



**REPORT ON THE DIRECTOR REMUNERATION POLICY OF FOMENTO DE  
CONSTRUCCIONES Y CONTRATAS, S.A.**

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## **I. INTRODUCTION.**

Under article 37 of the Articles of Incorporation and article 32 of the Rules of the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter, the Company, or FCC), the Board of Directors must distribute among its members the remuneration decided upon at the General Meeting of Shareholders and 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.

That report must address the various aspects referred to under article 32 of the Rules of Board of Directors, except those potentially entailing the disclosure of commercially sensitive information, while also referring to the role of the Appointments and Remuneration Committee in designing the remuneration policy, along with the identity of any external advisors engaged by that Committee.

The Board of Directors, at its meeting on 12 May 2008, approved this report on the remuneration policy for 2008.

## **II. DRAFTING THE REPORT.**

Every member of the Board of Directors participated actively in drafting this report, under the supervision and organisation of its Chairman, taking account of the comments and suggestions of the other members.

In particular, the Board has had the support and counsel of the Appointments and Remuneration Committee which, under article 42.3 f) of the Rules of the Board of Directors, has the power to make proposals to the Board as regards Director

remuneration policy, individual remuneration for Executive Directors and other the conditions of their contracts.

The Board of Directors also had information and advice from the Company's own department, no advice having been received from external consultants in this connection.

The Board also considered data regarding remuneration paid in the market by companies of a similar size and activity, and the recommendations and indications regarding the remuneration structure for directors contained in the Unified Code of Good Corporate Governance published by the Comisión Nacional del Mercado de Valores.

### **III. OBJECTIVE AND STRUCTURE OF THE REMUNERATION POLICY.**

Under article 37 of the Articles of Incorporation, the remuneration policy for FCC directors considers the functions and responsibilities of each of them as a member of the Board and its Committees, and is commensurate with the dedication of each one to the Company, with a view to motivating and retaining the most qualified professionals.

Accordingly, the remuneration policy for Directors seeks to ensure that they receive a competitive market remuneration that is in line with the remuneration paid in the market by companies of similar size and activity and it is reviewed periodically by the Appointments and Remuneration Committee so that the latter may propose any appropriate amendments to the Board of Directors.

The remuneration policy must respect the criteria stipulated in article 32.2 of the Rules of the Board of Directors.

- (i) external directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence;
- (ii) remuneration comprising the delivery of shares in the Company or other companies in the Group, share options or other share-based instruments, variable remuneration linked to the Company's performance or membership of pension schemes should be confined to executive directors except where directors are obliged to retain the shares until the end of their tenure;
- (iii) in the case of remuneration linked to Company earnings, they should take account of any qualifications in the external auditor's report that lead to a reduction in such earnings; and
- (iv) in the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

#### **IV. DIRECTOR REMUNERATION FOR MEMBERSHIP THE BOARD OF DIRECTORS.**

In accordance with article 37 of the Articles of Incorporation, the Board of Directors of FCC must distribute among its members the remuneration decided upon by the General Meeting of Shareholders, which must consist of a share of the net profits which must not be less than 2% of income for the financial year; that amount may include fixed remuneration as well as per diems, variable remuneration and benefit schemes.

Directors' remuneration is structured as follows:

- Fixed annual remuneration for membership of the Board: Directors receive a fixed annual remuneration for discharging their duties as members of the Board of Directors, equivalent to 1 module.
- Annual fixed amount for the Chairman of the Board: The Chairman receives a fixed annual remuneration for the representation and executive duties within the company, equivalent to 2 modules.
- Fixed supplementary amount for membership of the Executive Committee: Directors who are members of the Executive Committee also receive a supplementary fixed annual amount equivalent to 2/3 of a module.
- Supplementary fixed amount for membership of the Audit and Control Committee and the Appointments and Remuneration Committee: Members of these Committees also receive 50% of a module for each Committee of which they are a member.

The various remuneration items received by members of the Board for discharging their duties in 2007 is based on a module of 66,720 euro. Accordingly, the breakdown of this remuneration, once it is approved by the Ordinary General Meeting of Shareholders, will be as follows:

- Directors will receive a fixed annual remuneration of 66,720 euro ("module") for membership of the Board.
- The Chairman of the Board will receive the fixed amount of 133,440 euro (2 modules).
- Members of the Executive Committee will also receive 44,053 euro (2/3 of a module).

- Members of the Audit and Control Committee and the Appointments and Remuneration Committee will receive 33,360 euro (1/2 of a module) for each Committee to which they belong.

| <b>REMUNERATION</b>                                                                  | <b>TOTAL IN EURO</b> |
|--------------------------------------------------------------------------------------|----------------------|
| Membership of the Board                                                              | 66,720               |
| Chairman of the Board                                                                | 133,440              |
| Membership of the Executive Committee                                                | 44,035               |
| Membership of the Audit Committee and/or the Appointments and Remuneration Committee | 33,360               |

Applying these rules to each member of the Board of Directors and considering the time for which they discharged their respective duties during 2007 in the Board and in the various Committees, total remuneration for 2007 submitted to the Ordinary General Meeting of Shareholders for approval, is 2,020,235 euro.

Accordingly, the remuneration for the entire Board of Directors in 2007 was 0.273% of FCC's consolidated profit, i.e. considerably lower than the 2% limit established under article 37 of the Articles of Incorporation.

For 2008, Director remuneration for membership of the Board and its Committees will be structured in the same manner as in 2007, based on a fixed annual amount for each remuneration item (directorship, Chair, membership of the Executive Committee, membership of the Audit and Control Committee, membership of the Appointments and Remuneration Committee) which will be linked to a specific amount called a "module".

The amount of a module in 2008 will not vary significantly with respect to the 2007 figure; it will increase based on the annual CPI and in an amount that will not represent

a substantial increase in the percentage of overall director remuneration with respect to the Company's earnings.

## **V. REMUNERATION OF EXECUTIVE DIRECTORS FOR DISCHARGING EXECUTIVE DUTIES.**

### **1. Remuneration structure.**

Under article 37 of the Articles of Incorporation, director remuneration for board members will be compatible with the other waged, service or professional remuneration paid to the board members for the performance of their duties, whether managerial, executive, advisory or of any other nature, other than the directors' functions of supervision and collective decision-making, which they perform for the company, under the form of hired employment, lease of services or any other form legally applicable to them based on their nature.

Accordingly, without prejudice to the remuneration they receive as Board members, Executive Directors are remunerated for discharging executive or senior management duties attributed to them on the basis of a fixed annual amount and a variable component in line with market conditions in the industries in which the Company operates.

Both the Annual Corporate Governance Report and the Financial Statements for 2007 include this information on Director remuneration.

The Board of Directors has agreed to maintain, in 2008, the structure of the remuneration paid to directors for discharging their executive duties, which will be structured as a fixed amount for duties and responsibilities assumed due to their posts and a variable remuneration depending on the earnings obtained by the company and achievement of the goals set in the Company's new Strategic Plan.

If approved by the General Meeting of Shareholders, executive directors and executives may also receive, subject to approval by the Board of Directors, remuneration in the form of shares, stock options, other share-based instruments.

## **2. Basic conditions of the contracts of Executive Directors.**

Without prejudice to their status as Directors, Executive Directors have a contractual relationship with the company which regulates the performance of management duties.

These contracts are for an indefinite length of time and are generally subject to the regulations governing contracts for the provision of services. These contracts may be terminated by either party, and Directors are entitled to receive compensation of up to 3.5 times annual remuneration, depending on their length of service with the Company, provided that the termination of the contractual relationship was not due to breach of duties on the part of the Director or to voluntary resignation.

For the duration of the contract and for a period thereafter that is established in the contract itself, directors are bound by a duty not to compete in the activities carried on by the Company and companies in its Group, and they are forbidden to hold, directly or through interposed parties, other contracts of a labour, civil or mercantile nature with other companies that perform activities similar to those performed by the FCC Group.

The contracts also establish a duty of confidentiality which applies for the duration of the contract and for a period thereafter that is established in the contract itself; upon termination of the relationship, Executive Directors must return all documents in their possession to FCC, regardless of the medium (paper, software, etc.).

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