



DIRECTORS' REPORT ON AMENDMENTS TO THE RULES OF THE BOARD OF DIRECTORS SINCE THE LAST GENERAL MEETING OF SHAREHOLDERS FOR THE PURPOSES OF ARTICLE 115.1 OF SECURITIES MARKET LAW

ITEM 4 ON THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS ON 18 JUNE 2008

This report is drafted by the Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter "FCC" or the "Company") in accordance with article 115.1 of the Securities Market Law in order to inform the General Meeting of Shareholders scheduled for 18 June 2008 at 16.00 hours, at first call, and 19 June 2008 at the same time, at second call, about the amendment to the Rules of the Board of Directors under item 4 of the agenda of the General Meeting of Shareholders.

On 12 May 2008, the Board of Directors amended various articles of the Rules of the Board of Directors.

The approved amendment aimed to adapt the text of the Rules to the recent regulatory reforms, and add specific amendments regarding certain matters for practical reasons.

Accordingly, it was also considered advisable to make a number of changes to improve wording and uniformity.

Amendments were made in particular to articles 2, 6, 7, 25, 32, 40, 41 and 42 of the Rules of the Board of Directors.

- **Amendments due to changes in legislation.**

Article 6.4 was amended with regard to shareholdings, replacing the reference to "5% of capital" with "that which is considered legally significant," so that the text does not clash with the new definition of significant holdings (3% of voting rights) as established in Royal Decree 1362/2007 on transparency.

- **Amendments due to the introduction of new rules on specific matters for practical reasons.**

Article 2.2 has been amended, following a favourable report by the Appointment and Remuneration Committee, so that the Board of Directors may designate persons as "senior executives" even though they do not fulfil the characteristics established in article 2, coordinating the Board's new power with the power to propose which, for these purposes, is already attributed to the Appointment and Remuneration Committee in article 42.3.d).

Article 7.2.a) has been amended to divide the powers in this section into two sections, and expand on those powers regarding the heads of the functional areas of the Company, members of the Executive Committee, and senior executives in general

Article 25.2 has been amended; the new text has been included as a second paragraph in 25.1, replacing the list of related parties contained there with the definition in article 127 ter 5 of the Public Corporations Act including, for this purpose, a reference to that provision in a new final paragraph added to this article.

Section 4.a) of the aforementioned article has been moved to 3.a) with the goal of expressly envisaging the provision of services to FCC Group companies by parties related to the Directors. A new paragraph has been added to section 3 to ensure that the request for authorisation for related-party transactions is made through the Corporate Responsibility Department, which will consult the affected business area before requesting the report from the Appointment and Remuneration Committee.

Article 32.2 has been amended so that the Report on the Directors' remuneration policy must be available to shareholders from the moment the General Meeting of Shareholders is called, but that it need not be submitted to an advisory vote at the meeting.

In article 40.1, the figure of 18 million, which was established as a limit for the powers of the Executive Committee regarding investments, divestments, credit, loans, guarantees, or any other financial facility has been eliminated so as to coordinate it with the elimination of that figure in article 8 regarding the Board's powers, as well as an express reference to article 7.2.i).

Article 42.3.d) has been amended and, due to other amendments, is now 42.3.e), regarding the powers of the Appointment and Remuneration Committee, in order to replace the figure €120,000 with the figure set at any given time by the Appointment and Remuneration Committee and reported to the Board of Directors. This avoids the need to periodically amend the text of the Rules of the Board to reflect the updated figure set by the Appointment and Remuneration Committee, as occurs at present.

Article 42.3.e) has been amended and, due to other amendments, is now 42.3.f), in order to eliminate the reference to the individual remuneration of executive directors included among the proposals that should be made by the Appointment and Remuneration Committee to the Board, leaving only the term "remuneration" understood in broad overall terms.

- **Amendments due to systematic changes and changes in wording.**

Article 7 has been amended to divide the functions contained in section 7.2.a) in two sections.

Article 8.3.b) has been amended regarding policies that the Board of Directors must approve to include an express mention of the remuneration policy for Directors. In 8.3.e), reference to the appointment, removal and indemnity clauses for senior executives has been eliminated, as this information is included in article 7.2.a), expanding on the power to approve the remuneration policy regarding members of the Company's Executive Committee.

In article 40, a new paragraph has been included in section 1 which includes the powers in the last paragraph of article 8.3 which, in urgent situations, may be exercised by the Executive Committee (powers related to appointment and removal of senior executives and their indemnity clauses, periodic financial information, strategic investments and operations that may affect the group's transparency).

Article 41.3.b) has been amended in order to add mention of the need to adopt measures that ensure the independence of the external auditor.

Article 42 has been amended as follows:

- (i) in section 3.c), the function to propose appointment and reelection of independent directors as reflected in article 16;
- (ii) a new section that includes the functions relating to independent directors established in the second paragraph of article 17, and article 20.3 (report prior to maintenance of an independent director in office after 12 years have gone by, and the report prior to the removal of independent directors);
- (iii) a new section that includes the function established in article 36.1 (Report prior to appointment and removal of the Secretary of the Board);
- (iv) a new section that includes the function established in article 6.4 (prior verification of directors' status).

Below, in parallel columns, are the amendments made to the Rules of the Board; the left-hand column contains the original text, while the right-hand column contains the current text.

12 May 2008

**RULES OF THE BOARD OF DIRECTORS.- DETAILS OF THE
AMENDMENTS MADE ON 12 MAY 2008**

<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 2. Scope of application and dissemination.</i> 1. The persons to whom these Rules apply, particularly the directors and senior executives of the Company and, where appropriate, of its Group, are obliged to know and comply with these Rules and to ensure that others comply with them; it is the duty of the Secretary of the Board of FCC to deliver a copy to each one of them. For the purposes of these Rules, senior executives of the Company are those who report directly to the Board or the Company's first executive and, in any case, include the internal auditor.	<i>Article 2. Scope of application and dissemination.</i> 2. The persons to whom these Rules apply, particularly the directors and senior executives of the Company and, where appropriate, of its Group, are obliged to know and comply with these Rules and to ensure that others comply with them; it is the duty of the Secretary of the Board of FCC to deliver a copy to each one of them. For the purposes of these Rules, senior executives of the Company are those who report directly to the Board or the Company's first executive and, in any case, include the internal auditor. Persons not meeting the foregoing conditions who are nonetheless declared by the Board of Directors to be Senior Executives, following a favourable report by the Nominations and Remuneration Committee, will be classified as such.

<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
Article 6. Qualitative composition Section 4: The nature of each director should be explained to the General Meeting of Shareholders which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee; also, with respect to external directors that cannot be classified as either proprietary or independent, the reasons for this circumstance must be disclosed along with their connections with the Company or its executives or with its shareholders. The Annual Corporate Government Report should also disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 5% of capital and explain any rejection of a formal request for a board seat from shareholders whose equity stake is equal to or greater than that of others who succeeded in appointing a proprietary director.	Article 6. Qualitative composition Section 4: The nature of each director should be explained to the General Meeting of Shareholders which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee; also, with respect to external directors that cannot be classified as either proprietary or independent, the reasons for this circumstance must be disclosed along with their connections with the Company or its executives or with its shareholders. The Annual Corporate Government Report should also disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than the percentage legally classified as significant and shall explain any rejection of a formal request for a board seat from shareholders whose equity stake is equal to or greater than that of others who succeeded in appointing a proprietary director.
<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
Article 7. Powers of the Board of Directors. Powers that may not be delegated 2. In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated: a) Appointment and removal of the Chairman, Vice-Chairman, Managing Directors, Secretary and Vice-Secretary of the Board of Directors, and proposal to the respective Boards of Directors through the Company's representatives therein, to appoint and remove the Chairmen and General Managers of the current top-level specialised subsidiaries (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Cementos Portland	Article 7. Powers of the Board of Directors. Powers that may not be delegated 2. In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated: a) Appointment and removal of the Chairman, Vice-Chairman, Managing Directors, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the Managing Director , appointment, removal and, when appropriate, indemnisation clauses for the senior officials in the company's functional areas (Administration, Finance, Human Resources, and the General-Secretariat), of members of the Management

Valderrivas, S.A., Realia Business, S.A. and FCC Versia, S.A.), acting in this connection in pursuit of the corporate interest of each of the aforementioned subsidiaries, and the appointment and removal of Executive Committee members.	Committee and, in general, the Company's Senior Executives. b) Propose to respective Boards of Directors, at the initiative of the Managing Director and through the Company's representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and General Managers of the parent companies of FCC Group (FCC Construcción, S.A.; FCC Medio Ambiente, S.A.; Aqualia Gestión Integral del Agua, S.A., FCC Versia, S.A., Cementos Portland Valderrivas, S.A. and Realia Business, S.A.), acting in this connection in pursuit of the corporate interest of each of the aforementioned subsidiaries.
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<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 8. General Functions - Equilibrium in the performance of functions.</i> Section 3 b) b) Approving the Company's general policies and strategies, particularly the strategic business plan, and the management goals and annual budgets, the policy on own shares, particularly its limits, the policy relating to corporate governance and corporate social responsibility, and the policy on risk control and management, identifying the main risks faced by the Company, and implementing and monitoring the most appropriate internal control and information systems in order to guarantee its future viability and competitiveness, taking the principal decisions for its optimal development. Section 3 e) e) Approving the remuneration policy for the Company's senior executives and evaluating their performance, deciding, on the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.	<i>Article 8. General Functions - Equilibrium in the performance of functions.</i> Section 3 b) b) Approving the Company's general policies and strategies, particularly the strategic business plan, and the management goals and annual budgets, the policy on own shares, particularly its limits, the policy relating to corporate governance and corporate social responsibility, directors' remuneration policy, and the policy on risk control and management, identifying the main risks faced by the Company, and implementing and monitoring the most appropriate internal control and information systems in order to guarantee its future viability and competitiveness, taking the principal decisions for its optimal development. Section 3 e) e) Approving the remuneration policy for the Company's senior executives and members of the Company's Management Committee, and evaluating their performance.
<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 25. Conflicts of interest.</i> 1. Directors may not attend or participate in debates regarding related-party transactions and generally issues in which they may have a personal interest, nor may they vote or grant proxy on the corresponding resolutions, and they must withdraw from the meeting while the Board debates and votes. 2. A personal interest on the part of the director is likewise considered to exist when it affects: a. the director's spouse or person with an analogous relationship, or a person	<i>Article 25. Conflicts of interest.</i> 1. Directors may not attend or participate in debates regarding related-party transactions and generally issues in which they may have a direct or indirect personal interest, nor may they vote or grant proxy on the corresponding resolutions, and they must withdraw from the meeting while the Board debates and votes. An indirect interest on the part of the director is likewise considered to exist when that matter affects a related party.

to whom the director is related by consanguinity or affinity up to and including the 4th degree, or b. or a company in which the director holds a significant interest. An interest is considered to be significant when the director, alone or in union with related parties as defined in a) above, owns more than 5% of the capital. 4. In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required: a) Provision by a director to companies of the FCC Group of professional services other than those deriving from executive directors' employment relationship. i. Sale or disposal by any other means, for good and valuable consideration of any type, of supplies, materials, goods or rights in general by a director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. Related parties will be as defined in article 127 ter. 5 of the Public Corporations Act. ii. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties. iii. Provision of works or services or the sale of materials by companies of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.	3. In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required: a. Provision by a director or a related party to companies of the FCC Group of professional services other than those deriving from executive directors' employment relationship. b. Sale or disposal by any other means, for good and valuable consideration of any type, of supplies, materials, goods or rights in general by a director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. c. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties d. Provision of works or services or the sale of materials by companies of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices. The request for authorisation will be processed through the Corporate
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	Social Responsibility Department, which will request a report from the affected area of FCC; that report, together with the request, will be referred to the Appointment and Remuneration Committee. 6. Related parties will be as defined in article 127 ter. 5 of the Public Corporations Act.
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<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 32. Remuneration of directors.</i> 2. The Board will submit a report on the directors' remuneration policy approved for the current year and for future years, as the case may be, to the advisory vote of the General Meeting, as a separate item on the agenda; the report must address all the issues referred to in the last paragraph of section 2, except... (the rest of the article remains unchanged)	<i>Article 32. Remuneration of directors.</i> 2. The Board will draft a report on the directors' remuneration policy for the current year and for future years, as the case may be, to be made available to shareholders from the date of notice of the General Meeting of Shareholders. The report will include all aspects referred to in the last paragraph of section 2, except... (the rest of the article remains unchanged)
<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 40. Executive Committee.</i> 1. The Board may set up an Executive Committee in which it may permanently delegate all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety lines and other financial facilities for unit amounts not exceeding eighteen million euros. (the rest of the article remains unchanged)	<i>Article 40. Executive Committee.</i> 1. The Board may set up an Executive Committee in which it may permanently delegate all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety lines and other financial facilities for unit amounts not exceeding the figure that is established in each case in accordance with article 7.2.i). In situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under article 8 of these Rules, which must be reported to the Board of Directors for subsequent ratification: the appointment and removal of senior executives and their indemnity clauses, periodic public financial information, strategic investment and transactions, and those covered by 8.3.f). (the rest of the article remains unchanged)

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<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 41. Audit and Control Committee.</i> Section 3 b) b) Liaising between the Board of Directors and the external auditor, evaluating the results of each audit, with the following additional duties with respect to the external auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his or her engagement; (ii) receiving regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations; (iii) ensuring the independence of the external auditor and, to that end, ensuring that the Company files a regulatory disclosure with the CNMV if it changes auditor, attaching a statement about any disagreements with the outgoing auditor and their content; where the external auditor resigns, the Committee must examine the reasons; (iv) and seeking to ensure that the Company's auditor takes responsibility for auditing the companies comprising the Group. The rest of the article remains unchanged	<i>Article 41. Audit and Control Committee.</i> Section 3 b) b) Liaising between the Board of Directors and the external auditor, evaluating the results of each audit, with the following additional duties with respect to the external auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his or her engagement; (ii) receiving regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations; (iii) ensuring the independence of the external auditor and, in particular, establishing appropriate measures to ensure that: 1) contracting consulting services with that auditor or a company of its group does not jeopardise its independence; and 2) the Company issue a regulatory disclosure to the CNMV as regards the change in auditor, with a statement about any disagreements with the outgoing auditor and their nature; where the external auditor resigns, and the Committee must examine the reasons; (iv) and seeking to ensure that the Company's auditor takes responsibility for auditing the companies comprising the Group. The rest of the article remains unchanged
<u>PREVIOUS TEXT</u>	<u>CURRENT TEXT</u>
<i>Article 42. Appointment and Remuneration Committee</i> Section 3: c) Advising on proposals for appointment or re-appointment of directors.	<i>Article 42. Appointments and Remuneration Committee</i> Section 3 c) Proposing the appointment and reappointment of independent directors and advising on

d) Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in article 2.2. of these rules, and making the proposals for reprimands envisaged in article 20.2.d of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is 120,000 euro or greater; the Appointments and Remuneration Committee is authorised to review that figure periodically, and must report its decision to the Board of Directors. e) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the individual remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. f) Preparing and maintaining a record of the status of directors and senior executives of FCC. g) Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are	proposals for the appointment and reappointment of the other directors. d) Advising on proposals to maintain independent directors in their positions after 12 years and advising on proposals for the removal of independent directors, in accordance with article 20.3. e) Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in article 2.2. of these rules, and making the proposals for reprimands envisaged in article 20.2.d of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee and reported to the Board of Directors in each case. f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Ensuring that the procedures for filling vacancies on the Board are
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few or no female directors and the initiatives adopted to correct this situation. h) Advising on the proposed appointment of members of the Board of Directors committees. i) Receiving the information provided by directors under Article 24.2 of these Rules. j) Advising on the professional or commercial transactions referred to in Article 25.4 of these Rules, if any. k) Advising on the use, for the benefit of a director, of business opportunities or assets of FCC which previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules. l) Receiving and filing, in the record of status referred to in item e) above, the personal information provided by the directors as established in Article 29 of these Rules. m) Requesting, as necessary, the inclusion of items in the agenda of Board meetings, under the conditions and by the deadlines established in Article 38.3 of these Rules. The Appointments and Remuneration Committee must consult with the Company's Chairman and Chief Executive in matters relating to the executive directors and senior executives. (the rest of the article remains unchanged)	not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female directors and the initiatives adopted to correct this situation. i) Advising on the proposed appointment of members of the Board of Directors committees. j) Advising on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under article 6.4. l) Receiving the information provided by directors under Article 24.2 of these Rules. m) Advising on the professional or commercial transactions referred to in Article 25.4 of these Rules, if any. n) Advising on the use, for the benefit of a director, of business opportunities or assets of FCC which previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules. o) Receiving and filing, in the record of status referred to in item e) above, the personal information provided by the directors as established in Article 29 of these Rules. p) Requesting, as necessary, the inclusion of items in the agenda of Board meetings, under the conditions and by the deadlines established in Article 38.3 of these Rules.
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	1. The Appointments and Remuneration Committee must consult with the Company's Chairman and Chief Executive in matters relating to the executive directors and senior executives. (the rest of the article remains unchanged)
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