any other matters placed before it by the Board and not falling under the jurisdiction of any other Board committee.

To perform its functions to the best of its ability, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

#### PART B.2.8.

Two of the six members of the Appointments and Remuneration Committee are executive directors. Nonetheless, the terms of article 42.1 of the Board of Directors Regulations are met since a majority of the Committee members are external directors.

#### PART C.3

There are multiple transactions between companies of the group that are part of the Group's normal business transactions, all of which are eliminated in the process of preparing the consolidated financial statements.

#### PART E.7.

The exact details of General Meeting attendance are as follows:

Meeting date: 21-06-2005

Shareholders physically in attendance as a percentage of total share capital: 52.87%

% represented: 7.71%

% distance votes: 0

Total attendance at General Meeting as a percentage of total share capital: 60.58%

#### PART E.11

The institutional investors have not, to date, stated their intention to participate in the Company's decisions.

#### OTHER INFORMATION OF INTEREST

On 15<sup>th</sup>. December 2005, the Company reported to the CNMV as Relevant Event the rejection of the appeal filed by Acciona, S.A. against the ruling of the Court of First Instance number 2 of Barcelona which found in favour of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. in the dispute between the two companies with regard to Acciona's pretension of having three representatives on the Board of Directors of FCC.

The full contents of the ruling are available on the Company's website, [www.fcc.es](http://www.fcc.es), under the press/news section.



**This Annual Corporate Governance Report was approved by the Board of Directors at its session held on 31.03.06.**