

REPORT FROM THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) REGARDING THE PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION

ARTICLE 18 (LEGITIMATION FOR ATTENDING GENERAL MEETINGS), 23 (RIGHT TO INFORMATION), 26 (THE BOARD OF DIRECTORS), 27 (COMPOSITION), 28 (APPOINTMENT AND SEPARATION OF BOARD MEMBERS), 29 (REQUIREMENTS AND TERM), 35 (EXECUTIVE COMMITTEE AND MANAGING DIRECTOR), 36 (OPERATION OF THE EXECUTIVE COMMITTEE), 37 (REMUNERATION), 38 (THE AUDIT AND CONTROL COMMITTEE) AND 39 (COMPETENCE).

(ITEM 3 OF THE AGENDA).

2007 ORDINARY GENERAL MEETING OF SHAREHOLDERS

I. Purpose of the report

This Report has been drawn up by the Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter referred to as "**FCC**" or the "**Company**") in accordance with article 144.1a of the Public Corporations Act, which requires a written report to be prepared by the Directors justifying the reasons for the proposed amendments to the Articles of Incorporation; this will be submitted for approval under item 3 of the agenda to the General Meeting of Shareholders to be convened on 28 June 2007 at 16.00, at first call, and on 29 June 2007 at the same time, at second call.

II. Presentation of the proposal

Notwithstanding the presentation of the amendments of the Articles of Incorporation as a whole to the General Meeting of Shareholders, the amendments to the various articles under the same Title and Section of the Articles of Incorporation will be voted on separately. Accordingly, the following items will be voted on separately:

(**___1**) Amendment to articles 18 (Legitimation for attending General Meetings) and 23 (Right to Information) of **Title Three Section 1 (The General Meeting)** of the Articles of Incorporation;

(**___2**) Amendment to articles 26 (The Board of Directors), 27 (Composition), 28 (Appointment and Separation of Board Members), 29 (Requirements and Term), 35 (Executive Committee and Managing Director), 36 (Operation of the Executive Committee) and 37 (Remuneration) of **Title Three Section 2 (The Board of Directors)** of the Articles of Incorporation; and

(**___3**) Amendment to articles 38 (The Audit and Control Committee) and 39 (Competence) of **Title Three Section 3 (The Audit and Control Committee)**, and the heading of Section 3 (The Audit and Control Committee).

To make it easier to compare the proposed wording of the articles to be amended with the current wording, section IV of this Report (Detailed justification of the proposal to amend the Articles of Incorporation) will include the current text and the amended text for each specific proposed amendment to the Articles of Incorporation.

III. General justification of the proposal

The amendment to the Articles of Incorporation that is submitted to the General Meeting for approval is structured in two parts.

On the one hand, following publication by the National Securities Market Commission (CNMV) of the Unified Code of Corporate Governance (Unified Code), and even though, as discussed later, the recommendations of the Unified Code are implemented essentially in the Rules of the Board of Directors, some issues need to be addressed in the Articles of Incorporation to ensure proper coordination with the content of the Rules of the Board of Directors.

And, on the other hand, the proposed amendment to the Articles of Incorporation seeks to clarify and complement technical aspects of certain clauses, with the resulting change in wording, all with the aim of providing greater certainty in interpreting and applying those provisions.

This amendment of the Articles of Incorporation comes in the context of a process of review and adaptation of the Company's main corporate governance documents in order to ensure coherence between them.

1. Amendment to certain clauses of the Articles of Incorporation to ensure close coordination in the implementation of the Rules of the Board of Directors with the recommendations from the Unified Code on Good Corporate Governance.

On 19 May 2006, the National Securities Market Commission published the report of the special working group on the corporate governance of listed companies, Annex I of which contained the Unified Code of Good Governance, which sets out a number of recommendations to listed companies in the area of corporate governance.

The principles guiding the Unified Code are as follows.

- (i) *Voluntariness, subject to the "comply or explain" principle* (in their annual corporate governance report, companies must disclose which recommendations they do not apply, and explain why).
- (ii) *Evaluation by the market*: It is up to the markets to assess the companies' explanations.
- (iii) *Generality*: The Unified Code is applicable to all listed companies, although some recommendations may be inappropriate for smaller companies. In that case, it will suffice for the companies to explain the reasons and the options they choose.
- (iv) *Binding definitions*: When disclosing the degree of compliance, companies must adhere to the meanings that the Unified Code gives to certain terms used in making the recommendations.

Aside from actual compliance with the recommendations, adapting to the recommendations of the Unified Code requires FCC to analyse the main corporate governance documents (Articles of Incorporation, Rules of the Board of Directors, Rules of the General Meeting, Internal Code of Conduct in the Markets) to determine the extent to which they must be adjusted to the recommendations of the Unified Code. Based on a decision of the CNMV Board on 22 May 2006, FCC must decide in 2007 which of the recommendations it assumes and which it discards (totally or partially), and must make a disclosure in this respect to the markets and shareholders in the 2007 Annual Corporate Governance Report that the Board of Directors of FCC must approve early in 2008 (Article 116 of the Securities Market Law).

The scope and premises of the proposal to amend the Articles of Incorporation are based on the following *principles*:

- *To adapt as far as possible to the recommendations of the Unified Code, whilst*
 - *maintaining the necessary unity and cohesion of the Board and its Committees in the interests of the Company, as recognised and required by the Unified Code itself,*
 - *and taking into account the capital structure of FCC and its specific circumstances and particular nature.*

This means that in certain cases there is justification for some of the recommendations not to be incorporated or only to be partially incorporated; this will all be clearly explained in the annual corporate governance report (IAGC).

- *To concentrate the proposed amendments to the corporate texts in the Rules of the Board of Directors, in order to avoid, as far as possible, including the recommendations of the Unified Code in the Articles of Incorporation of FCC given that these are more difficult to change, whereas the Rules of the Board of Directors which can be amended at any time by a simple resolution of the Board of Directors itself, thus making it easier and quicker to accommodate any new circumstances which may arise unexpectedly at the Company; any*

amendments to the Rules of the Board of Directors are notified immediately to the General Meeting.

Accordingly, it is proposed to amend specifically the following clauses of the Articles of Incorporation: (i) article 26 of the Articles of Incorporation relating to the regulation of the Board of Directors' functions; (ii) article 27 of the Articles of Incorporation relating to the composition of the Board of Directors; (iii) article 35 of the Articles of Incorporation relating to the powers reserved for the Board of Directors; (iv) article 38 of the Articles of Incorporation relating to the Audit and Control Committee, in order to establish the powers, composition and duties of the Audit and Control Committee and the Appointments and Remuneration Committee, and any other committee that the Board considers appropriate; (v) and article 39 of the Articles of Incorporation relating to the functions of the Audit and Control Committee, in order to establish the composition and working of the Audit and Control Committee and Appointments and Remuneration Committee.

2. Technical improvements in certain clauses of the Articles of Incorporation

As indicated above, the proposed amendment also seeks to make technical improvements to certain clauses of the Articles of Incorporation in order to clarify and complete certain aspects with the goal of providing greater certainty in their interpretation and application.

Specifically, amendments are proposed in the following articles: (i) article 18 of the Articles of Incorporation relating to the legitimation for attending General Meetings, to expand the forms of legitimation and to establish, in addition to the right to attend and vote, the right to grant proxy; (ii) article 23 of the Articles of Incorporation, to expand the list of circumstances involving requests from shareholders for information or explanations by at a General Meeting; (iii) article 28 of the Articles of Incorporation relating to the appointment and separation of directors, in order to establish a proper connection with the Rules of the Board of Directors for the purposes of the recommendations of the Unified Code; (iv) article 29 of the Articles of Incorporation, to incorporate the update of Law 5/2006, of 10 April, regarding the regulation of conflicts of interest of members of the Government and those with senior posts in the State Administration and (v) article 36 of the Articles of Incorporation, to provide for circumstances whereby the Executive Committee can convene urgently, and also to establish the possibility of announcing meetings by e-mail; (v) and article 37 of the Articles of Incorporation, to make technical improvements to the directors' remuneration system as provided for in the Public Corporations Act.

Finally, in both the technical amendments and the amendments relating to the Unified Code, minor changes in wording and style have been made to facilitate understanding of those clauses of the Articles of Incorporation.

IV. Detailed justification of the proposal to amend the Articles of Incorporation

The broad lines of the amendment are set out above; the specific amendments are described in greater detail below:

Current wording	Proposed wording
Article 18. Legitimation for attending General Meetings.	Article 18. Legitimation for attending General Meetings.

Shareholders possessing one 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. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings 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 Corporation Act shall apply. Shareholders may attend the General Meeting of Shareholders by means of distance communication, in accordance with the Rules of the General Meeting of Shareholders, provided that the governing body so decides. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it shall mention this in the announcement, specifying the communication methods that shareholders may use to exercise their representation rights, exercise or delegate their vote and attendance. It shall also contain the deadlines, forms and ways in which shareholders can	Shareholders possessing one or more shares, including those without voting rights, will 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 or attendance card issued by the Company, or in any other form permitted by law. Directors, managers, technical personnel and others responsible for the management of the Company may also attend General Meetings 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 Corporation Act shall apply. Shareholders may attend and vote at the General Meeting of Shareholders and appoint representatives by means of distance communication, in accordance with the Rules of the General Meeting of Shareholders, provided that the governing body so decides. When each General Meeting of Shareholders is announced, the Board of Directors will evaluate whether there are distance communication methods available that permit the shareholders to vote and/or delegate their votes remotely, duly guaranteeing the identity of the shareholder exercising the right to vote or, in the case of a proxy, the identity of the principal and agent and whether the use of such methods is feasible. If the Board of Directors determines that such methods are available and can be used, it will mention this in the announcement, specifying the communication methods that shareholders may use to exercise their representation rights, exercise or delegate their vote and attendance. It shall also contain the deadlines, forms and ways in which shareholders can
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attend the Meeting by electronic or telematic means.	attend the Meeting by electronic or telematic means.
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Justification of the amendment to article 18:

The proposed amendments are technical improvements.

Current wording	Proposed wording
Article 23. Right to Information. Shareholders may request, either prior to the meeting in writing or verbally during the meeting, copies of the reports or explanations they deem necessary regarding the 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. Shareholders may request, either in writing or using other electronic or distance communication media, up to seven calendar days before the date of the General Meeting on first call, any information or explanations they require or pose any questions they may have on the agenda items or about the information available to the public provided by the Company to the National Securities Market Commission since the last General Meeting was held. The information so requested will be provided by the directors in writing no later than the date of the General Meeting. Shareholders may verbally request from the Chairman, during the General Meeting and prior to examining and deliberating on the items contained on the agenda, any information or explanations they require regarding those items. The information and explanations thus requested shall be provided verbally by any one of the directors in attendance, at the Chairman's request. If the requested information or explanations refer to items falling under the jurisdiction of the Audit Committee, they shall be provided by any one of the members or advisors to the Committee in attendance at the meeting. If in the Chairman's opinion it is not	Article 23. Right to Information. Shareholders may request, either prior to the meeting in writing or verbally during the meeting, copies of the reports or explanations they deem necessary regarding the 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. Shareholders may request, either in writing or using other electronic or distance communication media, up to seven calendar days before the date of the General Meeting on first call, any information or explanations they require or pose any questions they may have on the agenda items or about the information available to the public provided by the Company to the National Securities Market Commission since the last General Meeting was held. The information so requested will be provided by the directors in writing no later than the date of the General Meeting. <i>Any information or explanations requested verbally from the Chairman by the shareholders in relation to the items on the agenda during the General Meeting itself before the Meeting turns to the items contained in the agenda, or requested in writing up to the seventh day before the scheduled meeting date, will be provided verbally during the General Meeting</i> by any one of the directors in attendance, at the Chairman's request. If the requested information or explanations refer to items falling under the jurisdiction of the Audit Committee, they shall be provided by any one of the members or advisors to the

possible to provide the shareholder with the requested information or explanations during the Meeting, they will be provided in writing to the requesting shareholder within six calendar days of the Meeting date. The Directors are obliged to provide the information referred to in the two preceding paragraphs unless, in the Chairman's opinion, the publication of the requested information could be harmful to the Company's interest. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital. The Company has a website which contains the legally-required information and through which the Company can respond to the shareholders' requests for information, according to the legislation in force at any given time.	Committee in attendance at the meeting. If in the Chairman's opinion it is not possible to provide the shareholder with the requested information or explanations during the Meeting, they will be provided in writing to the requesting shareholder within six calendar days of the Meeting date. The Directors are obliged to provide the information referred to in the two preceding paragraphs unless, in the Chairman's opinion, the publication of the requested information could be harmful to the Company's interest. This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital. The Company has a website which contains the legally-required information and through which the Company can respond to the shareholders' requests for information, according to the legislation in force at any given time.
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Justification of the amendment to article 23:

The proposed amendments are technical improvements and seek to cover not only requests for information made in writing up to seven days before the date of the General Meeting, or verbally during the General Meeting, but also requests for information made in writing after the seventh day before the General Meeting up to the time of the General Meeting.

This amendment is also in line with the provisions of article 13 of the Rules of the Board of Directors regarding information to shareholders on the occasion of the General Meeting.

Current wording	Proposed wording
Article 26. The Board of Directors. The Board of Directors is the governing body in charge of directing, administering and representing the Company in and out of court, notwithstanding the powers attributed to the General Meeting of Shareholders, either by law or these Articles of Association.	Article 26. The Board of Directors. The Board of Directors is the governing body in charge of <i>the management, administration</i> and representation <i>of</i> the Company, in and out of court, notwithstanding the powers attributed to the General Meeting of Shareholders, either by law or these Articles of Association. <i>Its main activity focuses on the supervision and control of the</i>

	<i>ordinary management of the Company, which is carried out by the executive directors and senior managers, and the consideration of any issues of particular relevance to the Company.</i>
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Justification of the amendment to article 26:

The proposed amendment responds to the idea underpinning the explanation of recommendation 8 of the Unified Code (Competences of the Board of Directors), which stipulates that a "main and obligatory function" of the Board of Directors is the "general function of supervision".

Current wording	Proposed wording
Article 27. Composition. The Board of Directors will be composed of no fewer than three and no more than 20 members. The General Meeting will decide the exact number of board members.	Article 27. Composition. The Board of Directors <i>will be the right size to enable it to function in an efficient and participatory manner, and,</i> accordingly, <i>will be composed</i> of no fewer than <i>five</i> and no more than <i>22</i> members. The General Meeting will decide the exact number of board members.

Justification of the amendment to article 27:

The proposed amendment aims to partially assume Recommendation 9 of the Unified Code, as the maximum number of directors has been increased to 22.

Current wording	Proposed wording
Article 28. Appointment and Separation of Board Members. The Board of Directors is responsible for appointing board members. If a vacancy arises on the board during a board member's term, the Board may appoint a shareholder to replace that board member until the next General Meeting of Shareholders. The General Meeting of Shareholders may agree at any time to remove a board member.	Article 28. Appointment, re-appointment, ratification and separation of board members. The Board of Directors is responsible for appointing board members. If a vacancy arises on the board during a board member's term, the Board may appoint a shareholder to replace that board member until the next General Meeting of Shareholders. The General Meeting of Shareholders may agree at any time to remove a board member. <i>The Board of Directors, in its proposals for the appointment, re-appointment, ratification or removal of directors submitted to the General Meeting of Shareholders, and in its appointments using the powers of co-option attributed to it by law, will follow the criteria and guidelines established in the Rules of the Board of Directors in this regard.</i>

Justification of the amendment to article 28:

The proposed new paragraph aims to link this article of the Articles of Incorporation with the various provisions regarding the appointment, ratification, re-appointment or removal of directors provided for in article 16 et seq. of the Rules of the Board of Directors.

Current wording	Proposed wording
Article 29. Requirements and Term. In order to be a board member it will not be necessary to be a shareholder. Both individuals and legal entities may be shareholders, but in the case of the latter the legal entity will designate an individual to represent it on the board. Those affected by any of the circumstances of incapacity or incompatibility are prohibited from being board members, particularly those set forth in Law 12/1995 of 11 May and 53/1984 of 26 December and any others which may be enacted in the future. Board members will hold office for five (5) years, but may be re-elected indefinitely, one or more times, for terms of equal length	Article 29. Requirements and Term. In order to be a board member it will not be necessary to be a shareholder. Both individuals and legal entities may be shareholders, but in the case of the latter the legal entity will designate an individual to represent it on the board. Those affected by any of the circumstances of incapacity or incompatibility are prohibited from being board members, particularly those set forth in Law 5/2006, of 10 April and 53/1984 of 26 December and any others which may be enacted in the future. Board members will hold office for five (5) years, but may be re-elected indefinitely, one or more times, for terms of equal length

Justification of the amendment to article 29:

It is proposed to incorporate the restatement of Law 5/2006, of 10 April, regarding the regulation of conflicts of interest of members of the Government and those with senior posts in the State Administration, which expressly repealed Law 12/1995, of 11 May, regarding the incompatibility of the members of the Spanish Government and those with senior posts in the State Administration.

Current wording	Proposed wording
Article 35. Executive Committee and Managing Director. The Board of Directors may set up an Executive Committee and Managing Directors and permanently delegate in them and in the Chairman part or all of the delegable powers, notwithstanding the powers of attorney which may be granted to others. Under no circumstances may the following powers be delegated: rendering of accounts and presentation of balance sheets to the General Meeting of Shareholders and any other powers	Article 35. Executive Committee and Managing Director. The Board of Directors may set up an Executive Committee and Managing Directors and permanently delegate in them and in the Chairman part or all of the delegable powers, notwithstanding the powers of attorney which may be granted to others. In addition to the powers that the Rules of the Board of Directors reserve for the Board, <i>the powers relating to the rendering of accounts and presentation of balance sheets to the</i>

vested by the General Meeting in the Board of Directors, except when specifically authorised to do so. The following powers may only be delegated to the Executive Committee: convening the General Meeting and setting the meeting agenda; approving interim dividends; supervising delegated bodies. The designation of the Executive Committee and the Managing Directors and their powers must be registered in the Companies Register. For the Board of Directors to proceed with the appointments and delegation of powers set out in this Article, the decision must be approved by at least two-thirds of the Board members, as established in Article 32 herein. The designations and appointments may be revoked by majority agreement of the Board members.	<i>General Meeting of Shareholders and any other powers vested by the General Meeting in the Board of Directors may not be delegated under any circumstances,</i> except when specifically authorised to do so. The powers <i>to</i> convene the General Meeting and set the meeting agenda <i>may only be delegated to the Executive Committee.</i> The designation of the Executive Committee and the Managing Directors and their powers must be registered in the Companies Register. For the Board of Directors to proceed with the appointments and delegation of powers set out in this Article, the decision must be approved by at least two-thirds of the Board members, as established in Article 32 herein. The designations and appointments may be revoked by majority agreement of the board members.
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Justification of the amendment to article 35:

The proposed amendment seeks to bring this clause into line with the amendments introduced to article 7 of the Rules of the Board of Directors "Article 7. Powers of the Board of Directors" in relation to the recommendations of the Unified Code.

Current wording	Proposed wording
Article 36. Operation of the Executive Committee. The Board of Directors, when setting up the Executive Committee, will determine its power and appoint the Directors who will sit on the Committee. The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram or fax to each Committee member at least 48 hours in advance of the meeting date. The meetings shall be held at the	Article 36. Operation of the Executive Committee. The Board of Directors, when setting up the Executive Committee, will determine its power and appoint the Directors who will sit on the Committee. The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram, <i>e-mail</i> or fax to each of the Committee members at least 48 hours in advance of the meeting date. <i>The Executive Committee may be convened immediately for reasons of urgency, in</i>

Company's registered offices or another location 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 of the Articles of Association, unless a Board meeting is already scheduled to be held within the next thirty calendar days, in which case the Committee will ask the Chairman of the Board to include the matters on which the Committee is tied on the meeting agenda.	<i>which case the meeting agenda will be limited to the issues which caused the urgency.</i> The meetings shall be held at the Company's registered offices or other location 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 of the Articles of Association, unless a Board meeting is already scheduled to be held within the next thirty calendar days, in which case the Committee will ask the Chairman of the Board to include the matters on which the Committee is tied on the meeting agenda.
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Justification of the amendment to article 36:

The proposed amendment aims to extend to the Executive Committee the circumstances whereby a meeting may be convened immediately due to reasons of urgency; this was established for the Board of Directors in article 30 "Announcement. Meetings" of the Articles of Incorporation

Current wording	Proposed wording
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Article 37. Remuneration. The post of board member is remunerated. The remuneration will consist of a share of the net profits which will 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 Board shall distribute among its members the remuneration resolved at the General Meeting of Shareholders, considering the functions and responsibilities of each one in the Board or its Delegate Committees."	Article 37. Remuneration. The post of board member is remunerated. The remuneration will consist of a share of the net profits which will 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 Board will distribute among its members the remuneration resolved at the General Meeting of Shareholders, taking into account the functions and responsibilities of each one in the Board or its Delegate Committees <i>and other criteria envisaged in the Rules of the Board of Directors, including, within the amount referred to in the previous paragraph of this article, fixed remuneration as well as attendance fees, variable remuneration and benefit schemes.</i> <i>The remuneration mentioned in the preceding paragraphs 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.</i>
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Justification of the amendment to article 37:

The proposed amendment is a technical improvement which, on the one hand, aims to provide express cover in the Articles of Incorporation for the different remuneration items for directors for discharging their duties (fixed remuneration, attendance fees, variable remuneration or benefit schemes) and, on the other hand, for possible

payments that directors may receive for executive functions or functions of any nature other than for directors' functions; this will provide full compliance with the requirements of article 130 of the Public Corporations Act, which stipulates that the remuneration of all the directors (and also of the executives) "must be established in the Articles of Incorporation" including the different remuneration items.

It also introduces a mere reference to the Rules of the Board of Directors regarding the criteria used by the Board itself to distribute the remuneration agreed by the General Meeting among the Directors.

Current wording	Proposed wording
<u>Section 3. The Audit and Control Committee</u> Article 38. The Audit and Control Committee. The Company will have an Audit and Control Committee composed of four board members, appointed by the Board of Directors for a period not to exceed that of their terms on the board, notwithstanding the possibility of being re-elected indefinitely, inasmuch as they are also re-elected to the board. A majority of the Committee members shall be non-executive 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 and may speak but not vote.	<u>Section 3. Committees of the Board of Directors</u> Article 38. Committees of the Board of Directors <i>The Board of Directors must set up and permanently maintain, within itself, an Audit and Control Committee and an Appointments and Remuneration Committee.</i> <i>The Board of Directors, however, may also set up other Committees with the powers, composition and functions that the Board of Directors itself determines in each case.</i>

Justification of the amendment to article 38:

On the one hand, the proposed amendments aim to establish, by modification of the Articles of Incorporation, the creation of the Audit and Control Committee and the Appointments and Remuneration Committee as required by Recommendation 44 of the Unified Code and, on the other hand, to establish the Board's power to create further Committees, as is the case of the Strategy Committee at FCC.

Current wording	Proposed wording
Article 39. Competence 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: a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority. b) 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 Legislative Royal Decree 1564/1989 of 22 December. c) Supervising the Company's internal auditing services. d) Overseeing the Company's financial information processes and internal control systems. e) 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	Article 39. Audit and Control Committee and Appointments and Remuneration Committee. 1. The basic function of the Audit and Control Committee and Appointments and Remuneration Committee will be to support the Board of Directors in its duties of supervision and control of the ordinary management of the Company; their competences will, therefore, include powers of information, advising and proposing. Their members will be designated by the Board of Directors, to which they will be accountable with regard to the performance of their functions. 2. The Audit and Control Committee will be composed of a minimum of three (3) board members, appointed by the Board of Directors for a period not to exceed that of their terms on the board, notwithstanding the possibility of being re-elected indefinitely, provided that they are also re-elected to the board. All of the Committee members will be external directors. The Committee will choose a Chairman and may also elect a Vice Chairman from among its 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

and in auditing standards.

will attend the meetings and may speak but not vote.

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

Its basic functions will include the following:

- a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- b) Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors **of the Company.**
- c) Supervising the Company's internal auditing services.
- d) Overseeing the Company's financial information processes and internal control systems.
- e) 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.
- f) **Ensuring compliance with the Internal Code of Conduct and the Corporate Governance guidelines.**
- g) **Any other functions which are attributed by these Articles of Incorporation or by the Rules of the Board of Directors.**

To ensure the proper functioning of the Committee, it will convene, if the Chairman sees fit, as many times as

deemed necessary for the execution of its duties and at least once per quarter.

The Committee will be quorate only when those in attendance or represented account for one more than half of its members, and resolutions will be passed by majority vote of the members present or represented. In the event of a tie, the Chairman will have the casting vote.

Each year, the Audit and Control Committee will draft an action plan for the coming year which it will submit to the Board of Directors.

These regulations relating to the Audit and Control Committee will be implemented via the Rules of the Board of Directors, with the goal of ensuring its independent functioning at all times.

3. The Appointments and Remuneration Committee will be composed of a minimum of three (3) board members, appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. The term of its members must not exceed their terms as directors, notwithstanding the possibility of being re-elected indefinitely, provided that they are also re-elected to the board.

The main functions of the Appointments and Remuneration Committee will be to support and aid the Board of Directors mainly with regard to proposals for the appointment, re-appointment, ratification and removal of directors, the establishment and control of the remuneration policy for directors and senior executives of the Company, and monitoring of the performance of the directors' duties, particularly in situations of conflicts of interest and related events.

To ensure the proper functioning of

	<i>the Committee, it will convene as often as the Chairman deems necessary to discharge its duties, and at least once per quarter.</i> <i>The Committee will be quorate only when those in attendance or represented account for one more than half of its members, and resolutions will be passed by majority vote of the members present or represented. In the event of a tie, the Chairman will have the casting vote.</i> <i>These regulations relating to the Appointments and Remuneration Committee will be implemented via the Rules of the Board of Directors; they will contain any other aspects that may be necessary with regard to its composition, roles, competences and duties, and will ensure its independent functioning at all times.</i>
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Justification of the amendment to article 39:

On the one hand, the proposed amendments aim to complete the current regulations in the Articles of Incorporation in force regarding the Audit and Control Committee and, on the other hand, to introduce certain basic guidelines in relation to the Appointments and Remuneration Committee.

Various technical improvements are also proposed which are in any event in line with the Rules of the Board of Directors.