MODEL APPENDIX 1

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER IDENTIFICATION

END OF RELEVANT FISCAL YEAR 2016

Tax ID Code A-28037224

Name:

Fomento de Construcciones y Contratas S.A.

Registered Office:

C/BALMES, 36. 08007 BARCELONA

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A1 Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
04-03-2016	378.825.506	378.825.506	378.825.506

Indicate whether there are different classes of shares with different associated rights:

Yes ☐No X

Class	Number of shares	Unit nominal value	Number of voting rights	Different rights
-	-	-	-	-

A.2 Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding Directors:

Name or company name of shareholder	Number of direct voting rights	Number of ~~indirect~~ voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
GATES III, WILLIAM H.	-	CASCADE INVESTMENT, LLC.	15,099,985	3.986%
GATES III, WILLIAM H.	-	BILL & MELINDA GATES FOUNDATION TRUST	6,629,446	1.750%
INVERSORA CARSO S.A. DE C.V.	36,992,351	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	194,511,944	61.111%
NUEVA SAMEDE 2016, S.L.U.	17,172,313	-	-	4.533%

State the most significant changes in the shareholder structure during the year:

Name or company name of shareholder	Transaction date	Description of the transaction
DEUTSCHE BANK AG	21-04-2016	Exceeded 5%
DEUTSCHE BANK AG	01-07-2016	Decreased from 5%
NUEVA SAMEDE 2016, S.L.U.	01-07-2016	Decreased from 5%

A.3 Complete the tables below regarding the members of the Company's Board of Directors who have voting rights from shares in the Company:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
Aboumrad González, Alejandro	1	-	-	0.000
Dominum Desga, S.A.	6,007	-	-	0.002
Dominum Dirección y Gestión, S.A.	58,454,939	-	-	15,431
EAC Inversiones Corporativas, S.L.	47	-	-	0.000
Gil Madrigal, Manuel	725	Tasmania Inmuebles, S.L.	25,450	0.007
Inmobiliaria AEG, S.A. de C.V.	1	-	-	0.000
Kuri Kaufman, Gerardo	1,001	-	-	0.000
Proglio, Henri	4,600	-	-	0.001
Rodriguez Torres, Juan	180,000	-	-	0.047
Samede Inversiones 2010, S.L.U.	-	Dominum Dirección y Gestión, S.A.	58,454,939	15,431
	-	Ejecución y Organización de Recursos, S.L.	50,965	0.013
	-	Dominum Desga, S.A.	6,007	0.002
	-	EAC Inversiones Corporativas, S.L.	47	0.000
Vazquez Lapuerta, Alvaro	2.910	-	-	0.001

Total pct. of voting rights held by the Board of Directors:	15,502

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	Pct. of total voting rights
		Direct owner of stake	Number of voting rights		
-	-	-	-	-	-

A. 4 Indicate, where appropriate, any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:

Related names or company names	Type of relationship	Brief description
-	-	-

A.5 Indicate, where appropriate, any commercial, contractual or business relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:

Related names or company names	Type of relationship	Brief description
-	-	-

A.6 Indicate whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Capital Companies Act. If so, list the shareholders involved and briefly describe the agreements:

Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu and Financing Entities (Financing Agreement)	50.156	Relevant events of 08/07/2014 (See note).
Esther Koplowitz Romero de Juseu and Control Empresarial de Capitales SA de CV	50.156	Relevant event of 27/11/2014 (See note).
Esther Koplowitz Romero de Juseu, New Samede, Inversora Carso S.A. de C.V. and its subsidiary Control Empresarial de Capitales, S.A. de C.V.	72.357	Relevant event of 05/02/2016 (See note).

Note**:**

Relevant Event of 08/07/2014: By virtue of the provisions in the long-term syndicated financing agreement that was signed between 24 and 31 March 2014 and which came fully into force on 26 June 2014, the financing entities have undertaken a series of restrictions on the transfer of shares ("Agreement on the Non-transference of shares") and a commitment to the orderly sale of new FCC shares they might receive should they exercise the Warrants after the conversion of Tranche B ("Agreement of Orderly Sale"). Since the Agreement of Non-transfer of shares and the Agreement of Orderly

Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these agreements are shareholders' agreements pursuant to Article 530 of the Spanish Capital Companies Act (hereinafter, LSC), therefore hereby such agreements are disclosed and the corresponding clauses are published, in conformity with Articles 531.1 and 531.3 of LSC.

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales SA de CV, a company fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family, were successfully completed. A copy of the agreement was enclosed.

Relevant event of 05/02/2016: For the purpose of continuing the process of recapitalisation of Fomento de Construcciones y Contratas, S.A. ("FCC" or the "Company") through a new capital increase totalling 709,518,762 euros announced by the Company on 17 December 2015 (the "New Capital Increase"), the Company has been informed that Ms Esther Koplowitz Romero de Juseu ("EK") (and her related companies, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede")) signed with Inversora Carso S.A. de C.V. (I.Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. a Renewal, amendment and non-termination contract of the Investment Agreement signed on 27 November 2014.
The Investment Agreement was the subject of a relevant event published on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona.
The main aspects of the Renewal of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the Agreement in the capacity of a future shareholder of FCC following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase, regulating the subscription commitment of both I.Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the Company's share capital.
In addition, EK, Dominum and Nueva Samede signed, with the appearance of I.Carso, an Agreement for the Purchase and Sale of Subscription Rights for the New Capital Increase and other Supplementary Agreements (the "Rights Purchase and Sale Agreement"). The main aspects of the Rights Purchase and Sale Agreement, which implements the contents of the Renewal Agreement, are: (a) to establish the terms and conditions governing the transfer of the pre-emption rights of the New Capital Increase of EK and Dominum to Nueva Samede; (b) the subsequent exercise thereof by Nueva Samede; and (c) to regulate the commitment of I.Carso (as financier) to finance Nueva Samede for the purchase of the pre-emption rights and the payment of the shares derived from the New Capital Increase.

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

Yes ☐ No X

Participants in the concerted action	Pct. of share capital affected	Brief description of the action
-	-	-

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

The Relevant Event of 05/02/2016 revealed that Ms Esther Koplowitz Romero de Juseu ("EK") (and her related companies, Dominum Dirección y Gestión, S.A. ("Dominum") and Nueva Samede 2016, S.L.U. ("Nueva Samede") signed with Inversora Carso S.A. de C.V. and its subsidiary Control Empresarial de Capitales, S.A. de C.V. a Renewal, amendment and non-termination agreement signed on 27 November 2014. The Investment Agreement was the subject of a relevant event published on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona, this being the change during this year in the contracts or agreements among shareholders.

A.7 Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 5 of the Securities Market Law: If so, name the person.

Yes X No □

Name or company name
INVERSORA CARSO, S.A. DE C.V.

Comments

A.8 Complete the tables below about the Company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Pct. of share capital
415,500	-	0.110

(*) Through:

Name of direct owner of stake	Number of direct shares
-	-
Total	

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Pct. of share capital
-	-	-	-

A.9 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell own shares.

Resolution of the Annual General Meeting of 23 May 2013 (item seven on the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two on the agenda to approve a buyback programme of own shares to fulfil the obligations deriving from the issuance of bonds exchangeable for shares, resolved under item one on the agenda at that same General Meeting.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company, which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda, which states:

FOMENTO DE CONSTRUCCIONES, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition. The minimum value would be the result of deducting 20 per cent from the lowest listed price also in the 3 months prior to the time of acquisition.

By virtue of this authorisation the Board, the Executive Committee and CEO, indiscriminately, may acquire treasury shares, in the terms provided in Article 146 of the Capital Companies Act.

The Board of Directors, the Executive Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the Capital Companies Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the treasury shares, which must be fully called up, should allow the companies in the FCC Group, as the case may be, that have acquired them to fund the restricted reserve established by Article 148, rule 3, of the Capital Companies Act.”

A.9 bis. Estimated floating capital

13,143%

A.10 Indicate whether there are any legal restrictions on the transfer of securities and/or the exercise of voting rights. In particular, any types of restrictions which might hinder the control of the company by acquiring shares on the market shall be communicated.

Yes X No ☐

Description of the restrictions
By virtue of the provisions in the long-term syndicated financing agreement that was signed between 24 and 31 March 2014 and came fully into force on 26 June 2014, the financial entities undertook a series of restrictions on the transfer of shares ("Agreement of the non-transfer of shares") and a commitment to the orderly sale of new shares after the Warrants were exercised after the Tranche B ("Agreement of the Orderly Sale"). Since the Agreement of non-transfer of shares and the Agreement of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these agreements are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC) For further information, consult the Relevant Event of 08/07/2014, number 208276.

A.11 Has the General Meeting of Shareholders resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007?

Yes ☐ No X

Detail, if appropriate, any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A12 Indicate if the company has issued securities that are not negotiated on a regulated market in the European Community

Yes ☐ No X

Detail, if appropriate, the different classes of shares and, for each class of shares, the rights and obligations they confer.

B. GENERAL MEETING

B.1 State whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required for a General Meeting to be held.

Yes X No ☐

	Quorum percentage other than that established in Art. 193 of LSC for general cases	Quorum percentage other than that established in Article 194 of LSC for the special cases in Article 194 LSC
Quorum required at first call	50	50
Quorum required at second call	45	45

Description of differences

Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016

Art. 17. Constitution of the Board

1. The Ordinary or Extraordinary General Meeting, will be validly constituted, **at first call**, when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.

2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws.

3. If, in order to validly adopt an agreement in respect of any, or several, of the items on the agenda convening the General Meeting were necessary, in accordance with the applicable legal or statutory regulations, for there be attendance by a particular percentage of the share capital social and this percentage is not reached, or the consent

of certain shareholders concerned and they were not present or represented, the General Meeting shall limit itself to deliberating and deciding on those agenda items that do not require the attendance of said percentage of the share capital or of such shareholders.

B.2 State whether there are differences in respect of the system established in the Capital Companies Act (LSC) for the adoption of corporate resolutions:

Yes X No ☐

Describe the differences in respect of the system provided in LSC.

	Special majority other than that established in Article 201.2 of LSC for the cases mentioned in Art. 194.1 of LSC	**Other cases requiring a special majority**
Pct. established by the entity for adopting resolutions	50.01%	50.01%
Describe the differences		
The Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016. **Art. 26. Deliberations. Agreements adopted. Minutes** 3 […] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required.		

B.3 State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

As adopted at the Ordinary General Meeting of Shareholders of 28 June 2016, following the amendments of the Company's bylaws, Article 26 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these bylaws require a special majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or the issue of debentures or securities that are convertible in shares that exclude pre-emptive rights for shareholders of the Company shall be required.

Therefore, the internal rules of the Company do not contain any provision concerning the amendment of bylaws different to those provided in the law.

B.4 Indicate the figures on the attendance of General Meetings held during the year referred to in this report and those of the previous year:

	Pct. in attendance				
			Pct. of distance vote:		
Date of General Meeting	**Pct. present**	**Pct. represented**	**Electronic voting**	**Other**	**Total**
28-06-2016	22.754%	40.610%	0.004%	0.322%	63.690%

B.5 State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting.

Yes ☐ No X

No. of shares required to attend the General Meeting	

B.6 Article revoked.

B.7 Give the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under 'shareholders and investors' and 'Corporate responsibility'. This page includes the information on the Company's Corporate Governance regulations, government bodies, annual reports on corporate governance and remunerations, meetings of shareholders, shareholders' agreements and ethics and integrity. These sections provide a specific access for electronic voting and for the electronic shareholder forum, pursuant to the provisions in Article 539.2 of the consolidated text of the Capital Companies Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles, and all the pages are printable.

The pages of this website were developed in compliance with Level AA in accordance with UNE 139803:2004 standard, which, in turn, is based on the Web 1.0 Content Accessibility Guidelines of W3C.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided in the bylaws:

Maximum number of Directors	15
Minimum number of Directors	15

C.1.2 Fill in the table below with the members of the Board:

Name or company name of Director	Representative	Status of Director	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A	Esther Alcocer Koplowitz	Proprietary	Chairperson	27/09/2000	28-06-2016	General Meeting
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	Vice-president	13/04/2015	25/06/2015	General Meeting
Carlos Manuel Jarque Uribe		Executive	Director	29-06-2016	29-06-2016	General Meeting
Alejandro Aboumrad González		Proprietary	Director	13/01/2015	25/06/2015	General Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26/10/2004	25/06/2015	General Meeting
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30/03/1999	23/06/2014	General Meeting
Manuel Gil Madrigal		Independent	Director	27/02/2015	25/06/2015	General Meeting
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13/01/2015	25/06/2015	General Meeting
Gerardo Kuri Kaufmann		Executive	Director	13/01/2015	25/06/2015	General Meeting
Miguel Ángel		Executive	Director	29-06-2016	29-06-2016	General Meeting

Name or company name of Director	Representative	Status of Director	Board position	Date of first appointment	Date of last appointment	Election procedure
Martínez Parra						
Henri Proglio		Independent	Director	27/02/2015	25/06/2015	General Meeting
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Meeting
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Meeting
Álvaro Vázquez de Lapuerta		Independent	Director	27/02/2015	25/06/2015	General Meeting

Total number of Directors	15

State any removals from the Board of Directors in the period subject to information:

Name or company name of Director	Status of Director at time of removal	Date removed
-	-	-

C.1.3 Fill in the tables below on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or Company name of Director	Position in the Company
Carlos Manuel Jarque Uribe	CEO of FCC
Miguel Ángel Martínez Parra	General Manager of Administration and Finance of FCC
Gerardo Kuri Kaufmann	CEO of Cementos Portland Valderrivas

Total number of Executive Directors	3
Pct. of total Board members	20

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of Director	Name or company name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A.	Dominum Dirección y Gestión, S.A.
Samede Inversiones 2010, S.L.U	Dominum Dirección y Gestión, S.A.
Alejandro Aboumrad González	Control Empresarial De Capitales, S.A. De C.V.
Dominum Dirección y Gestión, S.A.	Dominum Dirección y Gestión, S.A.
EAC Inversiones Corporativas, S.L.	Dominum Dirección y Gestión, S.A.
Antonio Gómez Garcia	Control Empresarial De Capitales, S.A. De C.V.
Inmobiliaria AEG, S.A. de CV	Control Empresarial De Capitales, S.A. De C.V.
Juan Rodriguez Torres	Control Empresarial De Capitales, S.A. De C.V.
Alfonso Salem Slim	Control Empresarial De Capitales, S.A. De C.V.

Total number of Proprietary Directors	9
Pct. of total Board members	60

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director	Profile
Manuel Gil Madrigal	Degree in Law and Business (E-3) from ICADE, he is a founding partner of the company Tasmania Gestión. In the year 2000, he also founded the financial company N+1 and has been a Director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. During his professional career, he has also been Capital Markets Director at AB Asesores Bursátiles, a partner at Morgan Stanley and auditor at Arthur Andersen.
Henri Proglio	Degree from the HEC Paris and is chairman of Thales. He is currently a Director on the Boards of Natixis Banque and Dassault Aviation. He chaired the

Name or company name of Director	Profile
	energy giant Électricité de France (2009-2014) and Veolia Envirronnement (2003-2009) and has been a Director of FCC, Group Lagardiére and Vinci, among other companies.
Alvaro Vazquez de Lapuerta	Degree in Law and Business (E-3) from ICADE, he is currently a partner of Akiba Partners and Meridia Capital Partners. He was general manager for Spain and Portugal of Dresdner Kleinwort and CEO and Investor Relations manager of the securities company BBVA Bolsa. He previously held posts at JP Morgan in Mexico, New York, London and Madrid.

Total number of Independent Directors	3
Pct. of total Board members	20

State whether any of the Directors considered Independent Directors receive from the Company or from the group any sums of money or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his own name or as a significant shareholder, director or senior executive of a company maintaining or that maintained such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform functions as an Independent Director.

Name or company name of Director	Description of the relationship	Statement

OTHER EXTERNAL DIRECTORS

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name or company name of Director	Reasons	Company, executive or shareholder with which he/she is related
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Total number of other external Directors	------
Pct. of total Board members	-----

Indicate any changes in Directors' status in the period, as the case may be:

Name or company name of Director	Date of change	Previous status	Current status current
Gerardo Kuri Kaufmann	25/10/2016	Proprietary Director	Executive Director

NOTE: On 25 October 2016 there was a change in the name of the director from Proprietary Director to Executive Director, due to his predominant executive role, as he is also the CEO of Portland Valderrivas.

C.1.4 Fill in the table below on the number of women on the Board over the last four years, as well as what type of Directors they are:

	Number of Female Directors				Pct. of total Directors of the same kind			
	FY FY t	FY t-1	FY t-2	FY t-3	FY FY t	FY t-1	FY t-2	FY t-3
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	4	4	5	5	44.44	50.00	55.55	50.00
Independent	0	0	0	0	0.00	0.00	0.00	0.00
Other External	0	0	0	0	0.00	0.00	0.00	0.00
Total:	4	4	5	5	26.66	36.36	35.71	27.78

C.1.5 State the measures adopted, as the case may be, in order to include a number of women on the Board of Directors such as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures
The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its

members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

On 18 November 2014 FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Servicios Ciudadanos, for the promotion of the balanced participation of men and women on Boards of Directors).

According to said agreement the Board of Directors of FCC undertakes to: advance in the fulfilment of the recommendation of Art. 75 of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women; publicly disclose and keep duly updated the data on the directors in conformity with the recommendations of the Code of Good Governance; for listed companies to include in the internal regulations specific references to the promotion of the balanced participation of men and women on the Board; as well as trying to incorporate members of the least represented gender to the Board.

On 5 December 2016, a follow-up report for the aforementioned 2014 agreement was sent to the aforementioned Ministry.

Also, FCC has signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission’s Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6 Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the Company deliberately seeks women candidates with the appropriate professional profile.

Explanation of the measures

The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal"

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

Explanation of the reasons
-

C.1.6.bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.

At the General Meeting of Shareholders held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

In the six cases, the Appointments and Remuneration Committee issued a favourable report to the Governing Council on the suitability of the directors.

In addition, at 31 December 2016, more than 25% of FCC's Board of Directors are women and its non-executive chairperson is Ms Esther Alcocer Koplowitz.

C.1.7 State how shareholders with significant holdings are represented on the Board:

Inversora Carso S.A de C.V., via Control Empresarial de Capitales S.A de C.V., is represented by five proprietary directors: AEG Inmobiliaria, S.A. de C.V. (Representative: Carlos Slim Helú), Juan Rodríguez Torres, Alejandro Aboumrad González, Alfonso Salem Slim, Antonio Gómez Garcia.

Esther Koplowitz Romero de Juseu is represented by four other proprietary directors: Samede Investment 2010, S.L.U (Representative: Esther Koplowitz Romero de Juseu, Dominum Desga), S.A (Representative: Esther Alcocer Koplowitz), EAC Investment Corporate, S.L. (Representative: Alicia Alcocer Koplowitz and Dominum Dirección y Gestión, S.A. (Representative: Carmen Alcocer Koplowitz).

C.1.8 Explain, as the case may be, the reasons why proprietary directors have been appointed at the request of shareholders whose holding is below 3% of the capital:

Name or company name of shareholder	Reason

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have proprietary directors. Detail the reasons for any such rejection, as the case may be:

Yes No X

Name or company name of shareholder	Explanation

C.1.9 State whether any Directors have been removed from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

Name of Director	Reason for removal
-	-

C.1.10 State the powers delegated to the or CEO(s), if any are delegated:

Name or company name of Director	Brief description
Carlos M. Jarque Uribe	All except the non-delegable.

C.1.11 Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:

Name or company name of Director	**Name of group entity**	**Position**	**Does he/she have executive duties?**
EAC Investment, Corporate, S.L., (represented by: Alicia Alcocer Koplowitz)	Cementos Portland Valderrivas	Chairperson	No
Inmobiliaria AEG, S.A. de C.V., (represented by Alejandro Aboumrad González)	Cementos Portland Valderrivas	Director	NO
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Yes
Carlos Manuel Jarque Uribe	Cementos Portland Valderrivas	Director	No
Juan Rodríguez Torres	Cementos Portland Valderrivas	Director	No
Alvaro Vazquez de Lapuerta	Cementos Portland Valderrivas	Director	No

C 1.12 State, if appropriate, the Directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

Name or company name of Director	**Name of listed company**	**Position**
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	REALIA BUSINESS	Director
Carlos Manuel Jarque Uribe	REALIA BUSINESS	Director
Gerardo Kuri Kaufmann	REALIA BUSINESS	CEO
Manuel Gil Madrigal	GRUPO BARÓN DE LEY, S.A.	Director
Juan Rodriguez Torres	REALIA BUSINESS	Non-executive chairperson

C.1.13 State whether the board regulations has established rules about the number of directorships its Board members can hold, and describe any such rules:

Yes No X

Explanation of the rules

C.1.14 Article revoked.

C.1.15 Indicate the overall remuneration of the Board of Directors

Remuneration of the Board of Directors (in thousand euros)	2,765.60
Amount of pension rights accrued by the Directors (in thousand euros)	201,60
Amount of pension rights accrued by former Directors (in thousand euros)	4,232.00

C.1.16 Identify the senior executives who are not Executive Directors, and state the total remuneration they accrued during the year:

Name or company name	Position(s)
Marcos Bada Gutiérrez	General Manager of Internal Audits
Agustín García Gila	Chairman of Environmental Services
Felipe B. García Pérez	Company Secretary
Miguel Fernández Jurado	Chairman of FCC Construcción
Félix Parra Mediavilla	General Manager of Aqualia

Total remuneration of senior management (in thousand euros)	3,507.16

NOTE:

The total remuneration figure includes severance pay for the termination of the contracts of three senior executives in 2016: Miguel Hernanz, Julio Pastor and Ana Villacañas.

From 16 January 2017, Pablo Colio replaced Miguel Jurado in the position of General Manager of FCC.

C.1.17 Indicate, as the case may be, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

Name or company name of Director	**Company name of significant shareholder**	**Position**
Alejandro Aboumrad González	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies
Antonio Gómez García	Inversora Carso S.A. de C.V.	Director at Group companies
Gerardo Kuri Kaufmann	Inversora Carso S.A. de C.V.	Administrator at Group companies
Carlos Manuel Jarque Uribe	Inversora Carso S.A. de C.V.	Member of the supervisory board of Telekom Austria AG
Juan Rodríguez Torres	Inversora Carso S.A. de C.V.	Director at Group companies
Alfonso Salem Slim	Inversora Carso S.A. de C.V.	General Manager and Director at Group companies

Identify, as the case may be, any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

Name or company name of related Director	**Name or company name of related significant shareholder**	**Description of relationship**
-	-	-

C.1.18 State whether there have been any amendments of the board rules during the year:

Yes X No ☐

Description of the amendments

With respect to the composition and operation of the Board of Directors and its committees, several amendments were introduced aimed mainly at coordinating the forecasts of the Rules with the amendments to the Bylaws approved at the Ordinary General Meeting of 28 June 2016, and therefore the following matters in the Rule were amended:

- **Article 5:** An amendment of the number of Board of Directors is proposed, increasing it from 12 to 15 directors, in accordance with the amendment of Article 28.1 of the Bylaws approved by the Ordinary General Meeting held on 28 June 2016.
- **Article 7:** The exclusive matters reserved to the Board of Directors are amended in accordance with Article 27.2 of the Bylaws. Specifically, excluding the contracting of financial debt of greater than 20 million euros, the purchase or sale of relevant assets, i.e. assets exceeding 20 million euros, and the conclusion of contracts involving an amount of funds greater than 20 million euros which are not contracts arising from the Company's own activity.
- **Article 37:** In line with the amendment of Article 40 of the Bylaws approve by the Ordinary Meeting and in accordance with Act 22/2015 on auditing accounts, Article 37, which regulates the Audit and Control Committee, is amended.

C.1.19 State the procedure for appointing, re-appointment, assessing and removing Directors. State the competent bodies, the process and the criteria for each procedure.

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for maximum periods of four years (Art. 30.3 of the Bylaws).

According to Article 29.4 of the Bylaws, the Board of Directors, in the proposals of appointment, re-appointment, ratification or removal of directors that it submits to the General Meeting and in the appointment decisions adopted by the Board by virtue of the powers of co-optation that it is legally attributed, shall follow the criteria and guidelines established in that respect in the Rules of the Board of Directors.

Chapter IV of the Rules of the Board of Directors, “Appointment and Removal of Directors,” establishes the following:

Article 16. Appointment, ratification or re-election of directors 1. Proposals for the appointment or re-election of directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law, must fall upon people of recognised integrity, solvency, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent directors, and based on a prior report of the Appointments and Remuneration

Committee, in the case of other directors. 2. The proposal must in any case be backed by a report from the Board assessing the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or of the Board meeting. 3. Where a legal person is appointed as a director, it must appoint a natural person to discharge the duties of the office on a permanent basis; that natural person must fulfil the requirements as to integrity, solvency, technical competence and experience and the rules on prohibitions and incompatibilities contained in these Rules, and the duties of Director established in these Rules shall apply to him/her on a personal basis. Removal of the representative by the legal person that is a director shall not take effect until their replacement is appointed. Also, the proposal of a natural person as a representative is subject to the report drawn up by the Appointments and Remuneration Committee. 4. From the publication of the notice of the General Meeting, the Board of Directors must publish, on the website, the following information about the persons proposed for appointment or ratification as directors and, as the case may be, on the natural person representing a Director who is a legal person: (i) professional experience and background; (ii) Other Boards of Directors on which they are members, regardless of whether they are listed companies; (iii) an indication of the director's classification; in the case of proprietary directors, the shareholder they represent or have links with must be identified; (iv) the date of their first and subsequent appointments as a company director; (v) shares of the Company and financial derivatives whose underlying are shares of the Company that are owned by the director proposed for ratification or re-appointment or by the candidate for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors will provide each new director with a copy of the Articles of Association, these Rules, the FCC Group Code of Ethics, the Internal Code of Conduct in relation to the Securities Market, the latest annual Financial Statements and Management Report, of both the Company and its consolidated Group, as approved by the General Meeting of Shareholders, the auditors' report on the Financial Statements and the latest financial information provided to the markets. It will also provide them with the names of the current auditors and their interlocutors. 6. Each director must sign a receipt for the documentation and undertake to acquaint himself/herself of it immediately and to faithfully fulfil his obligations as a director. 7. The Company will establish induction programmes to provide newly-appointed directors rapidly with sufficient knowledge of the Company and its Group and the corporate governance rules, while also offering refresher courses when circumstances make this advisable.

Article 17. Term of office

1. Directors will hold office for the term established in the Bylaws. 2. The directors appointed by co-optation will hold office until the next General Meeting is held. Also, if there is a vacancy once the General Meeting is called and before it takes place, the Board of Directors may designate a Director until the next General Meeting takes place. 3. Directors whose mandates expire or who cease to sit on

the Board for any reason may not render services to FCC competitors for a term of two (2) years. 4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors.

Article 18. Re-election of Directors

Besides fulfilling the requirements for appointment established in Article 16 above, prior to proposing the re-appointment of any director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate.

Article 19. Removal of Directors

1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association. 2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced. c) When they fall under a situation of incompatibility or legal disqualification provided by law. d) When the Board, by a minimum two-thirds majority, asks the director to resign: - if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed

when a takeover bid, merger or similar corporate operation produces changes in the Company’s capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital. 5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.20 Explain to what extent that annual evaluation of the Board has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of the amendments
In the year 2016, no deficiencies were detected such as to warrant an action plan.

C.1.20.bis. Explain the evaluation process and the areas that the Board of Directors has evaluated, assisted, as the case may be, by an external consultant, regarding the diversity in its composition and powers, the functioning and composition of its committees, the performance of the Chairperson of the Board and of the Company’s CEO, and of the performance and contribution of each Director.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report that evaluated by the quality and efficiency of its operation and that of its Committees during 2016 for the purpose of complying with the duty imposed by Article 34.9 of the Rules of the Board of Directors, which incorporates Recommendation 36 of the Code of Good Governance of Listed Companies published by the Spanish National Securities Market Commission on 18 February 2015 and Article 529 nonies of the Capital Companies Act.

The Report was reviewed and approved by the Company's Board of Directors which, according to the aforementioned Article 34.9 of the Rules of the Board of Directors, is responsible for assessing the quality and efficiency of its own operations, in its meeting on 3 February 2017. All the Board members played an active part in drafting the report, and all the comments, assessments, opinions and suggestions made by all of them during the process were taken into consideration.

For the 2016 financial year report, the self-evaluation process was carried out via the appraisal of a number of aspects with a bearing on the functioning, efficiency and quality of the performance and decision-making of the Board of Directors, as well as the members' contributions to the performance of the functions and the achievement of the objectives entrusted to the Board.

In addition, the adherence to and compliance by the Board of Directors and its members in respect of the Rules of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies.

C.1.20.ter. Detail, as the case may be, the business relations between the consultant or any of its group companies with the company or any of its group companies.

This does not apply because the evaluation was done internally.

C.1.21 State the reasons for which Directors may be forced to resign.

Article 19. Removal of Directors
1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association.
2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:
a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.
b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that the number of proprietary directors must be reduced.
c) When they fall under a situation of incompatibility or legal disqualification provided by law.
d) When the Board, by a minimum two-thirds majority, asks the director to resign: - if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director

must resign, and it must give a justification in the Annual Corporate Governance Report.
3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.
4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital.
5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact.

C.1.22 Article revoked.

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?

Yes ☐ No X

If so, describe the differences.

Description of differences

C.1.24 Detail whether there are specific requirements, other than those relating to Directors, to be appointed Chairperson of the Board of Directors.

Yes ☐ No X

Description of requirements

C.1.25 State whether the chairperson has a casting vote:

Yes ☐ No X

Issues in respect of which there is a casting vote

C.1.26 State whether the Bylaws or the Rules of the Board establish an age limit for Directors:

Yes ☐ No X

Age limit for Chairperson ☐

Age limit for CEO ☐ Age limit for Director ☐

C.1.27 State whether the Bylaws or the Rules of the Board establish a term limit for Independent Directors, other than that established in the regulations:

Yes ☐ No X

Maximum number of years in office	

C.1.28 State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether any limitations have been established regarding categories where it is possible to delegate, beyond the limitations imposed by the legislation. If so, give a short description.

There are no are formal processes for delegating votes on the Board of Directors.

C.1.29 State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairperson did not attend the Board meeting. Proxies granted with specific instructions are not counted as absences:

Number of meetings of the Board of Directors	14
Number of Board meetings without the attendance of its Chairperson	0

If the chairperson is the CEO, indicate the number of meetings held, without assistance or representation of any Executive Director and under the Chairpersonship of the coordinator Director.

Number of meetings	-

Indicate the number of meetings held by the various Board Committees in the year:

Number of Executive or Steering Committee meetings	9
Number of Audit Committee meetings	8
Number of Appointments and Remuneration Committee meetings	9

C.1.30 State the number of Board of Directors meetings held in the year that were attended by all its members. Proxies granted with specific instructions are not counted as absences:

Number of Board meetings attended by all the Directors	5
Pct. of attendance over the total votes during the year	89.08%

C.1.31 State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

**Yes X No **

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Carlos Jarque Uribe	CEO
Miguel Martínez Parra	General Manager of Administration and Finance
Juan José Drago Masiá	General Manager of Administration

C.1.32 Detail whether the Board of Directors has established any mechanisms to prevent the individual and consolidated financial statements authorised by it, being presented to the General Meeting with audit qualifications.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' drawing up of the annual financial statements, the Audit and Control Committee thoroughly examines those statements and requests that the external auditor explain the conclusions of its review.

In this way, once the statements are approved by the Board, the external auditor's report contains no qualifications.

C.1.33 Is the Secretary of the Board a Director?

Yes No X

If the Secretary is not a Director, fill in the table below:

Name or company name of Secretary	Representative
Francisco Vicent Chuliá	

C.1.34 Article revoked.

C.1.35. State the mechanisms, if there are any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

For this purpose, Article 37.5 of the Rules of the Board of Directors states 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 financial information, the internal controls and the independence of the external auditors, among others. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

b) Liaising between the Board of Directors and the Company’s 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, being responsible for the selection process, in accordance with EU regulations 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, as well as ensuring its independence in the performance of its functions, and checking that senior management are acting on its recommendations; (iii) Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that contracting consulting services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as provided for in the Auditing Act; and 2) so that the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and, and their nature and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) Seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, this report must be a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards.

d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

e) Supervising and analysing the efficacy of the Company’s internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

f) Supervising the preparation and presentation of the annual financial statements and management report of the Company, both individual and consolidated, and of the information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company’s external auditor is appropriate; and (ii) The creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department’s budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) The report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) Deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) Requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 of these Rules.

C.1.36 State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

Yes □ No X

Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing auditor, describe it:

Yes □ No X

Explanation of disagreement

C.1.37 State whether the audit firm performs other work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group:

Yes X No □

	Company	Group	Total
Amount of other non-audit jobs (in thousand euros)	550	241	791
Amount of non-audit jobs / total amount billed by audit firm (in pct.)	61,59	7,98	20,24

C.1.38 State whether the auditors' report on the previous year's financial statements had any reservations or was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or reservation.

Yes ☐ No X

Explanation of the reasons

C.1.39 State the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	15	15

	Company	Group
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	55,5	55,5

C.1.40 State whether there is a procedure for directors to engage external consultants and, if so, provide details:

Yes X No ☐

Detail the procedure

Rules of the Board of Directors. Article 27. Expert assistance

1. In order to assist them in performing their duties, non-executive directors are entitled to obtain the necessary assistance from the Company to perform their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.

2. Requests to engage external consultants or experts must be referred to the Chairperson of the Board of Directors and will be approved by the Board of Directors if the latter considers that: a) it is necessary for the proper performance by non-executive directors of their assigned duties, b) the cost is reasonable, in view of the importance of the problem and the

assets and revenues of FCC, and c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel. 3. Requests for expert assistance by any of the Board Committees should not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met.”

C.1.41 State whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:

Yes X No ☐

Detail the procedure
Rules of the Board of Directors. Article 26. Powers of information and inspection “1. In order to perform their duties, all Directors have the right to request and to compile any suitable and necessary information from the Company that is useful in the fulfilment of their obligations on any aspect related to FCC and its subsidiaries and associated companies, in Spain and other countries. To this end, they may examine documentation they consider necessary, talk to the heads of the departments in question and visit the companies' facilities. 2. So as not to disturb the ordinary operations of the FCC Group, the exercise of these information rights must be channelled through the Chairperson, who will respond to the Director’s requests by either providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. If such a request for information is denied, delayed or handled deficiently, the requesting Director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The requested information may only be denied when, in the opinion of the Chairperson and the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Information requests cannot be denied if supported by a majority of the Board members.

C.1.42 State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the organisation's name or reputation, and describe any that exist:

**Yes X No **

Explain the rules:
Rules of the Board of Directors. Article 25. Directors' duty of disclosure Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d) Legal, governmental, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC. (e) In general, of any event or situation that might be relevant to his or her performance as an FCC Director. Article 19. Removal of Directors. 1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Association. 2. The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases: a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed. (b) In the case of proprietary directors, when the shareholder whose interests they represent disposes of its holding in FCC or reduces it to such a level that its number of proprietary directors must be reduced. c) When they fall under a situation of incompatibility or legal disqualification provided by law. d) When the Board, by a minimum two-thirds majority, asks the director to resign: - if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or when their permanence on the Board may jeopardise the Company's credibility and reputation. Accordingly, directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the Director must resign, and it must give a justification in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure for which they had been appointed, except where just cause is found by the Board, based on a report from the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the circumstances enumerated in Article 6.2.a) of these rules that disqualify them from appointment as an independent director. The removal of independent directors may also be

proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure due to the proportionality between the number of proprietary directors and independent directors in relation to the capital represented by the proprietary directors and the rest of the capital. 5. When a director steps down before his mandate has finished, either due to resignation or otherwise, he or she must set out the reasons in a letter to be sent to all other members of the Board, notwithstanding that said change should be communicated as a Relevant Event and the reasons must be disclosed in the Annual Corporate Governance Report. In particular, where the director resigns due to the adoption by the Board of significant or repeated decisions to which the director has placed serious objections on record, and decides to resign as a result, the resignation letter to the other directors must expressly state this fact."

C.1.43 State whether any member of the Board of Directors has informed the company that he has been charged with, or tried for, any of the crimes stated in Article 213 of the Capital Companies Act:

Yes No X

Name of Director	Criminal Case	Comments

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the director to remain in office, or as the case may be, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

**Yes No **

Decision or action taken	Explanation

C.1.44 Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

On 5 February 2016, 2016 Nueva Samede, S.L.U. ("Nueva Samede") and I.Carso signed a purchase option agreement for shares in Fomento de Construcciones y Contratas, S.A. ("FCC") before the Notary of Madrid Mr Jaime Casanova Recarte under Number 285 of his Notary Record (the "Purchase Option"), under which Nueva Samede irrevocably gave and granted to I.Carso a right of option to purchase 9,454,167 ordinary FCC shares representing 2.496% of its share capital and of which Nueva Samede is owner after the subscription and payment provided for in FCC's capital increase which was registered in the Mercantile Register of Barcelona on the 4 March 2016 (the "Affected Shares").

For the record, the Affected Shares are part of the 7.028% of the share capital of CC owned by Nueva Samede 2016, S.L.U. (hereinafter, "Nueva Samede") which are attributed to I.Carso for the exclusive purposes of Article 5.1.d of the Royal Decree on takeover bids and over which I.Carso has no direct or indirect right of vote whatsoever.

In connection with the foregoing, on 22 July 2016, I.Carso moved to exercise its Purchase Option over the entirety of the Affected Shares with an effective date of 14 June 2016. However, the formalisation of the exercise of the Purchase Option was subject to the condition precedent that the following cumulatively occur: (i) authorisation by the Spanish National Securities Market Commission of the bid formulated by CE, approved on 29 June 2016, and (ii) the presence on FCC's Board of Directors of a majority of directors appointed by I.Carso and/or CEC or any company linked to I.Carso (the "Precedent Condition"), which was fulfilled with the appointments of Mr Miguel Martinez Parra, Mr Alfonso Salem Slim, Mr Antonio Gomez García and Mr Carlos Manuel Jarque Uribe on 28 June 2016. As of 22 July 2016, in accordance with that set out in paragraph two of the Article 36 of Royal Decree 1066/2007 of 27 July, the National Securities Market Commission reported through a Relevant Event that the takeover bid made by Control Empresarial de Capitales, S.A., de C.V. for 100% of the share capital of Fomento de Construcciones y Contratas, S.A. was accepted by a number of 97,211,135 shares, which represent 48.30% of the shares to which the bid was aimed and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

C.1.45 State in aggregate and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to summary dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	**Description of the resolution**
CEO	The company has set up a financial fund for his or her benefit that will compensate him or her for the extinguishment of his or her contract that has an annual allocation of 340,000 euros. If the contractual relationship is extinguished during the first three years of this contract (from 18/07/2015), for any reason except the senior executive stepping down, dismissal for objective reasons and disciplinary dismissal, respectively, the senior executive will accrue the amount in the Savings Fund as of the date of extinguishment of his or her contract. This payment will be of a compensatory nature. If this contractual relationship is extinguished after the first three years of this contract have elapsed (since 18/08/2015) for any reason except dismissal for objective reasons and disciplinary dismissal, the senior executive will accrue the amount in the Savings Fund as of the date of extinguishment of his contract. This payment will be of a compensatory nature.
Company Secretary	With regard to the Company Secretary, executive Board member until 13 January 2015, the Company, with the authorisation of the Executive Committee, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent occupational disability and to retirement bonuses and pensions and other concepts, for some of the Executive Directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the extinguishment of the employment relationship for any of the following reasons: a) Unilateral decision by the Company. b) Winding up or disappearance of the parent company for any reason, including merger or spin-off. c) Death or permanent disability. d) Physical disability or legal incompetence for any other reason. e) A substantial change in professional conditions.

	f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent. g) Resignation at age 65, by unilateral decision of the executive. As of 31 December 2016, the secretary general is entitled to a net amount equal to 3.5 times his or her gross annual remuneration.

Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

	Board of Directors	General Meeting
Body that authorises the clauses	X	

	Yes	NO
Is the General Meeting informed of the clauses?	X	

C.2 **Board of Director Committees**

C.2.1 Detail all the Board of Director Committees, their members and the proportion of executive, proprietary, independent and other external directors on these boards:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Current status
Carlos Manuel Jarque Uribe	Chairperson	Executive Director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Director	External Proprietary Director
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	Director	External Proprietary Director
Alejandro Aboumrad González	Director	External Proprietary Director
Gerardo Kuri Kaufmann	Director	External Proprietary Director

Pct. of Executive Directors	**20**
Pct. of Proprietary Directors	**80**

Pct. of Independent Directors	**0**
Pct. of other External Directors	**0**

Explain the functions that his committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 36. The Executive Committee.

Article 36. The Executive Committee 1. The Board may permanently delegate in the Executive Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its these rules. 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 facilities as well as other financial facilities for unit amounts not exceeding the figure that is established in Article 7.2.o). Also, in situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under Article 8 of these Rules. 2. The Board of Directors, based on a report by the Appointments and Remuneration Committee, will designate the directors to form part of the Executive Committee, ensuring as far as possible that its participation structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Committee. 3. The Executive Committee will be composed of a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee will step down from the Committee when they cease to be directors or when decided by the Board. Any vacancies arising will be filled as quickly as possible by the Board of Directors. 5. The Chairperson of the Executive Committee will be appointed from among members of the Committee itself. If the Chairperson of the Executive Committee is absent, or if the position is vacant, the duties will be chaired by a Committee member chosen by majority vote of those in attendance. 6. The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. The Executive Committee will be convened by the Chairperson, on his/her own initiative or upon the request of at least two (2) Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least forty-eight (48) hours in advance of the meeting date, however it may be called with twenty-four (24) hours' notice of the date and time of the meeting for reasons of emergency, in which case the agenda for the meeting will be limited to the issues that caused such emergency. 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 vote. 8. In the absence of the Chairperson of the Executive Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account. 9. The meetings shall be held at the Company's registered offices or any other location designated by the Chairperson and stated in the announcement. 10. The Executive Committee will be quorate when the majority of its members are present or represented at the meeting. Absent members can be represented by another member of the Executive Committee. However, non-executive directors can only be represented by other non-executive directors. 11. Discussions will be directed by the Chairperson, who will give the floor to the attendants wishing to speak. 12. Resolutions will be passed by absolute majority of the Committee members. If there is a tie, the matter will be submitted to the Board of Directors, for which purpose the members of the Executive Committee will request that a Board meeting be called according to the provisions in Article 34 of these Rules, unless a Board meeting has already been called for within the next thirty (30) calendar days, in which case the Chairperson of the Committee will ask the Chairperson of the Board to include the items involved in the tie on the Agenda for the meeting. 13. The Executive Committee, through its Chairperson, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.

Regarding the most important actions carried out by this Committee, its functioning was evaluated in the meeting held on 19 January 2017.

In view of this report, it can be concluded that the Executive Committee is organised and functions in a proper and efficient manner, in compliance at all times with the criteria established in the Bylaws and the Rules of the Board of Directors.

The Executive Committee has assumed the functions and powers delegated to it by the Board of Directors in accordance with Article 36 of the Bylaws, in compliance at all times with the company's interests, with these understood as maximising the company's financial worth in a sustainable fashion.

In particular, the Executive Committee has exercised the power it is attributed in Article 36.1 of the Rules of the Board of Directors of deciding on investments, divestments, credits, loans, guarantee and surety facilities as well as other financial facilities for unit amounts not exceeding the figure established by the Board in each case. In addition, as recorded in the Board agreement of 28 July 2016, the Executive Committee will monitor the implementation of FCC Group's Corporative Social Responsibility (CSR) Plan.

State whether the Delegated or Executive Committee's composition reflects the composition of the Board in terms of Director type:

Yes No X

If not, detail the composition of the Delegated or Executive Committee
See table above with the composition of the Executive Committee, where it is shown that all its members have the status of external proprietary directors except the Chair, who is the CEO.

AUDIT AND CONTROL COMMITTEE

Name	Position	Current status
Henri Proglio	Chairperson	Independent Director
Manuel Gil Madrigal	Director	Independent Director
Alvaro Vázquez de Lapuerta	Director	Independent Director
Juan Rodriguez Torres	Director	External Proprietary Director

Pct. of Proprietary Directors	25
Pct. of Independent Directors	75
Pct. of other External Directors	

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 37. Audit and Control Committee

1. The Board of Directors of FCC will establish, on a permanent basis, an Audit and Control Committee, without executive functions and with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) Directors designated by the Board of Directors having regard to their knowledge and experience of accounting, auditing or risk management; all of its members will be non-executive directors and the majority of them will be independent directors, and the Committee will appoint a Chairperson from among its independent members, and it may also appoint a Vice-Chairperson. The term of the members of the Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as directors. Subject to the foregoing, the term of office for the chairperson and vice-chairperson, as the case may be, cannot exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since their removal.

2. At least one of the members of the Audit and Control Committee shall be an Independent Director appointed on the basis of his/her knowledge and experience in accounting, auditing, or both. Collectively, the members of the

Commission will have the relevant technical knowledge in relation to the Company's sector of activity.

3. The Audit and Control Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee members who have held the post of Chairperson may not be re-elected until at least one year has passed since stepping down as Chairperson. The Audit and Control Committee will designate a Secretary, and may also designate a Vice-Secretary, neither of whom need be a member of the Committee, to aid the Chairperson and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or the person standing in for him will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.

4. The Audit and Control Committee will be quorate when a majority of its members are present or represented at the meeting; it will adopt decisions by absolute majority vote of those present or represented, and the Chairperson will have a casting vote in the case of a tie.

5. 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 financial information, the internal controls and the independence of the external auditors, among others. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.

b) Liaising between the Board of Directors and the Company's 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 in accordance with EU regulations 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, as well as ensuring its independence in the performance of its functions, and checking that senior management are acting on its recommendations; (iii) Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; For this purpose, and if appropriate, the Audit and Control Committee may submit recommendations or proposals to the Board of Directors and the corresponding term for their follow-up. (iv) Establish the relevant relations with the external auditor to receive information on matters that may represent a threat to his or her independence for consideration by the Committee, and any other related to the process of conducting the audit and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the relationship to independence, as well as any other disclosures provided for in the legislation on account auditing and in auditing standards; (v) Ensuring the independence of the external auditor, establishing, in particular, suitable measures: 1) so that contracting consulting and advisory services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and receive annually from the auditor a written confirmation of its independence with respect to the Company or entities directly or indirectly related to it, as well as detailed, individualised information on any additional services of any type, and the corresponding fees, provided to those entities by the external auditor or by persons or entities related to the auditor, as set out in audit laws, and 2) so that the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and their nature and in the case where the external Auditor resigns, the circumstances that led to this resignation; and (vi) seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group. c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b) (iv) 1 above, considered individually and in the aggregate, other than legal auditing and in relation to the independence or auditing regulations and standards. d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year. e) Supervising and analysing the efficacy of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that the latter at least identifies: (i) The different types of risks that the Company faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) Establishing the risk level that the Company deems acceptable; (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) The internal reporting and control systems to be

used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks. to the Board of Directors for their approval. f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate; and (ii) The creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group. g) With respect to internal control and reporting systems: (i) Supervising the process of preparing, and the integrity of the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Department on the development of its activities and the functioning of internal controls; and (v) Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the Company. h) Issuing reports and proposals as requested by the Board of Directors or the Chairperson of the Board and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to these Board Rules, pursuant to the provisions in Article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 34.3 of these Rules.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem convenient, in which case the provisions of Articles 27.3 and 35.4 of these Rules will apply. These advisors may attend and speak at the meetings but they may not vote.

7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairperson or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, as well as a report on its activities during the year, which will serve as the basis for the evaluation to be conducted by the Board of Directors. In the absence or if attendance is impossible, of the Chairperson of the Audit and Control Committee or if that position is vacant, meetings may be convened by the longest-standing member of the Committee and, in the event of there being two or more members with the same seniority, by the one who is oldest. In the event of legal persons, the age of the individual representing them will be taken into account.

8. Discussions will be directed by the Chairperson, who will give the floor to the attendees wishing to speak. In the absence or if attendance is impossible of the Chairperson of the Audit and Control Committee, or if that position is vacant, the functions of Chair will be performed by the member chosen for this purpose by the majority of attendees.

9. Any member of the FCC Group's management team or personnel, and the Company's external auditors, will be obliged to attend meetings of the

Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of these Rules where appropriate.

10. For anything not expressly regulated in this article in respect of the functioning of the Audit and Control Committee, the regulations of the Audit and Control Committee shall apply."

Regarding the most salient actions during the year, it should be noted that on 3 February 2017 the Audit and Control Committee of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report on its activities and functioning during the year 2016.

The conclusions that have been obtained from the evaluation that this Commission has carried out on the various aspects relating to its operation (composition, internal organisation, powers) are positive. Subject to the foregoing, this Committee will communicate to the Board of Directors, provided that it so deems appropriate, improvements that may help to improve the Committee's performance of its functions.

The Committee has fulfilled effectively its basic function established in Article 37.5 of the Rules of the Board of Directors of supporting the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

Thus, in the performance and fulfilment of those powers, throughout 2016 the Committee exercised, by way of illustration only, the following functions:

- Acting as a communication channel between the Board of Directors and the Company's external auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the external auditor in accordance with EU regulations and the terms and conditions of his or her engagement;
- Discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence. Receiving from the external auditor information on any matters that may represent a threat to his or her independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.
- Ensure the independence of the external auditor, establishing the corresponding measures for this.
- Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.
- Issuing a report each year, prior to the publication of the audit report, expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in Article 37.5. section

b) (v)1) of the Rules of the Board of Directors, considered individually and in the aggregate, other than legal auditing and in relation to the independence status or auditing regulations and standards.

- Receiving regular information from the external auditor regarding the audit plan and the results thereof, and verifying that senior executives act on the recommendations of the external auditor.
- Supervising the Company's internal audit service, as well as its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.
- Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated and of the financial information released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.
- Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2015, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.
- Issuing a favourable report on the Corporate Governance Annual Report of 2015.
- Supervising the fulfilment by the Company of the internal codes of conduct and the rules of corporate governance.
- Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2016, according to the provisions in Article 20.1 of Royal Decree 1362/2007, of 19 October, and the provisions implementing it, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.
- Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed.
- Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting of Shareholder, the appointment of Deloitte, S.L. as account auditors for FCC and the consolidated Group for 2017.
- Approving, pursuant to the provisions in Article 34.9 of the Rules of the Board of Directors, the self-assessment report on the performance of FCC's Audit and Control Committee during 2015 and present it to the Board of Directors.
- Issuing a favourable report on the appropriateness of the information included in the financial statements of the first semester of 2016 (Abbreviated financial statements and Interim Management Report), according to the provisions in Article 11 et seq. of Royal Decree 1362/2007, of 19 October, and the provisions implementing it.

Based on the above, it can be concluded that the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

Identify the Director who is a member of the Audit Committee who was appointed on the basis of his/her knowledge and experience in accounting, auditing, or both, and report how many years the Chairperson of this Committee has been in office.

Name of Director with experience	Manuel Gil Madrigal
Number of years of the Chairperson in office	2

Appointments and Remunerations Committee

Name	Position	Current status
Álvaro Vázquez de Lapuerta	Chairperson	Independent Director
Manuel Gil Madrigal	Director	Independent Director
Juan Rodriguez Torres	Director	External Proprietary Director
Dominum Desga, S.A. represented by Esther Alcocer Koplowitz	Director	External Proprietary Director

Pct. of Proprietary Directors	50
Pct. of Independent Directors	50
Pct. of other External Directors	--

Explain the functions that his Committee has, describe the procedures and its rules of organisation and functioning. Summarise the most important activities during the year.

Rules of the Board of Directors. Article 38. Remuneration and Appointments Committee

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action, it will be composed of a minimum of four (4) and a maximum of six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint the Chairperson from among its independent members. The term of the

members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairperson and provide for the proper functioning of the Committee, duly reflecting in the meeting minutes, the development of the deliberations at meetings, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. 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.

3. There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairperson shall have a casting vote in the event of a tie.

4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and in addition to the duties established by law, by the bylaws and according to these Rules, the following functions: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered to cover vacant positions. b) Examining or organising appropriately the succession of the Chairperson and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting to the Board the proposals of appointment and re-election of independent directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be designated by co-optation or submitted to the decision of the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, 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 19.2.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 it shall be reported to the Board of Directors in each case. f) Proposing to the Board of Directors the remuneration policy for directors and senior executives or those performing senior management functions directly reporting to the Board, the Executive Committee or the CEO, as well as the

remuneration of the executive directors and the other conditions of their contracts, overseeing compliance therewith. Also, advising and making proposals on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. Also, making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting of Shareholders, in accordance with the Bylaws and these Rules. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, 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 should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Advising on the proposed appointment of members of the Board of Director committees. j) Advising on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in Article 25 of these Rules. n) Requesting, as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in Article 34.3 of these Rules. The Appointments and Remuneration Committee should consult with the Chairperson and Chief Executive, especially on matters relating to Executive Directors and Senior Executives.

5. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Bylaws and these Rules.

6. The Appointments and Remuneration Committee will have access to all the documentation and information needed to perform its functions. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two (2) advisors per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 27 of these Rules will apply to them.

7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board of Directors as well as a report on the activities it has performed during the year, which will be used as the grounds for the assessment that the Board of Directors will carry out.

8. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the longest-standing member or, if there is equal seniority between members, by the oldest one. In the

event of legal persons, the age of the individual representing them will be taken into account.

9. Discussions will be directed by the Chairperson, who will give the floor to the attendants wishing to speak.

10. In the absence or if attendance is impossible of the Chairperson of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the member chosen for such purpose by a majority of those attending the meeting.

The process of evaluation that this Committee carried out in 2016 and the assessment report issued during the session of 3 February 2017 on its own operations result in positive conclusions being drawn in respect of both its composition and internal organisation and its exercise of the powers conferred on it.

Notwithstanding this positive assessment, this Committee will inform the Board, whenever it deems appropriate, of any improvements that may help to improve its performance of its duties in the Company's interest.

In general, the Committee will carry out the duties of support and assistance to the Board of Directors in connection essentially in respect of the proposals for appointment, approval and removal of directors, the establishment and control of the policy for the remuneration of directors' and senior executives, and ensuring directors fulfil their duties, especially in situations where there is a conflict of interest and related operations.

The Committee has efficiently undertaken and implemented the powers granted to it in Article 38.4 of Rules of the Board of Directors and 41.3 of the Bylaws.

In this regard, during 2016 it has exercised the following powers, among others:

- Evaluating the skills, knowledge and experience on the Board, defining the duties and capabilities required of the candidates to fill each independent vacancy, and deciding the time and dedication necessary for them to properly perform their duties. By virtue of the shareholders' agreements1 arranged between Inversora Carso, S.A de C.V., Control Empresarial de Capitales, S.A de C.V. with B1998, Azate and DDG, it was agreed that of the 15 Board members, eight would be named by CEC, four by the Koplowitz family, and the other three would be independent. For that purpose, the Appointments and Remuneration Committee has defined the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties.
- Advising on the proposals for appointment and re-election of directors and members of the Board of Directors' Committees, as well as on the proposals of natural persons representing directors.
- -Overseeing compliance with the remuneration policy established by the Group, proposing to the Board of Directors the remuneration policy for

directors and senior executives, as well as the basic conditions of senior executive contracts.

- Approving the contents of the documents called ‘The Appointments and Remuneration Committee’s report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee’s report on the CEO, so that the Board of Directors may evaluate the performance of their functions during the year 2016, which is subject to the Board of Directors so that it may carry out the assessment mentioned in Article 34.9 of the Rules of the Board of Directors.
- Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties.
- Preparing a favourable report, in cases of the conflicts of interest included in Article 23 of the Rules of the Board,
- Approving the report on the functioning of the Appointments and Remuneration Committee
- Advising on the appointment of senior executives and other positions comprised within the first three levels
- Approving the Report on the remuneration of the Board as per the bylaws for the year 2015.
- Advising on the fundamental aspects of FCC Group’s general wage policy for the year 2016.

C.2.2 Fill in the table below on the number of female directors on the Board Committees during the last four years:

	Number of Female Directors			
	FY t % number	FY t-1 % number	FY t-2 % number	FY t-3 % number
Executive Committee	40% (2)	50% (2)	50% (2)	29% (2)
Audit and Control Committee.	0% (0)	20% (1)	50% (2)	40% (2)
Appointments and Remunerations Committee	25% (1)	25% (1)	37% (3)	30% (3)

C.2.3 Article revoked.

C.2.4 Article revoked.

C.2.5 Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available for consultation, and any amendments made during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

- FCC’s Board of Directors rules (Chapter IX, Committees of the Board).
- Report issued by the Board of Directors at its meeting of 3 February 2017 on the quality and efficiency of its functioning and that of its Committees during the year 2016.

C.2.6 Article revoked.

D –. RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Explain, as the case may be, the procedure for approval of related party and intra-group transactions.

Procedure for informing on the approval of related-party transactions
Article 24 of the Rules of the FCC board states: Transactions with significant shareholders “1. The Board of Directors shall approve, on the basis of a prior report by the Appointments and Remuneration Committee, any transactions by the Company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other Group companies or with persons related to them or their directors. Directors who represent or who are related to affected shareholders must refrain from taking part in the discussions and voting on the resolution at issue. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement.”

D.2 Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the company’s significant shareholders:

Name or company name of related significant shareholder	Name of group company or entity in its group	Nature of relationship	Type of transaction	Amount (thousand euros)
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas, S.A	Company	Delisting takeover bid for Cementos Portland Valderrivas	63,933 (1)
Inversora Carso, S.A. de C.V.	FCC Américas	Contractual	Agreement with FCC Américas on subcontracting work for the Ciudad de la Salud (Panama)	NA
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas, S.A	Company	Corporate operation on Giant Cement Holding with Elementia	NA (2)
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Sale of stake in Concesionaria Túnel de Coatzacoalcos to	66,224 (3)

Name or company name of related significant shareholder	Name of group company or entity in its group	Nature of relationship	Type of transaction	Amount (thousand euros)
			Promotora de Desarrollo de América Latina.	
Inversora Carso, S.A. de C.V.	FCC, SA	Contractual	Transaction of non-recourse factoring of clients guaranteed by Insbursa financial group	200,000
Inversora Carso, S.A. de C.V.	Realia Business	Company	Agreement to attend the capital increase of Realia Business, with FCC Group maintaining their actual stake.	54,422
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Consortium for construction contract for the new terminal at Mexico City's airport.	550,000
Inversora Carso, S.A. de C.V.	FCC Construcción	Contractual	Consortium for the construction of the Samalayuca gas pipeline in Mexico.	90,000
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas, S.A	Contractual	Subordinate financing	80,000

NOTE:

(1) Maximum amount, assuming the acquisition of the entire minority capital until reaching 100% of the stake.

(2) FCC has not received or paid any amount. This is a capital increase transaction fully subscribed by Elementia. As a consequence, CPV has been diluted.

(3) Pending implementation of suspension clauses.

D.3. Describe those transactions that are significant due to the amount or subject-matter thereof between the company or group entities and the directors or executives of the Company:

Name or company name of the Directors or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
Alejandro Aboumrad González	FCC	Director	Service provision	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas, S.A	CEO	Service provision	175

D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as to their purpose and conditions.

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

Name of group entity	Description of the transaction	Amount (thousand euros)
-	-	-

NOTE**:** There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

D.5 Indicate the amount of the transactions with related parties.

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group and its directors, executives or significant shareholders.

Article 23 of the Rules of the Board of Directors states:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) Carrying out transactions with the Company or companies in its Group, unless they are ordinary transactions done on an arm's length basis and of low relevance, understanding as such those that do not need to be reported in order to give a true and fair view of the equity, financial position and profit or loss of the Company. b) Using the name of the Company or invoking their director status to unduly influence the performance of private transactions. c) Using corporate assets, including confidential information of the Company, for private purposes. d) Taking advantage of the Company's business opportunities. e) Obtaining benefits or remuneration from third parties outside the

Company or its Group in connection with the performance of his/her office, except where those benefits are merely a matter of courtesy. f) Performing activities for their own account or on behalf of third parties which entail effective competition, whether actually or potentially, with the Company, or which in any other way may place them in a situation of permanent conflict of interests with the Company.

2. The above provisions shall also apply in the event the beneficiary of the prohibited acts or activities is a person related to the director.

3. In any event, directors must report to the Board of Directors, via the Corporate Responsibility Department or any other replacing it, with reasonable notice, any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the Company or the companies included in FCC Group or its related companies.

4. The Company may dispense from the prohibitions included in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the Company, the use of certain corporate assets, the use of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.

5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the Company. In the latter case, dispensation will only be provided where no harm is expected for the Company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.

6. In all other cases affecting the prohibitions included in this article, the authorisation may also be granted by the Board of Directors, following a favourable report of the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm’s length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than 1% of the company's annual revenues.

7. In any event, situations of conflict of interest between Directors shall be included in the Annual Corporate Governance Report according to the terms established by law.

8. For the purpose of the provision herein, related parties will be deemed to be those included in the Capital Companies Act.

D.7 Is more than one Group company listed in Spain?

Yes X No ☐

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
CEMENTOS PORTLAND VALDERRIVAS S.A.

NOTE:
From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.

Has a public definition been established describing precisely the respective business areas and business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

Yes No X

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

E - RISK CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System, including those of a fiscal nature.

The current Risk Management Policy was approved, along with the System implementing it, by the Board of Directors in October 2016. The Risk Management Policy and System are designed to identify potential events which, should they occur, would affect FCC Group, and also to manage risks within the accepted risk level, providing reasonable assurance to the Board of Directors and Management of FCC in respect of fulfilling the objectives. Its integration is therefore fundamental to the organisation's business processes.

Risk Management activity at FCC is governed by the following basic principles:

- Integration of the vision of risk-opportunity.
- Allocation of responsibility.
- Segregation of duties/ independence.
- Homogenisation.
- Tracking and control of risks.
- Internal control.
- Action plans.
- Ongoing evaluation of the process.
- Supervision by the Audit and Control Committee.

The scope of application set out in the Risk Management Policy and System covers all companies belonging to the Group, as well as the partially owned companies over which FCC has effective control, and acquired companies from the time the acquisition becomes effective. It also covers FCC Group employees belonging to consortia and joint ventures.

Activities within the scope of FCC Group's Risk Management System include the preparation and updating of the Risk Maps and Risk and Control Matrices of the business units, which will make it possible to prepare FCC's Consolidated Risk Map and Reports on Risk Materialisations and Action Plans. The system also includes the activities of training, control of documentation, monitoring and review of the system and continuous improvement.

In addition, the Risk Management System also establishes internal communication mechanisms at different levels: within the business unit through risk management performance reports, between the Risk and Compliance Committee and the risk management function (e.g. Risk Materialisation Reports) and between General Internal Auditing, Risk Management and Compliance and the Audit and Control Committee.

Risk maps and risk and control matrices contain the identification of the main risks for the business areas, the controls established by Management to mitigate the effect of these risks and the assessment in terms of likelihood of their occurrence and impact on the financial statements of the area analysed.

The process for preparing the Risk Maps of the business units includes the following phases: establishment of objectives, identification of risks, identification of processes, assessment of the risk based on its potential impact should it materialise and its likelihood of occurrence, the identification of those responsible for managing the risks identified.

The process for preparing the Risk and Control Matrices of the business units includes the following phases: identification of key control activities for mitigating these risks, allocation of control responsibilities and the design of key indicators that make it possible to establish an alarm system for deviations and materialisations.

The Group's Risk Management System is based on three levels of risk management. The first two are located in the business unit which, as part of its activity, is the origin of FCC Group's risk. The third is formed firstly by the corporate functions that report to senior management (corporate departments) and lastly by the functions of Internal Audit and Risk Management and Compliance, which report to the Audit and Control Committee.

FCC Construcción has a Risk and Compliance Committee with executive functions, whose functions, according to the Risk Management Policy and System approved, include the implementation of the System, ensuring appropriate compliance with the risk management processes defined and developing sufficient environments of control to mitigate and maintain the risks at acceptable levels.

E.2. Identify the company bodies in charge of drawing up and executing the Risk Management System, including fiscal risks:

As defined in the rules of FCC’s Board of Directors, the entire Board has to approve the Company’s Risk Control and Management Policy, identifying the risks that are considered to be main ones by the Company and implementing and following-up the internal control systems and suitable information systems, aimed at ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

In addition, the Audit and Control Commission is empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures provided to mitigate the impact of the identified risks in the event they materialise;
- The reporting systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

The first level of risk management and internal control is in the operating lines of the business units, which act as the risk takers and are responsible for managing, tracking and reporting on the risk generated, including tax risk, which must be adjusted to the risk appetite and to the authorised risk limits.

The second level comprises support, control and monitoring teams, which ensure effective control of the risk and its management according to the risk appetite, including that related to taxes. The Risk Committees of the business units, as part of the second level of risk management, are responsible for the approval of the Risk Map and the Risk and Controls Matrix of its business area, as well as for the implementation of the Risk Management System, the analysis and monitoring of the levels of exposure to risk and for the design of indicators and integration of controls into the various activities.

The Risk Management and Compliance Department is part of the third level of risk management and internal control and its functions are related to the supervision, coordination, tracking and integration of the organisation's risk management and control process.

This third level also includes the Tax area, which is responsible for defining the generally applicable tax criteria for FCC Group.

In addition, the Response Committee is responsible for ensuring the smooth operation of the Whistleblowing Channel and assess potential improvements in the controls and systems established in the Company, and may establish corrective actions if it deems it necessary.

E.3 Point out the main risks, including fiscal risks, that may affect the achieving the business objectives.

The risk scenarios considered have been classified into four groups: Strategic Risks, Operating Risks, Compliance Risks and Financial Risks.

STRATEGIC RISKS.

Changes in a country's political and socio-economic circumstances.

Changes in the political and socio-economic circumstances in countries where FCC Group operates, or could operate, could give rise to situations such as: a high level of economic interventionism by national governments, fluctuations in local economic growth, political, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact FCC Group.

Loss of market share.

FCC Group develops its activities in competitive markets. In seeking new business and in businesses where it already operates, FCC Group competes with large groups and companies. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

Cuts in forecasts for investment and demand.

The changes in investment forecasts of both private and public clients may produce different negative impacts on FCC Group. In particular, the context of economic and financial instability of recent years has entailed a decline in revenues from public administrations, which could, in turn, mean a reduction in public spending in certain areas of activity, including in this respect, concession, infrastructure and services projects in which FCC Group operates.

Moreover, the profitability of the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside FCC Group's control and outside its capacity to control operative costs and efficiency.

Delays in the new contracts that are scheduled in Spain.

As a consequence of the possibility that Spain's economy recovery may not become consolidated, as well as continued economic instability, FCC Group could be affected by the delay in or withdrawal from potential projects by clients in both the public and private sectors. Also, for services provided in which the assets are owned by public administrations but are administrated and exploited by FCC Group, the Group's operating costs could increase if said administrations do not make the necessary investments for the suitable maintenance and renewal of the facilities.

Impairment of reputational image.

FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public. Managing reputation in order to protect the company brand is done by FCC Group's Corporate Marketing and Brand Department.

OPERATIONAL RISK.

Uncertainty and volatility of raw materials, energy and outsourced services.

In the course of its business, FCC Group consumes significant amounts of raw materials and energy, and works with numerous subcontractors and industries. Changing economic conditions and uncertainty in general could cause price oscillations that would cause FCC Group's profits to be affected.

Municipalisation of the management of services currently provided by FCC Group.

Certain services provided by FCC Group could be affected by decisions of current or future local governments. In certain cases, these decisions could lead to municipalisation. In FCC Group's case in particular, municipalisation could affect the Environmental Services and Water business areas, which would have a negative impact on both present and future profitability and portfolio.

Catastrophic events.

The complexity of certain environments where FCC Group does business increases exposure to the risk of experiencing unexpected events that may cause damage to persons, property or the environment, including natural disasters and acts of a terrorist or criminal nature.

Information Security.

The risk of criminal acts of a cybernetic nature that, whether aimed at the company or not, could affect its assets and entail the prolonged standstill of the operation. FCC Group has an operating unit entrusted with preventing, detecting, analysing and mitigating the factors relating to security issues such as intrusion, attacks, etc.

Rescheduling of projects.

The economic and financial situation could cause a cut in both public and private investment forecasts, which could entail rescheduling various ongoing projects within and outside Spain, which will have a notable repercussion on their profits due to the non-fulfilment of commitments undertaken by the client and the ongoing efforts made by the Group to not breach them.

Risks arising from relations with third parties.

FCC Group could develop its business activities jointly with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). Participants in these entities share the operating, economic and financial risks associated to certain projects or activities. However, adverse effects for the project, the business, the underlying economic and political situation or in the economic situation of the partners could lead to conflict, which could negatively affect its performance and, therefore, FCC Group.

Impact of extra costs on businesses engaged in.

FCC Group's design and construction business activities expose it to certain risks inherent in this type of procurement, such as the impact of extra costs. In the Environmental Services, Water and Construction business areas, FCC Group develops ‘turnkey’ design-construction contracts that are remunerated based on a fixed price. The fact that the price of a ‘turnkey’ contract may be revised can vary depending on the jurisdiction.

Early termination or unilateral modification of the contract.

Public administrations could unilaterally modify or terminate certain contracts before they are fully executed. The compensation for FCC Group in such cases might not be sufficient to cover the damage caused, aside from the fact that it might be hard to collect that compensation. Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession/construction work agreement terminated by the corresponding client, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay receiving the amounts of compensations.

Key technical and management staff leaving the company could affect the success of business operations.

The success of FCC Group business operations largely depends on key staff with technical and management expertise.

If FCC Group were to lose a substantial part of its key personnel, which is unlikely, they could be difficult to replace, which would make it more complicated o successfully manage its businesses.

Labour Conflicts.

FCC Group’s Construction and Service Business Areas are labour intensive. As a result of the foregoing together with a significant geographic diversity and respective labour laws, there could be, due to different reasons, individual or collective conflicts with employees that would be detrimental to the Company's productive capacity, and its reputational image.

Adaptation of FCC Group personnel to planned operations.

Maintaining a FCC workforce not in line with the implementation needs foreseen by the Group, in terms of both number and quality, could result in both an oversized workforce with a high labour cost relative to production or an undersized workforce with the risk of not carrying out the contracted projects with sufficient quality, with the consequent associated delays and costs.

COMPLIANCE RISK

FCC Group is subject to litigation risk.

FCC Group is, and may be in the future, a party in civil, criminal, arbitration, administrative, regulatory and other proceedings that may arise in the ordinary course of its business. These proceedings may be related to claims because of defects in construction projects executed or in services provided, labour, environmental, tax or contractual claims.

The industries in which FCC Group operates are subject to comprehensive legislation which, in turn, is subject to being amended.

In the execution of its business operations, FCC Group must respect local, provincial, national and international legislation. The laws, standards and regulations applicable to the Group's business vary from one jurisdiction to the next and even between different municipalities and they may be subject to amendments, which may or may not be favourable. A change in the legal framework could lead to different or more restrictive regulations, which could originate changes in FCC Group's operating conditions; this could affect its profits and financial situation.

Breach of the Code of Ethics.

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders, and all the individuals in the Group must comply with it. Non-compliance with the Code of Ethics may cause serious damage to FCC Group, including deterioration of its image and reputational damage.

Quality of service: the risk of non-quality.

Non-compliance with contractual requirements on quality could cause an impact on profit due to penalties and additional costs, as well as having an impact on FCC Group's reputational image.

FCC Group maintains quality management systems that are strongly rooted and implemented in the organisation. These systems are audited and certified by accredited entities in accordance with the UNE-EN ISO 9001 standard in all its significant activities.

Occupational risks.

A priority goal for FCC Group is to carry out its activities with a high level of health and safety for its entire staff, as well as strictly complying with the legal regulations on this subject, as shown by the Occupational Risk Prevention Policy approved by the Board of Directors. Still, FCC Group could be affected by accidents on its construction sites and in its facilities and while providing services. These accidents could interfere in the operations and, therefore, in their profitability.

FINANCIAL RISKS

FCC Group's level of indebtedness could adversely affect its financial and operational situations.

FCC Group's level of indebtedness arises primarily from its financing agreements. These contracts contain financial ratios and other restrictive agreements that limit its capacity to carry out activities that may be in its long-term interest, or to invest in new projects. During 2017, FCC Group will continue with its debt restructuring process, with the goal of reducing it and optimising its cost and term.

Liquidity Risk.

FCC Group's liquidity risk is mainly attributed to its receivables and is therefore related to the Group's exposure to its clients' credit risk. Its cash requirements are higher in the summer and they are lower in the fourth quarter, when FCC Group receives payments from many of its public-sector clients, particularly in November and December.

Constraints on access to financial markets.

Given the markets in which FCC Group engages in its business activities, in addition to the debt restructuring process the Company is undertaking there could be some difficulty in obtaining or renewing funding to carry out its projects, due to the liquidity constraints of these markets, to the requirements or guarantees requested by credit institutions or government agencies that provide funding, as well as to the viability of the economic models that justify the return of the funds. All of this can lead to loss of business opportunities.

Delayed payment of certain public and private clients for both the provision of services and completed works.

FCC Group's payment capacity is related to the payment capacity if its clients. In this regard, a marked delay in payment by certain public and private clients could cause insufficient generation of revenue to meet payments.

Impairment of goodwill

FCC Group has goodwill of a significant amount on its balance sheet. FCC cannot ensure that the Group will not undergo losses/adjustments due to its impairment or that of the Group's other material assets which, should it occur, could significantly affect business and finances.

FCC Group is exposed to foreign exchange risk.

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. The exchange rate risk lies mainly in debt denominated in a foreign currency, in investments in international markets and in collections made in currencies other than the euro.

FCC Group is exposed to interest rate risk.

FCC Group is exposed to the risk arising from variations in interest rates because the Group's financial policy seeks to optimise the fact that its current financial assets and its debt are partially linked to variable interest rates. A hike in interest rates could cause an increase of FCC Group's finance costs linked to its borrowing associated to variable interest rates and it could also increase the cost of refinancing FCC Group's borrowing and the issuance of new debt.

E.4 Identify whether the company has a risk tolerance level, including tax risks.

According to the Risk Management Policy, the level of tolerance to risk that assumed by FCC Group will be unique to a given moment and dynamic in time, and will vary based on internal and/or external factors. It must be approved by the Board of Directors and be aligned with the strategy.

The general approach to risk management is that it is considered that any risks that threaten the achievement of the Group's goals and strategies must reach a value in accordance with previously established levels. Any risks that not having that value must be subject to actions so that they reach that value, to the extent that the risk is manageable and the cost of the mitigation measures is justified by the effect that the materialisation of the risk may have on FCC Group.

The Managements of the business units will establish, with the guidelines and methodology of FCC Group's Department of Risk Management and Compliance, specific action plans to minimise the likelihood of occurrence and the potential impacts of the risks identified as critical. The Action Plan must not only be reported and approved initially, but it must be regularly monitored by both the business unit's Risk and Compliance Committee and the Risk Management and Compliance management.

Risk appetite expresses, in quantitative and qualitative terms, the maximum exposure to risk that each business unit is willing to assume. Compliance with the limits of risk appetite will be monitored by the business unit and by the Risk Management and Compliance Management, and mechanisms of reporting of excesses and breaches established.

Risk appetite in FCC Groups must be governed by the following principles:

- Responsibility.
- Comprehensive vision, comparison and questioning of the risk profile.
- Association and integration with strategic plans.
- Future estimate of risk.
- Consistency.

- Review and continuous improvement.

The elements that must define risk appetite at FCC Group are as follows:

- A general profile of predictable medium-low risk, based on a diversified business model.
- A stable and recurring policy to generate profits and to remunerate shareholders.
- An independent Risk Management function with strong involvement of senior management that ensures a strong culture of risk treatment geared to the protection and assurance of appropriate profitability of capital.
- A management model that ensures a comprehensive and interrelated vision of all risks, through a robust environment of corporate control and monitoring of risks, with responsibilities of comprehensive scope for all risks, all businesses and all territories.
- The development of its business activity based on a model of conduct that ensures the interests of its clients and shareholders.
- The suitable and sufficient availability of human resources, systems and tools that make it possible to ensure maintaining a risk profile compatible with the risk appetite established, at both corporate and business levels.
- The implementation of a remuneration policy that contains the necessary incentives to ensure that the individual interests of employees and executives are aligned with the corporate risk appetite framework and that these incentives be consistent with the evolution of FCC Group's profits over the long term.

E.5 State what risks, including tax risks, materialised during the year:

STRATEGIC RISKS

- **Risk that materialised during the year: Changes in the political and socio-economic circumstances of a country.**

Underlying circumstances:

The existence of certain unstable geographic markets in which FCC Group operates has led to an ongoing re-planning of projects abroad, with a negative impact on the Group’s financial statements. Similarly, there are geopolitical factors, even in stable markets, that have had a negative impact on FCC Group's business, such as referendums, electoral processes, etc. Specifically, the decision of the United Kingdom to leave the European Union has caused a currency depreciation that affects the valuation of assets and liabilities.

How the control systems operated and response plans:

During the last few years FCC Group has been developing a thorough strategic, operational and financial reorganisation in the markets where this risk has materialised aimed at mitigating those risks. In addition, an on-going selective increase of presence abroad is being carried out, incorporating new contracts, focusing on a few select territories and on complex projects with high added value.

The existence of Management and/or Procurement Committees in the business areas, where a multidisciplinary team assesses the suitability of the bid from the technical, economic-financial and legal perspectives.

- **Risk that materialised during the year: Loss of market share.**

Underlying circumstances:

The tender policies of some of FCC Group's businesses, which prioritise the profitability and cash flow of the project, together with the strong competition in markets where the Group operates, have affected market share.

How the control systems operated and response plans:

Intensive search in markets in which to develop complex projects with high added value to enable FCC Group to profitably develop its business activities.

- **Risk that materialised during the year: Low level of investment.**

Underlying circumstances:

Maintaining of a low level of investment in infrastructures construction and services in the different markets in which FCC Group operates, mainly due to the global unstable economic situation and/or politics.

How the control systems operate and response plans:

This situation has been mitigated by the selective increase in the presence abroad and the incorporation of new contracts, focusing on a few select territories and on complex projects with high added value.

- **Risk that materialised during the year: Delays in the new contracts expected in Spain.**

Underlying circumstances:

The political situation in Spain in 2016, with a caretaker central government for practically the entire year, along with the new regional and local political map, together with great competition, have caused a delay in initiating the provision of some services for which contracts were previously awarded or to be awarded, which has caused adjustments in future forecasts.

How the control systems operated and response plans:

FCC Group performs an intensive analysis of the investment plans of the different public administrations, along with a follow-up and individualised analysis of the contracts affected by extensions, and adjusts in forecasts as necessary.

OPERATING RISKS

- **Risk that materialised during the year: Rescheduling of projects.**

Underlying circumstances:

The current economic and financial situation has caused a cut in both public and private investment forecasts, which entails rescheduling various ongoing projects within and outside Spain, which will have a notable repercussion on their profits due to the non-fulfilment of commitments undertaken by the client and the ongoing efforts made by FCC Group to not breach them.

How the control systems operated and response plans:

In this situation, FCC Group has carried out several initiatives, such as the implementation of contractual arrangements to pass on the costs caused by the rescheduling of projects due to causes beyond the control of the contractor, actions to optimise to the maximum the costs at each of the facilities and so be able to make a great effort to adapt to the new deadlines committed to, the relocation of personnel at rescheduled projects to others underway, in addition to an intense commercial relationship with the client in search of solutions that are satisfactory for both parties.

- **Risk that materialised during the year: Adaptation of the FCC Group staff to planned operations.**

Underlying circumstances:

The economic and financial situation, especially in the public sector, has caused a decline in the Group's turnover that is especially intense in the construction business, mainly due to the collapse of the domestic market. This circumstance has led to a loss of efficiency per production unit, which has been shown on the Group's financial statements over the last few years.

How the control systems operate and response plans:

Over the last few years FCC Group has adjusted its Group structure to current demand in the market, via several staff restructuring measures, gradually adjusting the workforce to the expected production requirements. These adjustments have continued in 2016, which has led to production efficiency improvements that will be more evident in the future.

- **Risk that materialised during the year: Impact of extra costs on businesses engaged in.**

Underlying circumstances:

Due to FCC Group's internationalisation process, in certain markets it is normal to perform contracts that include design and construction, and undertake lump-sum contracts in which it is contractually difficult to claim the impact of extraordinary costs on the development of activities.

How the control systems operate and response plans:

In this circumstance, FCC Group orientates its efforts towards the comprehensive definition of tenders, both technical, including review of measurements, and economic. In addition, commercial work is intensified and aimed at the recognition of these costs, as well as finding solutions that are satisfactory for both parties.

COMPLIANCE RISK

- **Risk that materialised during the year: Litigation**

Underlying circumstances:

FCC Group is a party in civil, criminal, arbitration-related, administrative, regulatory and similar processes that may arise in the ordinary course of its business. These processes may be aimed at claims for provision of services or labour, environmental, fiscal or contractual lawsuits.

How the control systems operate and response plans:

FCC Group is the defendant in certain lawsuits due to liabilities pertaining to several activities in the development of the awarded contracts. The relevant provisions (for those cases in which a negative outcome is considered probable) have been recorded and it is expected that the lawsuits will not have an impact on the Group’s equity. In addition, this year a new FCC Legal Service Model was approved. It establishes the principles that govern its actions, including its structure and functions, the identification and control of the Company's legal risk and that of its businesses: the unit of activity; the efficiency and control of expenditure and the coordination and quality control of the legal services.

FINANCIAL RISKS

- **Risk that materialised during the year: Limitations on access to financial markets.**

Underlying circumstances:

The financial situation of FCC Group, which culminated a capital increase in 2016 and has been engaged in a debt restructuring process, has caused certain difficulties for accessing the Group's financing sources, or the refinancing of the current ones with the best possible conditions, with the consequent negative impact on the Group's financial statements.

How the control systems operate and response plans:

With the culmination of the refinancing process planned for 2017 and the capital increase of 2016, the Group believes that it will be able to adequately finance its activities in upcoming years.

- **Risk that materialised during the year: Delayed payment of certain public and private clients for both the provision of service and completed works, primarily in Spain.**

Underlying circumstances:

Both the entry into force of the Organic Law on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan, allowing the Group to pay suppliers and cancel due liabilities yet to be paid, made it possible to bring down the effects of this risk. However, the delay in payment for finished works and certificates persists, which creates an impact on clients' debt, additional costs and cash flow.

How the control systems operate and response plans:

The procedures for monitoring and controlling client debt are maintained. Similarly, commercial work with the clients is intensified with the aim of collecting the debt. All of this has allowed a substantial reduction of the average payment period by those clients in Spain during 2016.

- **Risk that materialised during the year: Foreign exchange risk.**

Underlying circumstances:

A consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency. FCC Group also maintains some assets and liabilities booked in currencies other than the euro. The exchange rate risk lies mainly in debt denominated in a foreign currency, in investments in international markets and in collections made in currencies other than the euro.
This year, mainly due to socio-political reasons, there has been extraordinary volatility in the British and Mexican currencies. This volatility led to a 16% depreciation in the pound and a 17% depreciation in the Mexican peso between 1 January and 31 December 2016.

How the control systems operate and response plans:

FCC Group's general policy is to reduce, to the extent possible, the negative effect that the exposure to different currencies has on its financial statements, both in transactions and in equity-related movements. Therefore, FCC Group manages the exchange rate risk that can affect both the balance sheet and the income statement through natural hedging whenever possible.

However, any important fluctuations in the value of these currencies against the euro impact FCC Group's business, financial position and results.

E.6 Explain the response and monitoring plans for the company’s main risks, including tax risks.

To respond to and monitor the main risks, FCC Group has a Risk Management Policy and System approved by the Board of Directors in 2016. This Risk Management System provides for the establishment of control mechanisms for these risks through the Risk and Control Matrices. The main phases of preparation of the Risk and Control Matrices are the identification of control activities to mitigate the risk, identification of the owners of control and the establishment of indicators.

The managers of the activity of business units, based on their specific Risk Map and following a common methodology, must identify the key controls for mitigating the inherent risks that affect their activity and their owners. The functioning of the internal control activities must be documented by the owners of these controls, and these must undertake responsibility for their maintenance and integrity with the aim that they can be monitored or audited.

The Department of Risk Management and Compliance reviews the consistency and integrity of the above information as a whole and refers it to the business unit's Risk and Compliance Committee for consideration and approval in accordance with the Risk and Control Matrix.

The Risk Management System also provides mechanisms for preparing Action Plans. The Risk and Compliance Committee establishes priorities for action and identifies measures to be set up, taking into consideration their operational feasibility, potential impact, and the cost-benefit ratio of implementing it.

Risk management regulations also provide for the implementation of regular statements of compliance with the level of risk accepted by those responsible for managing risks, ensuring the existence of a suitable internal control environment in each case.

Specifically, in response to the risks of compliance with contractual requirements and regulations, FCC business units have a quality assurance system in accordance with international standards. In addition, for example, FCC's Construction Area has a Special Accident Risk Treatment Plan which brings together a set of measures applied on construction sites that could cause very severe accidents and social repercussions and could cause serious economic losses to the company due to defects in the project design, implementation or contract management. This plan is regularly reviewed. FCC also has a certified occupation risk management programme for the business areas.

In response to environmental risks and risks to comply with environmental regulations, all business units also have an environmental management system in accordance with international standards and, specifically, some of these units are participants in the European Commission's Eco-Management and Audit Scheme.

The control of financial risks is carried out by specialised departments in the business units, along with the General Administration and Finance Management, whose tasks include taking decision on the mechanisms for transferring risk (insurance) and the management of equity risk.

The information security management system is designed in accordance with international standards, has third-party certification in certain business areas and is focused on addressing information security risks.

The response plans established during the year include the plan for strengthening the Group's capital, the plan for the restructuring of the workforce in the construction area, and the implementation of a new model of FCC Legal Services to identify and control the legal risk of the company and of its businesses.

It is worth highlighting the plan to internationalise FCC Medio Ambiente as a strategy to diversify regional risks, which has resulted in several contract awards in the United Kingdom, the Czech Republic, and the United States. Meanwhile, FCC Construcción has developed a plan to select large international projects of interest to the Group such as for example. the new airport terminal in Mexico City, a tender process in which FCC, in a consortium, was awarded the contract. In addition, to reduce operating risks, a plan has been developed for energy efficiency in the Group's main headquarters and several branch offices.

The plan to reduce the risks of competitiveness and technology has resulted in a number of achievements for FCC in 2016, such as recognition as Global Tunnelling Team of the Year for the work done in the Riyadh Metro, FCC Medio Ambiente's certification in energy management, the Colegio de Caminos Award to FCC Construcción for its sustainability assessment system, the award to FCC Environmental Services for the Dallas recycling plant project and the development of a prototype electric vehicle for the provision of urban services.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (FRICS)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (FRICS) at your company.

F.1 The Company's control environment
Disclose, identifying the main characteristics, of at least:

F.1.1 The agencies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective FRICS system; (ii) the implementation thereof; and (iii) supervision thereof.

The Financial Reporting Internal Control System (hereinafter FRICS) must provide to the Audit and Control Committee and to senior management, with reasonable security as to the reliability of the financial reports submitted to the Board for approval, which is publicly disclosed from time to time to the regulators and the market.

The Compliance Policy, which is part of the Governance, Risk and Compliance Regulatory Block approved by the Board of Directors in October 2016, defines the mechanisms, functions and responsibilities related to the process of consolidation and publication of financial information.

The FCC Group bodies and functions that are responsible for the existence, maintenance, implementation and supervision of a suitable and effective FRICS, and the responsibilities attributed to these agencies, are the following:

Board of Directors.

On 28 July 2016, FCC Group's Board of Directors approved its new Board of Directors' Rules, adapting them to the new regulatory environment and best practices. This has changed the responsibilities of the Board and of its Committees.

Article 8 of FCC S.A.'s Board of Directors Rules, defines, among other functions:

• The ultimate responsibility for the approval of the Company's general policies and strategies and, in particular, the Risk Management and Control Policy, including those that are tax-related, identifying the Company's main risks and implementing and monitoring the appropriate internal control and information systems, for the purpose of ensuring its future viability and its competitiveness, taking the decisions best suited for its optimum development and the supervision of internal information and control systems. This function may not be delegated.

• Determine the policy of information and communication with shareholders, the markets and the public opinion, ensuring the quality of the information provided, approving the financial information that, as a listed company, the Company must make public on a regular basis.

In the meeting held on 28 June 2016, the Board of Directors agreed to renew the Company's governing bodies, now the Board of Directors is composed of a total of 15 directors. They met on fourteen occasions during 2016.

Audit and Control Committee.

In Article 37, FCC S.A.'s Rules of the Board of Directors provides that FCC Group's Board of Directors will create a permanent Audit and Control Committee without executive functions and with the powers of information, advice and proposal within its scope of action. In 2016, the Audit and Control Committee was composed of four directors, including the chairman, and it met on eight occasions.

In particular, by way of illustration, in relation to the Internal Control and Information Systems, the following are the competence of the Audit and Control Committee:

• The regular review of, among others, the process for preparing the financial information, the internal controls and the independence of the external auditors.

• Supervising the Company's internal audits that overseeing the good functioning of the Information and Internal Control Systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

• Supervising and analysing the efficacy of the Company's internal control and the Risk Control and Management policy approved by the Board of Directors, ensuring that the latter at least identifies:

–The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks;

–Establishing the risk level that the Company deems acceptable.

–The measures provided to mitigate the impact of the identified risks in the event they materialise;

–The Reporting and Internal Control Systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for their approval.

–Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;

– Supervising the process of preparing and submitting the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, reporting to the Board of Directors on the financial information that the Company, owing to its listed status, must disclose publicly from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate, and the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

Senior Management.

The senior management of each of the business and corporate senior units are ultimately responsible for the implementation of the Risk Management System and help to develop it.

Management Committees.

Each business unit has a Management Committee or a Committee with similar functions. In addition, FCC Construcción has a Risk and Compliance Committee.

General Administration and Finance Department

General Administration Management comprises the areas of Administration, Information Systems and Technology, Finances, Investor Relations and Management Control, Corporate and Brand Marketing, Procurement and Human Resources. The Administration area runs FCC Group's administrative management and has, among others, the following functions in relation to Information Systems and Internal Control:

- General accounting
- Accounting standards
- Consolidation
- Tax advice
- Taxation procedures
- Tax compliance
- Administrative procedures

FCC Group's area of Information Technologies and Systems guarantees suitable technological support for the Group's management processes, optimising the management of the necessary resources and service level for users, ensuring the confidentiality and integrity of information systems. FCC has an Information Security. and Technological Risk Management Department working under this area, which is responsible for developing and implementing internal control system policies and procedures for the information systems, including the systems used in the process of preparing and publishing financial information. Its functions include:

• Preparing FCC Group's Information Security Strategy, which is included within the Strategic Systems Plan and to carry out regular monitoring of compliance with it.

• Coordinating with the FCC Information Security Committee and supporting it in the performance of its functions, as well as setting the common strategies on the security of assets for all the Group’s business division committees.

• Defining the Corporate Information Security Policies and checking from time to time that they are being met.

• Establishing the risk analysis and management guidelines and defining the method to be applied.

• Coordinating with the different business areas to ensure regulatory compliance in the field of personal data protection.

• Defining and implementing internal controls to verify the proper compliance with the Corporate Information Security Policies.

• Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the internal controls that are implemented.

• Performing internal audits of the Information Security Management System according to planned intervals.

The Finances area is entrusted with the centralised management of the finances of FCC Group. With respect to Information Systems and Internal Control, its goal is, and it will act in:

- Financing of the Group's activities.
- Management of the Group's debt and financial risks.
- Optimization of cash flow and financial assets.
- Management and financial control of the Group.
- Management of markets and Spain's Security Market Commission (CNMV).
- Investment analysis and financing.
- Management, monitoring and control of sureties and guarantees.
- Insurance and management of industrial and equity risks.
- Management Control.

General Internal Auditing, Risk Management and Compliance

The purpose of General Internal Auditing, Risk Management and Compliance is to provide the Board of Directors, through the Auditing and Control Committee, and to the Senior Management of FCC Group with supervisory responsibility support for the Internal Control System by exercising a unique and independent governance function aligned with professional standards, which contributes to Good Corporate Governance, verifies the proper compliance with applicable regulations, both internal and external, and reduces to reasonable levels the possible impact of the risks attached to achieving FCC Group ’s objectives. This objective consists of providing an independent opinion on the organisation's ability to achieve its objectives, through a systematic and methodological approach of assessment, management and improvement of the processes of:

• Risk management: understood as the process implemented by Management and carried out by FCC Group staff in their application of the strategy defined by the Board of Directors and designed to identify potential events that could affect the achievement of objectives so that the risks can be managed within an acceptable level.

• Internal control: this is carried out by all Group staff based on their responsibility, designed to provide a reasonable degree of confidence in achieving the goals of effectiveness and efficiency in operations, reliability of financial and non-financial information, and compliance with internal and external standards.

• Compliance: development of an internal control structure based on the responsibility entailed in each of the organisation's functions related to good governance, including those related to the Criminal Code.

General Internal Auditing, Risk Management and Compliance is structured in two separate functions whose most significant responsibilities with regards to Financial Information Control Systems are:

• Internal Auditing:
- Supporting the Audit and Control Committee in monitoring the process of preparing and presenting financial information and other information sent to third parties.

- Contributing to the development of internal control through monitoring compliance with the policies, standards, procedures and activities that make up the Internal Control System established by the Group to ensure the proper management and reduction of risks.

• Risk Management and Compliance:
In 2016, the Audit and Control Committee approves conferring the function of Compliance, ratified by the Board of Directors, to General Internal Auditing, Risk Management and Compliance. The main duties of the function of Risk Management and Compliance contained in the Governance, Risk and Compliance Regulatory Block approved by the Board of Directors in 2016 are:

- The development and implementation of a comprehensive risk management model that allows aligning risk with strategy, conducting a systematic analysis of the risks focused on better decision-making.

- The development of an Internal Control Compliance System tied to a structure of responsibilities that ensures the maintenance of a level of risk accepted by the Board of Directors through, among other aspects, the incorporation of key controls into the procedures.

- The establishment of a preventive criminal code compliance management structure under the principle of zero tolerance to non-compliance.

F.1.2. State whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- **The departments and/or mechanisms are in charge of: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.**

According to the Rules of the Board of Directors, the Appointments and Remuneration Committee is tasked with reviewing and organising the succession of the Chairman and Chief Executive and, if appropriate, making recommendations to the Board of Directors so that the succession takes place in an orderly, planned manner.

The functions of the Appointments and Remuneration Committee include reporting on the proposals for appointing and removing senior executives and the basic conditions of their contracts suggested by the Chief Executive to the Board. According to the aforementioned rules, senior executives are considered to be those answering directly to the Board or the First Directive and, in any event, the internal auditor. Senior executives will also be considered to be those who, without fulfilling the same circumstances listed above are declared, as the case may be, by the Board of Directors following a favourable report from its Appointments and Remuneration Committee.

The party ultimately responsible for the design and review of the organisational structure and the definition of the lines of responsibility and authority is the Chief Executive, appointed by the Board of Directors. Each corporate or business department management must define the organisational structure and lines of responsibility of their management.

The process of determining the organisational structure is governed by section 10 of the Group's General Guidelines Manual, which regulates the bodies directly under the Board of Directors, the distribution of functions of the Group's management, and the appointment of executive positions.

In addition, the Compliance Policy, adopted by the Board of Directors, details the specific responsibilities in the Financial Reporting Information Control System (FRICS). In addition to the existence of a first level of internal control in the operational area of the business unit and a second level of internal control in the unit's management areas, the functions located on the third level are those related to the financial information consolidation processes carried out by General Administration Management with Risk Management and with Internal Auditing (all of which are independent of the business unit) which are tasked with the following responsibilities:

General Administration Management

- Assuming high level executive functions in the management of the FRICS.
- Executing control activities in relation to the consolidation sub-process.
- Standardisation of processes related to the preparation of the information.

Risk Management and Compliance Department.

- Methodological support for the identification and evaluation of risks in the financial reporting process.

- Support in the identification of controls and the design thereof.
- Contribution to the analysis of the strength of the system to detect or prevent risks with significant impact on the reliability of financial information.

Internal Auditing Management

- Review from time to time of the operation and/or effectiveness of controls on the FRICS.
- Periodic review of the effectiveness of controls on the FRICS.
- Providing advice on the FRICS.

The first-level organisation structure is published on the corporate intranet. The various business units regularly publish internally their own organisational structures and those associated with specific projects and contracts.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific references to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary actions.**

According to the Rules of the Board of Directors, a full Board meeting is needed to approve FCC's Internal Rules or Codes of Conduct. Also in accordance with the aforementioned rules, the Audit and Control Committee is also empowered to ensure that the Internal Codes of Conduct and Rules of Corporative Governance meet regulatory requirements and are appropriate for the Company, as well as to review compliance by persons affected by these codes and governance rules with their obligations to communicate with the Company.

FCC Group has a Code of Ethics, the current version of which was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct and is compulsory for all employees and third parties who voluntarily accept its application. It is a key tool for guiding actions in various areas, from the relationship with and among employees, internal control and fraud prevention, commitment to the market, the Company and the community, etc. It is published on both the corporate intranet and the Group's website, where anyone can access it for information. All FCC Group employees are obliged to comply with the Code of Ethics and to communicate, using the channel that the Company has made available to them, practices contrary to the Code and the regulations of the practices they could observe were based on.

Currently, FCC Group is working on updating its Code of Ethics and a cross-cutting working group has been created.

In relation to the degree of dissemination, and as stated above, during the year no concrete new training activities were carried out, although the campaign on adhering to the Code of Ethics remains active on the corporate intranet.

In addition, the Compliance Policy states that all employees must sign a statement of compliance with FCC Group's Code of Ethics from time to time. With regard to new hires, they must formally undertake their commitment to compliance when they are hired or their contracts renewed and in any other circumstances where the Company so requires.

Among the principle and values included in the Code are: regulatory compliance and respect for ethical values, respect for people, equal opportunities and non-discrimination, people's health and safety, internal control and fraud prevention, respect for free competition, political neutrality, respect for the environment and social commitment, among others.

Regarding the recording of transactions and the preparation of financial reports, the section on "Handling Information" in the Code of Ethics, specifies that *"The falsification, manipulation or deliberate use of false information is fraud. As a principle of conduct, FCC Group undertakes to provide transparency of information, understood as the commitment to convey reliable information to the markets and to society that will allow them to have a true and fair view of the Group's activities, strategy and economic, social and environmental performance. Employees must convey this information in a truthful, comprehensive and understandable manner. In no event will they knowingly provide incorrect, inaccurate or imprecise information that may mislead the recipient of the information".*

The body responsible for analysing breaches and proposing corrective actions and penalties is the Response Committee. This committee functions as an official body and comprises four members: the General Manager of Internal Auditing, Risk Management and Compliance, the General Manager of Legal Counsel, the Corporate Labour Relations Manager and the Corporate Responsibility Manager, and functionally answers to the Chief Executive and CEO of FCC Group. Its functions are contained in the Crime Prevention and Response Manual.

The Company has established a procedure that allows employees to confidentially report any irregularities or malpractice observed; the Response Committee is the recipient of these complaints.

The responsibilities for training on and disseminating the Code of Ethics are aligned with the development of a culture of compliance in FCC Group. Therefore, the function of Compliance, together with the business units' Risk and Compliance Committees, must promote the inclusion of content on compliance in training plans so that they are progressively disseminated at all organisational levels.

In addition, FCC Group has a Fiscal Code of Conduct approved by the Board of Directors on 25 September 2014. This code is aligned with the Code of Ethics and includes transparency to markets and the Company in tax-related matters as one of its core values.

- **Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as possible breaches of the code of conduct and irregular activities within the organisation, stating, as the case may be, the confidential nature thereof.**

FCC Group has an internal communication channel and procedure that allow its employees and third parties to confidentially check on doubts and report irregular conduct in criminal or any other type of matter regarding the Code of Ethics.

Communications can be done three ways:

- An html page in the Group's Intranet: internal communication channel.
- Mail sent to Apdo. de Correos 19312, 28080-Madrid, managed by the Chairperson of the Response Committee.
- Email addressed to comitederespuesta@fcc.es, managed by the Response Committee.

The procedure and the operation of the internal communication channel are described in the Code of Ethics, approved by the Board of Directors and published on both the public website and on the Group's intranet. This code specifies that all employees of FCC Group and of any of the other companies in which FCC Group has management control have the duty to report any breach or violation of the conduct described in the document.

Through its chair, the Response Committee regularly submits a summary of its activities to the Audit and Control Committee.

- **Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the FRICS, covering at least accounting standards, auditing, internal control and risk management.**

  FCC Group's Training Plan for 2016 included several training activities related to the preparation and monitoring of financial information, which included the following: Update of International Regulations on Financial/Accounting Information. Update on accounting practices. Update on corporate income tax. Raising awareness and best practices in information security for FCC Group (ISO 27000:2013). Tax conflicts. Consolidation. Cost Control. Corporate Finance. SEPA regulations. Preparation and presentation of financial reports and reporting. Financial Excel. Advanced Corporate Finance. Basic Corporate Finance. Treasury. Foreign Trade Finance. International Taxation. Management of investment funds and risk capital. FCC Group Risk Management. International Cash Flow Management. Value Added Tax. VAT in Foreign Trade. Means of payment for international trade and accounting treatment. Tax Developments: Developments in Corporate Income Tax, VAT, Personal Income Tax and Non-Resident Income Tax. Project finance. Valuations and Transfer Pricing.

  During 2016, 13.5 % of the training hours conducted at FCC Group were used for acquiring, updating and re-training on economic and financial knowledge, including accounting and auditing standards, internal control and the management and control of risks, as well as other regulatory and business matters of which knowledge is needed in order to correctly prepare the Group's financial information.

F.2 Evaluation of financial information risks

Report, at least, on:

F. 2.1. What are the main characteristics of the risk identification process, including error or fraud, in respect of:

- **Whether the process exists and is documented.**

The Policy and Risk Management System approved by the Board of Directors in 2016 defined a risk management and control model based on the existence of three levels of risk management with their respective internal control activities. Within each specific function at each level, there must be the sufficient and necessary independence to allow the model to function properly.

Levels of Risk Management:

The first risk management level is carried out by the business unit's operating lines, which are responsible for managing, monitoring and adequately reporting the risk that is generated, which must be adjusted to the authorised risk appetite and risk ceilings. To meet this function, this first risk management level must have the means to identify, measure, manage and report the risks that are satisfactorily assumed. The Internal Control of Risk Management Risk activities carried out by the first level include:

- The preparation of the regular Materialisation of Risk Reports.
- The assumption of executive functions regarding the assurance, and responsibilities regarding, managing vertical or individual risks in projects or the response thereto.
- The implementation of responses to risks identified by Management.

The second risk management level is made up by support, risk control and supervision teams within the business unit. This second level oversees the effective control of risks and ensures that these are managed according to the defined risk appetite level. The Internal Control of Risk Management Risk activities carried out by this level include:

- Drafting of the initial risk maps at the time of bidding for a new project.
- Monitoring the Risk Materialisation Reports exceeding the materiality allocated to each business unit.
- Aggregate analysis of the risk level assumed by each business unit at every given moment to ensure that the risk level accepted and approved by the Board of Directors is not exceeded.
- Taking decision on the treatment of risks.
- The assumption of executive functions in the assurance of cross-cutting risks or those involving the business unit or the response thereto, as well as of responsibility for the management of these risks itself.

As part of this second level of risk management, the Risk and Compliance Committees, as direct interlocutors with the function of Risk Management, are responsible for implementing the Risk Management System and for approving the Risk Maps, Action Plans and Training Plans related to risk management. As part of the implementation, they must monitor the level of exposure to the risks identified, establishing indicators and mechanisms for mitigation.

The third level of risk management has corporate functions that are outside the business unit, and reports directly to senior management and the Audit and Control Committee. At this level, the function of Risk Management is to be responsible for carrying out the proper coordination of all control and risk management processes, reporting on any incidence found and acting to centralise and convey best practices in this field. The function of Internal Auditing, as the last line of defence and acting as the last final control stage, is to regularly assesses whether the policies, methods and procedures are appropriate and checks that they are actually implemented.

The Internal Control of Risk Management activities carried out by the Risk Management and Compliance Department include:

- Collaborating in the development of the risk management strategy for approval by the Board.
- Leading the implementation of the Risk Management System, coordinating risk management activities so that they use consistent criteria in each business unit.
- Assisting in the identification and assessment of risks, advising management on treating the risks identified.
- Collaborating in the implementation and maintenance of the framework for the business risk management and policy, supporting the Board through the Audit and Control Committee.
- Preparing aggregate risk analyses and reports.
- Providing assurance in respect of the risk management processes and the correct evaluation thereof.
- Evaluating the preparation of key risk reports by the business unit and reviewing the management thereof.

The Internal Control of Risk Management activities carried out by the Internal Auditing Department include:

- Reviewing compliance with the risk management process.
- Reviewing the management of key risks.
- Reviewing the effectiveness, efficacy and efficiency of the controls.
- Evaluating the risk management processes, including the supervision of controls and procedures.
- Independently monitoring the effectiveness of compliance with the activities assigned to the function of Risk Management and Compliance.
- Keeping the Compliance function informed of any circumstances found within the Internal Audit function with regulatory implications.

Identification of Risks. Risk Maps.

The ongoing identification of relevant risks and threats must consider their potential impact on key management objectives and financial statements, strategic objectives, corporate governance, operational sustainability and continuity, including the analysis of the value chain, to ensure that the most critical stakeholders and the risks to which the company could be indirectly exposed are identified. In this phase, the proper understanding of the external and internal factors involved in the business or activity is essential.

Risk Maps take stock of the identification of the main risks of the business areas, including risks related to errors and fraud in preparing the financial information, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. The risk map must be updated regularly, based on, among other aspects, the information available on materialisations.

Therefore, with support from the risk managers in the different business areas, the Group's Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

- Identifying key risks for the FCC Group based on the potential threat they pose to the achievement of the organization's objectives.
- Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- Identifying the key control activities to mitigate those risks.
- Identifying the risk holders.
- Allocating control responsibilities.
- Establishing key risk indicators.

From time to time, the management of each business area analyses, together with the Risk Management Department, what risks have materialised in each of the Group areas, reporting the conclusions to the Audit and Control Committee.

Additionally, and once the model has been fully implemented for risks exceeding the accepted risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to ensure their critical levels fall within the accepted risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

- **If the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

  The operational risks identified in the risk map include the risk of the lack of reliability of the economic and financial information affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered.

  Given the singularity of the reporting risks and how important it is for FCC Group to satisfactorily control this type of risks, the Risk Management System incorporates risks related to reporting in the risk maps, regarding the risks associated with internal and external financial and non-financial reporting and covering aspects such as reliability, opportuneness and transparency.

  Regarding the risk of fraud, this is also provided for in the Criminal Risk Map, integrating fraud types into risky behaviours. The Criminal Risk Map must be updated regularly based on potential materialisations of risky behaviour, the detection of deficient control environments and the appearance of new risky behaviours.

- **A specific process is in place to define the scope of consolidation, regarding the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

  FCC Group has a register of companies that is regularly updated, which includes all the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any entity that the Group can control regardless of the legal form of said control, therefore including both financial vehicle companies and special purpose companies. The management of this company register is done in accordance with the procedures regulated by the Economic and Finance Manual, and there are information sheets on the corporate intranet individualised by company that contain aspects such as its shareholders, company purpose, administrative body, etc.

  Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Finance Manual in relation to the list of the Group companies within the scope of consolidation, based on the data provided by the business areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- **Whether the process takes into account the effects of other types of risks (operating, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.**

  FCC Group's Risk Management Systems classifies the following types of risk based on their probable impact on the financial statements and other factors:

  - **Strategic**: These are risks considered to be key for the organisation and hence managed on a proactive and priority basis. These risks, should they materialise, seriously compromise the achievement of the strategic objectives.
  - **Operating**: These risks are related to operations management and the value chain of each one of the business areas and the protection of assets in the case of possible losses.
  - **Compliance:** These are risks affecting internal or external regulatory compliance.
  - **Financial**: Risks associated with the financial markets and with the generation and management of cash.
  - **Information or reporting:** These refer to internal and external financial and non-financial information and comprise established aspects of reliability, opportunity and transparency.

- **Which of the company's governing bodies oversees the process.**

  The financial reporting risk identification process is supervised by the Audit and Control Committee via General Internal Auditing, Risk Management and Compliance department as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 37 of the Rules of the Board of Directors.

  In addition, the Risk and Compliance Committees in the business units also carry out work monitoring the process of identifying risks, and their main functions and responsibilities are to implement the Risk Management System, prepare and approve documents, analyse and monitor, design warning indicators and communicate with the Risk Management and Compliance department.

  Lastly, and as mentioned earlier, the third level of Risk Management, which places the corporate functions outside the business units, has General Administration and Finance Management, whose functions also include the process of identifying financial information risks, and the functions of Compliance and Internal Auditing, whose responsibilities have been described throughout this document.

F.3 Control activities

Disclose, identifying the main characteristics, whether you have at least:

F.3.1. Procedures for reviewing and authorising the financial reports and the description of the FRICS, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.

With their second-level function of compliance with internal control, the areas of economic and financial control, management control, legal advice, procurement and technical services of each business unit define and implement the financial information control policies and procedures and are responsible for designing, implementing and maintaining the internal controls created by those responsible for operations. Meanwhile, as recipients of the financial information, the Management Committees or committees of similar function of each business unit carry out monitoring tasks.

Regarding the Financial Information Internal Control System, high-level executive functions are assumed by FCC Group's General Administration Management. Having previously received the report of the Audit and Control Committee, the Board of Directors will prepare the Financial Statements and the Management Report. These statements will be certified in advance as to their integrity and accuracy by the General Manager of Administration and Finance with the approval of the CEO. In addition, during the process of publishing the financial information in securities markets, whether quarterly or occasionally, or when a relevant event takes place, the managers of each area will review the information reported for consolidation. This information is consolidated by the Group’s General Administration and Finance Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information.

In addition, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements, is also carried out by General Administration and Finance Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding Business Departments. These procedures and their associated controls are included in the General Standards Manual and in the Group’s Economic and Finance Manual.

Also, the function of Risk Management and Compliance provides methodological support in relation to identifying and evaluating risks in the financial reporting process and in identifying and designing controls, and the function of Internal Audit reviews the financial information disseminated regularly to the markets.

The conclusions of the evaluation of internal controls conducted by the external auditor as part of the audit of accounts, together with the monitoring carried out by General Internal Auditing, Risk Management and Compliance are referred to the Audit and Control Committee through reports contains the recommendations considered necessary to correct them.

With regard to the documentation describing activities and controls, in addition to the bases set out in the Compliance Policy and in Articles 10, 11 and 14 of the Rules of the Board of Directors, which describes the specific functions relating to the financial statements, the Management Report and the relationship with securities markets, FCC Group has defined procedures for the closing and maintenance processes for the chart of accounts, including procedures for ensuring the correct identification of the scope of consolidation. In particular, the Economic and Finance Manual covers the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash flow, computer applications, etc.) and contains a series of rules that make it possible to obtain economic and financial information in a standardised and correct manner.

F. 3.2. Internal control policies and procedures for IT systems (including, among others, secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The model chosen for the Information Security Management System is the one set out in the 27000 series of the ISO international standards. In this model, the risk analysis of the information assets administered by FCC Group assumes a relevant position, as an evaluation item prior to the deployment and management of risk mitigating measures. This Information Security Management System has certification from an independent organisation which accredits certain infrastructure and water activity processes (construction and industrial) pursuant to the aforementioned ISO/IEC 27001 international standard.

FCC has an Information Security Policy that defines the Company's information security model, the regulatory body, the organisation and responsibilities of the security, the classification of the information, the areas of information security, the risk analysis model and the procedures for auditing information. The internal control policies and procedures for information systems cover all processes of the Group’s information management, including the processes of preparation and publication of financial information.

The documentation for the Information Security System includes specific rules on database security, encryption technologies, control of access to applications and information systems, control of computer hardware settings, principles and measures necessary to ensure the confidentiality, integrity and availability of the information accessed and/or processed through mobile devices, safety criteria for backups, management of security incidents, security for information system testing and maintenance rooms, security criteria for implementing and connecting networks, principles to be met by passwords, control of privacy, security for developments, security criteria for procuring services from non-Group companies, principles of security to meet in FCC facilities where information is processed, control of roles and responsibilities in the information security, return of technological resources, secure browsing guide and email security guide.

Information security is evaluated from time to time through internal reviews conducted by the Information Security Department.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

As FCC Group policy, only goods and services which cannot be produced or implemented internally with Group staff will be purchased or contracted, unless this means higher costs than contracting a third party.

According to FCC's Procurement Rules in effect in 2016, the Procurement Department is responsible for directly managing procurement related to the specific activity of Central Services for all business and corporate areas, regardless of the type of goods or services, including IT-related services, consultancies, tax advice, legal advice, audits, etc., and the management of the Group's cross-cutting procurement of goods and services. In addition, procurement for which management is delegated to business units must conform to the provisions in the Manual of General Guidelines.

The Procurement Rules and, more specifically the Procurement Manual, additionally sets out the activities and responsibilities in managing suppliers, especially in relation to the analysis process prior to the invitation for tender that must be carried out, and its evaluation through performance management after the total or partial implementation of the service. Meanwhile, business units include mechanisms for monitoring and evaluating the services provided in their procurement and inspection procedures for outsourced services.

Regarding significant outsourced activities impacting the Financial Statements, FCC Group has outsourced the provision of management services for its computer and telecommunications infrastructure, and support for the main corporate applications. As part of the contract, investments are being made with a view to standardising the architecture of FCC's systems so that there are no differences in terms of availability and integrity in the environments managed by the companies making up the Group. The Systems and Information Technology Department has specific procedures for controlling outsourced services through contractual regulation of the following aspects:

- Alignment/certification of the provision of the service with regard to the regulations of reference (ISO/MEC 20000 and ISO/IEC 27001, among others).
- Mechanisms of governance and monitoring of the service.

- Audits, inspections and reviews of the provision.
- Management of service levels.

Subcontracted activities related to carrying out or processing transactions that are shown in the Group's financial statements are the valuation of financial derivatives, the carrying out of actuarial calculations and of certain appraisals of plant, property and equipment carried out from time to time.

F.4 Reporting and communication

Disclose, identifying the main characteristics, whether you have at least:

F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation, together with an updated accounting policy manual that is communicated to all the units through which the Company operates.

The responsibility to apply the Accounting Policies of FCC Group is centralised in General Administration and Finance Management, is centralised in the Consolidation and Accounting Standards and Administrative Coordination Departments, and their functions, among others, are the following:

- Defining the accounting policies of the Group and including them in the Economic and Finance Manual
- Issuing the accounting regulations applied in the Group.
- Solving doubts or disputes arising from the interpretation or application of the Group’s accounting policies to any of its Companies.
- Analysing the unique individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group’s accounting policies.
- Tracking the new regulatory projects under study at the IASB, the new standards approved by this agency and the process of official validation thereof.

The Administrative Coordination Division specifies, clarifies or broadens the instructions and regulations issued.

The Economic and Finance Manual, which contains the accounting regulations, is available on the Group's intranet. The updating and maintenance of the manual is the responsibility of the Administration, Management Control, Finances and Taxes Divisions and Departments.

In cases where the application of accounting regulations is subject to different interpretations, General Internal Auditing and Risk Management and Compliance and/or General Administration and Finance Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

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F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on FRICS.

FCC Group has implemented SAP environmental tools for consolidating the economic and financial information which cover its needs to report its financial statements. This tool manages to centralise in a single system most of the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and uses a single chart of accounts.

Using this tool, the Corporate Finance area collects the complete information from the entire FCC Group and its banking or non-banking relationships, such as financial lease companies or insurance companies, for the issuance of guarantees for both domestic and international companies, provided that these companies consolidate globally or proportionally.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Finance Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents and forms to be used for that purpose.

Additionally, for the annual close and in order to publish the annual financial report, the General Manager of Administration sends out by email the plan for closing the year, which includes a series of instructions for those responsible for providing the relevant financial information. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The consolidated financial statements follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). In order to homogenise FCC Group's economic and financial reporting according to international standards, model financial statements and a corporate accounting chart have been developed, and these are also included in the Economic and Finance Manual.

F.5 Supervision of the system's functioning

Disclose, identifying the main characteristics, whether you have:

F.5.1. The FRICS supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including FRICS. Likewise, the scope of the FRICS assessment carried out during the year and the procedure that the person responsible for executing the evaluation uses to communicate the results, state also

whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee was created by the Board of Directors as a permanent body without executive function and with the powers of information, advice and proposal within its scope of action. Its activities are:

- Informing the General Meeting of Shareholders on the questions raised which fall within its scope of authority and, in particular, on the outcome of the audit explaining how this has contributed to the integrity of the financial information and the role that the Committee has played in that process.
- Liaising between the Board of Directors and the Company’s external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor:
- Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and directly report to it any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.
- Monitoring and analysing the effectiveness of the Company's internal control and the control and management of risk policy approved by the Board of Directors. Specifically:
    - Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the suitable delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
    - Reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately;

The function of Internal Audit is carried out by General Internal Auditing, in the framework of General Internal Auditing, Risk Management and Compliance. Its main mission is to facilitate the Audit and Control Committee fulfilling its functions and responsibilities. General Internal Auditing acts with total independence from the management areas. By agreement of the Board of Directors, its answers functionally to the Audit and Control Committee. Its functions include the efficiency of the internal controls, ensuring compliance with legal requirements, the evaluation and enhancement of the risk management processes, and ensuring that the financial information prepared is correct and appropriate for FCC Group. These functions are specifically, among others, the following:

- Reviewing the (individual and consolidated) accounting information, the Management Reports and the financial information disclosed to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied.

- Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.
- Checking that assets really exist and the systems guaranteeing their integrity and safeguarding.
- Supporting the different areas in their technical relations, control and monitoring with external auditors.
- Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Management and recommending corrective actions.

The result of the reviews carried out by the Internal Auditing function, the incidents detected and the reports on the performance of risk management are reported by General Internal Auditing, Risk Management and Compliance to the Audit and Control Committee.

Meanwhile, the Audit and Control Committee approves the Annual Audit Plan and monitors the Activities Report. In 2016, the following work relating to the management and control of risks and the monitoring of the Group's financial information, among others, was carried out in various areas:

- Review of the physical and logical security of the information systems that support the Group's processes and business areas in Spain, including those related to the financial information.
- Management of complaints received through the Whistleblowing Channel subject to internal audit. This management consists of receiving, keeping, investigating and resolving, if appropriate, the complaints received through the channels set up for this mentioned in section F.1.2.
- Monitoring of the preparation and auditing of the individual and consolidated financial statements of FCC, S.A., as well as of the half-yearly financial statements reviewed by the external auditor.
- Monitoring of the financial information disclosed to regulators and markets and monitored by the Audit and Control Committee:

    - Annual financial report,
    - Management reports,
    - Semi-annual financial report,
    - Quarterly reports,
    - Annual Corporate Governance Report.

- Review of financial information associated with fulfilling financing agreement conditions.
- Proposal for the Board's approval of the block of the rules in matters of governance, risk and compliance comprising the following documents:

    - Compliance Policy and System,
    - Risk Management Policy and System,
    - Criminal Compliance Policy and System.

- Collaboration in identifying critical risks by business units, providing a consistent methodology aligned with the Risk Management Policy and System.
- Audit of key works and projects focused on, among other aspects, the review of financial information and contractual risks.

F.5.2. If there is a discussion procedure whereby the auditor (in accordance with what is provided in the NTA), the Internal Auditing function and other experts may communicate to senior management and to the Auditing Committee or Directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them. In addition, report whether there is an action plan to correct or mitigate the observed weaknesses

Article 37 of FCC's Rules of the Board of Directors provides that it is the competence of the Audit and Control Committee to serve as a communications channel between the Board of Directors and the Company's external auditor, assessing the results of each audit and, in relation to the external auditor, it is also responsible for:

- Discussing with the external auditors any significant weaknesses of the Company found in the Internal Control System as a result of the audits conducted.
- Receiving regular information from the external auditor on the progress and findings of the audit programme, as well as preserving its independence while performing its functions and also checking that senior management are acting on its recommendations;
- Seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

In addition, heading 7 of FCC Group's Basic Internal Audit Rules, section i) states that the Audit and Control Committee will have knowledge of, through General Internal Auditing, Risk Management and Compliance and of its relations with the external auditors, of the process of preparing the financial information, the correct application of generally accepted accounting principles and compliance with the legal and operational requirements of the Internal Control Systems.

In addition, the Group's Basic Internal Auditing Rules sets out, among Internal Auditing's functions and competences, that of assisting the members of the Group's Organisation, providing them with analyses, recommendations, advice and information on the activities reviewed, report to Management any incidents found and recommend corrective actions.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing Management performs a number of processes for the review of the accounting information (both individual and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

FCC Group's General Internal Auditing, Risk Management and Compliance reports regularly to the Audit and Control Committee on any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to appropriately correct them. The Audit and Control Committee also receive the revelations carried out by the General Administration and Finance Management.

Lastly, the Group's auditor has direct access to the Group's Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant. In 2016, the internal auditor attended the Audit and Control Committee five times and submitted three reports.

F.6 Other relevant information

N/A

F.7 Report by the external auditor

Report on:

F.7.1. If the FRICS information disclosed to the markets has been reviewed by the external auditor, the Company must include the relevant report as an Appendix. Otherwise, explain the reasons for the absence of this review.

The information included here on the Financial Reporting Internal Control System was reviewed by the external auditor, and the report thereof is attached as an Appendix to this document.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the Company's degree of compliance with the recommendations of the Unified Code of Corporate Governance for listed companies.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company's procedures. General explanations will not be acceptable.

1. **The Articles of Incorporation of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.**

Compliant X Explain

2. **When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

   a) **The type of activities they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

Compliant Partially compliant Explain X Not applicable

Although Article 7.2 (m) of FCC's Rules of the Board of Directors provides for the definition and coordination of the respective areas of activity and possible business relationships between the Company and listed Group subsidiaries, Fomento de Construcciones y Contratas believes that, at this time, the relations between the parent company and the various Group companies or subsidiaries are taking place in normal market conditions and there is no obstacle or impediment that necessitates the approval of that definition.

Note:
From 24 February 2017, Cementos Portland Valderrivas was definitively excluded from the stock exchange.

3. **During the celebration of the Annual General Meeting, supplementing the dissemination in writing of the Annual Corporate Governance Report, the Chairperson of the Board of Directors should verbally inform the shareholders, in sufficient detail, of the most relevant aspects of the Company's corporate governance, in particular:**

   a) **The changes that have taken place since the previous Annual General Meeting.**

   b) **The specific reasons why the Company does not follow one or more recommendations of the Corporate Governance Code and the alternative rules applied in this matter, if any.**

Compliant Partially compliant Explain X

The Company believes that sufficient information about its corporate governance is offered to its shareholders in the specific report that accompanies the information made available to them prior to the Meeting being held.

In this regard, the section on "Right to Information" in the announcement of the General Meeting of Shareholders explicitly states that any shareholder may obtain from the Company, among other documents, the Annual Corporate Governance Report, which, as part of the Management Report, is subject to approval by shareholders, for examination at the Company's registered offices or by having it sent to them immediately and free of charge

This report may be consulted on the Company's website in the section on corporate governance.

4. **The Company should define and foster a policy on disclosures and contacts with shareholders, institutional investors and vote advisors that is fully respectful of the rules against market abuse, giving similar treatment to shareholders in the same position.**

   The Company should publish that policy on its website, including information on how it has been put into practice and identifying the interlocutors or persons in charge of executing the policy.

Compliant Partially compliant Explain X

Although the Company has not formally approved a policy on this matter, through the Stock Market and Investor Relations Department and Shareholders Department it maintains a relationship with institutional investors and vote advisors that is fully respectful of the aim of the recommendation, of which the Board is informed.

5. **The Board of Directors does not submit to the General Meeting a proposal on the delegation of powers, for the issuance of shares or convertible securities**

excluding pre-emptive subscription rights, for an amount in excess of 20% of the share capital at the time of delegation.

When the Board of Directors approves an issuance of shares or convertible securities excluding pre-emptive subscription rights, the Company must immediately publish on its website the reports on said exclusion mentioned in commercial legislation.

Compliant X Partially compliant ☐ Explain ☐

6. **The listed companies drawing up the reports stated below, whether by obligation or voluntarily, should publish them on their website sufficiently ahead of the Annual General Meeting, even though dissemination thereof may not be compulsory:**

   a) **Report on the Independence of the auditor.**

   b) **Reports on the operation of the Audit Committee and the Appointment and Remuneration Committee.**

   c) **Report of the Audit Committee on transactions with related parties.**

   d) **Corporate social responsibility policy report.**

Compliant X Partially compliant ☐ Explain ☐

7. **The Company should broadcast live its General Meetings of Shareholders via its website.**

Compliant ☐ Partially compliant ☐ Explain X

The Company does not follow this recommendation because it has not, to date, received a request in this regard by its shareholders, and the cost it means for the Company.

8. **The Audit Committee should ensure that the Board of Directors submits its financial statements to the General Meeting of Shareholders without any limitations or qualifications on the audit report and, in the exceptional event there are any qualifications, both the Chairperson of the Audit Committee and the auditors must clearly explain to the shareholders the contents and scope of those limitations or qualifications.**

Compliant X Partially compliant ☐ Explain ☐

9. **The Company must publish on its website, on a permanent basis, the requirements and procedures it will accept for accrediting title to shares, the right of attendance at the General Meeting of Shareholders and the exercise or delegation of voting rights.**

   Said requirements and procedures are to favour attendance and the exercise of shareholder rights and are to be applied in a non-discriminatory manner.

Compliant X Partially compliant ☐ Explain ☐

10. When an authorised shareholder, prior to the General Meeting of Shareholders, has exercised the right to complete the agenda or submit new resolution proposals, the Company:

a) Must immediately disseminate the supplementary items and new resolution - proposals.

b) Must publish the attendance card form or vote delegation or remote voting form with the necessary amendments so that the new items on the agenda and alternative proposals may be voted under the same terms as proposed by the Board of Directors.

c) Must submit all those items or alternative proposals to vote and must apply the same voting rules as those drawn up by the Board of Directors, including in particular the assumptions or deductions on the way of a vote.

d) Subsequent to the General Meeting of Shareholders, it must communicate the breakdown of the vote on said supplementary items or alternative proposals.

Compliant X Partially compliant Explain Not applicable

11. If the Company plans to pay premiums for attending the General Meeting of Shareholders, it must establish beforehand a general policy on premiums and said policy must be stable.

Compliant Partially compliant Explain Not applicable X

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time in a sustained manner.

In seeking the corporate interests, besides respecting the law and regulations and a behaviour based on good faith, ethics and the respect for generally accepted usage and good practice, it must reconcile, where applicable, the corporate interests with the legitimate interests of its employees, suppliers, clients and other stakeholders involved, as well as caring for the impact of the Company's activities on the community at large and on the environment.

Compliant X Partially compliant Explain

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise between five and fifteen members.

Compliant X Partially compliant Explain

14. The Board of Directors must approve a Director selection policy that:

a) Is specific and can be verified.

b) Ensures that the appointment or re-election proposals are based on the prior

analysis of the needs of Board of Directors.

c) Favours the diversity of know-how, experience and gender.

The results of the prior analysis of the needs of the Board of Directors are to be included in the report of the Appointments Committee published when calling the General Meeting of Shareholders where the appointment or re-election of each Director is to be ratified.

The Director selection policy must foster the goal of having female Directors representing at least 30% of the total members of the Board of Directors in the year 2020.

The Appointments Committee will verify the fulfilment of the Director selection policy annually and it will be reported in the Annual Corporate Governance Report.

Compliant X Partially compliant Explain

15. **Proprietary and independent directors should occupy an ample majority of seats on the Board, while the number of Executive Directors should be the minimum necessary, bearing in mind the complexity of the corporate Group and the ownership interests they control.**

Compliant X Partially compliant Explain

16. **The ratio between proprietary and non-executive members should match the proportion between the capital represented on the Board by these Directors and the remainder of the Company's capital.**

This criterion may be relaxed:

a) **In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings.**

b) **In companies with a plurality of shareholders represented on the Board of Directors that are not otherwise related.**

Compliant X Partially compliant Explain

17. **The number of independent directors should represent at least one half of all Board members.**

However, when the Company is not a company with high market capitalisation or, being so, it has one shareholder or several shareholders acting together who control over 30% of the share capital, the number of independent directors must represent at least one third of the total Directors.

Compliant Partially compliant Explain X

FCC has three independent directors among its fifteen members, which represents nearly 20% of total directors.

FCC believes that this percentage does not make it necessary to increase the number of independent directors, taking into account the Company's highly concentrated shareholder structure and the effective role played by the three independent directors.

18. Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:

a) Professional experience and background.

b) Other Boards of Directors on which they are members, regardless of whether they are listed companies, and any other remunerated activities they may perform regardless of their nature.

c) An indication of the Director's classification, in the case of proprietary directors, stating the shareholder they represent or have links with;

d) **The date of their first and subsequent appointments as a Company Director;**

e) **Shares held in the Company and any options thereon.**

Compliant X Partially compliant ☐ Explain ☐

19. The Annual Corporate Governance Report should also disclose, subsequent to a prior verification by the appointments committee, the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

20. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure they had been appointed for, except where just cause is found by the Board, based on a proposal from the Appointments Committee. In particular, there shall be deemed to be a just cause when the Director takes new positions or obligations preventing him/her from dedicating the necessary time to perform the functions of a Director, breaches the duties inherent to the office or incurs circumstances which make him/her lose independent status, according to what is established in the applicable laws.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction leads to changes in the Company's capital structure, when such changes in the structure of the Board of Directors are prompted by the proportionality criterion stated in Recommendation 16.

Compliant X Explain

22. **Companies should establish rules obliging Directors to inform the Board of any circumstance that might harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.**

    The moment a Director is indicted or tried for any of the crimes stated in corporation law, the Board should examine the matter as soon as possible and, in view of the particular circumstances, it shall decide whether that Director should remain in his position or not. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

    Compliant X Partially compliant Explain

23. **All Directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.**

    When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions, and if he or she decides to resign, the reasons must be explained in a letter as regards the following recommendation.

    The terms of this recommendation should also apply to the Secretary of the Board, regardless whether he or she has Director status.

    Compliant X Partially compliant Explain Not applicable

24. **Directors who resign from office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all the members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

    Compliant X Partially compliant Explain Not applicable

25. **The Appointments Committee should ensure that non-executive directors have enough time available to properly perform their functions.**

The Rules of the Board must establish the maximum number of Boards on which its Directors may be members.

Compliant ☐ Partially Compliant X Explain ☐

In Article 21.4 of the Rules of the Board of Directors, the Company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these could interfere with the commitment required by their positions. The Board of Directors must, at the proposal of the Appointments and Remuneration Committee, establish the number of boards the directors of which they may be a member".

Since the aforementioned Committee has so far not made any statement in respect of this number, the Company believes that it partially fulfils the recommendation.

At the moment, the Company has not established the maximum number of boards that each director may belong to, given that the directors' demonstrated commitment to the company is appropriate, and therefore there is no need to state the number.

26. **The Board should meet with the necessary frequency to properly perform its functions efficiently, and at least eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items on the agenda not considered initially.**

Compliant X Partially compliant ☐ Explain ☐

27. **Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When a Director cannot attend a meeting, they must appoint a proxy with instructions.**

Compliant X Partially compliant ☐ Explain ☐

28. **When Directors or the secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, the person expressing them can request that they be recorded in the minute book.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

29. **The Company should provide suitable channels for Directors to obtain suitable advice for the performance of their functions, extending it in special circumstances to external advice at the Company's expense.**

Compliant X Partially compliant ☐ Explain ☐

30. **Regardless of the know-how required of Directors to perform their functions, Directors should also be offered refresher programmes by their companies when**

circumstances so advise.

Compliant X Explain Not applicable

31. **The agenda of meetings must clearly indicate the items on which the Board of Directors must adopt a decision or resolution so that Directors may study or gather the information they need for that purpose beforehand.**

    Whenever, exceptionally and for reasons of urgency, the Chairperson wishes to submit for approval to the Board of Directors decisions or resolutions that are not included on the Agenda, the prior and express consent of the majority of the Directors present shall be required, and this shall be duly recorded in the minutes.

Compliant Partially compliant X Explain

Although the second part of this recommendation is not included word-for-word in the Company's internal rules, it is true, however, that when topics not on the agenda are added to it, this is done with the prior consent of the directors in attendance.

32. **Directors must be informed from time to time of shareholder movements and the opinion of significant shareholders, investors and ratings agencies on the Company and its Group.**

Compliant X Partially compliant Explain

33. **The chairperson, as the person in charge of the efficient operation of the Board of Directors, apart from exercising the functions entrusted to him/her by law and the bylaws, must prepare and submit to the Board of Directors a programme of dates and matters to be discussed; organise and coordinate the periodic evaluation of the Board and, as the case may be, of the chief executive of the company; must be responsible for managing the Board and that it operates effectively; makes sure that enough time is dedicated to discussing strategic matters, and agrees to and reviews the programmes for refreshing each Director's know-how, when the circumstances so advise.**

Compliant X Partially compliant Explain

34. **When there is a coordinating Director, the Bylaws or the Rules of the Board of Directors, apart from the powers legally entrusted to him/her, must attribute the following to him/her: preside over the Board of Directors in the absence of the chairperson and the vice-chairpersons, if there are any; to take stock of the concerns of the non-executive directors; to be in contact with investors and**

shareholders to know their points of view in order to build an opinion on their concerns, in particular, in relation to the Company's corporate governance; and to coordinate the plan for the succession of the chairperson.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

35. The Secretary of the Board of Directors must especially oversee that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in this Code of Good Governance that are applicable to the Company.

Compliant X Explain ☐

36. The Board in full should evaluate the following items on a yearly basis, adopting, where applicable, an action plan to correct the deficiencies detected in respect of:

a) The quality and efficiency of the Board's operation.

b) The operation and composition of its Committees.

c) The diversity in the composition and powers of the Board of Directors.

d) The performance of the chairperson of the Board of Directors and of the Company's chief executive.

e) The performance and contribution of each Director, paying special attention to those in charge of the different Board Committees.

To evaluate the different committees, the reports they submit to the Board of Directors will be used, and the Board itself will be evaluated based on the report submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted for its evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

The business relations between the consultant and the Company or any of the Group companies must be detailed in the Annual Corporate Governance Report.

The process and the areas that are evaluated will be described in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

37. When there is an Executive Committee, the representation of the different Director categories must be similar to that of the Board of Directors itself and the Secretary of the Committee must be the Secretary of the Board.

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

The Secretary of the Executive Committee coincides with the Secretary of the Board. However, there are no independent directors in the Committee, whereas there are three independent members on the Board of Directors.

38. **The Board must always be informed of the matters discussed and the decisions adopted by the Executive Committee, and all the Board members must receive a copy of the minutes of Executive Committee meetings.**

Compliant X Partially compliant   Explain   Not applicable

39. **The members of the Audit Committee, particularly its Chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters, and a majority of the members must be Independent Directors.**

Compliant X Partially compliant   Explain

40. **Under the supervision of the Audit Committee, there must be a unit assuming the internal auditing function and overseeing the proper operation of the reporting and internal control systems, functionally dependent on the non-executive chairperson of the Board or of the Audit Committee.**

Compliant X Partially compliant   Explain

41. **The head of the internal auditing unit should present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.**

Compliant X Partially compliant   Explain   Not applicable

42. **Apart from those provided by Law, the Audit Committee has the following functions:**

    1. **In relation to the reporting and internal control systems:**

        a) **Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.**

        b) **Monitoring the independence of unit that performs the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal auditing; proposing the department 's budget; approving the focus and work plans, making sure that its activity is geared towards the relevant risks for the company; receiving regular reports on its activities; and verifying that senior executives are acting on the findings and recommendations of its reports.**

c) **Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.**

2. **With respect to the external auditor:**

a) **Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.**

b) **Make sure the remuneration of the external auditor does not jeopardise his/her quality or independence.**

c) **Monitor that the company notifies the change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same, if any.**

d) **Make sure that the external auditor meets annually with the plenary Board of Directors to report on the work carried out and on the evolution of the Company's accounting and risks situation,**

e) **Make sure that the Company and the external auditor respect the rules in force on the performance of services other than auditing services, the limits on the auditor's concentration of business and, generally, any other rules on the independence of auditors.**

Compliant X Partially compliant □ Explain □

43. **The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.**

Compliant X Partially compliant □ Explain □

44. **The Audit Committee is to be informed of any structural or corporate amendments planned by the Company so that it can analyse and submit a report to the Board of Directors beforehand on the economic conditions and impact on the accounts, especially on the proposed exchange equation, if applicable.**

Compliant □ Partially compliant □ Explain X Not applicable □

To date, all the operations referred to in this recommendation have been approved by the votes in favour of all the Company's directors, including independent directors, and so the step prior to these operations with the Audit Committee is not considered be necessary.

45. **The risk management and control policy should specify at least:**

a) **The different types of risk, both financial and non-financial, (operational, technological, legal, company, environmental, political, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks.**

b) **Establishing the risk level that the Company deems acceptable.**

c) **The measures provided to mitigate the impact of the identified risks in the event they materialise;**

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

Compliant X Partially compliant □ Explain □

46. **Under the direct supervision of the Audit Committee or, as the case may be, of a specialised committee of the Board of Directors, there must be an internal function for controlling and managing the risks, exercised by a unit or department within the Company that is expressly attributed these functions:**

a) **Ensuring the proper operation of the risk control and management systems and, in particular, that all the important risks affecting the Company are satisfactorily identified, managed and quantified.**

b) **Actively participating in the elaboration of a risk strategy and in the important decisions on managing that strategy.**

c) **Ensuring the risk control and management systems satisfactorily mitigate risks within the policy defined by the Board of Directors.**

Compliant X Partially compliant □ Explain □

47. **The members of the Appointments and Remuneration Committee (or of the Appointments Committee and the Remuneration Committee, if they are separate) are to be appointed making it a point that they have the suitable know-how, skills and experience for the functions they are to perform, and the majority of the members should be independent Directors.**

Compliant □ Partially compliant X Explain □

The current composition of the Appointments and Remuneration Committee comprises two proprietary directors and two independent directors, one of whom holds the Chairmanship.

FCC believes that the composition of the Appointments and Remuneration Committee, with two independent directors of a total of four, one of which is, in addition, the Chairman, is sufficient guarantee of this Committee's proper functioning while simultaneously fulfilling the spirit or philosophy of the recommendation.

48. **Highly capitalised companies should have separate Appointments and Remuneration Committees.**

Compliant ☐ Explain X Not applicable ☐

The two committees that are recommended are integrated within a single Appointments and Remuneration Committee, because the Board of Directors considers that together in one Committee, it is easier for such committee to fulfil the functions with which it is entrusted.

49. The Appointments Committee should consult with the Company's Chairperson and Chief Executive, especially on matters relating to Executive Directors.

Any Board member may suggest directorship candidates to the Appointments Committee for its consideration to fill vacancies.

Compliant X Partially compliant ☐ Explain ☐

50. The Remuneration Committee must exercise its functions independently and, apart from the functions it is attributed by law, it should also have these functions:

a) Proposing to the Board of Directors the basic conditions of senior management contracts.

b) Overseeing compliance with the remuneration policy set by the Company.

c) Reviewing from time to time the remuneration policy applied to Directors and senior executives, including remuneration systems including shares and the application thereof, as well as guaranteeing that their individual remuneration is proportional to that paid to other Directors and senior executives of the Company.

d) Ensuring that any conflicts of interest do not jeopardise the independence of the external advice provided to the Committee.

e) Verifying the information on Director and senior executive remunerations included in the different corporate documents, including the annual report on Directors' remuneration.

Compliant X Partially compliant ☐ Explain ☐

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior managers.

Compliant X Partially compliant ☐ Explain ☐

52. The rules on the composition and operation of the Supervision and Control Committees are to be included in the Rules of the Board of Directors and must be

consistent with those applying to the legally obligatory committees according to the preceding recommendations, including:

a) They are to be made up exclusively by non-executive Directors, with a majority of independent Directors.

b) Committee Chairmen must be independent directors.

c) The Board of Directors shall appoint the members of the Committees, taking into account the Directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond for the work carried out.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Minutes must be drawn up of their meetings, and they shall be available for all the Directors.

Compliant X Partially compliant Explain Not applicable

53. Monitoring of compliance with the rules of corporate governance, the internal codes of conduct and the corporate social responsibility policy is to be attributed to one or split across several of the Board of Director Committees, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if there is one, or a specialised committee that the Board of Directors, exercising its powers of self-organisation, decides to create for the purpose, and they will specifically be attributed the following minimum functions:

a) Monitoring compliance with the Company's internal codes of conduct and rules of corporate governance.

b) Monitoring the communication strategy and shareholder and investor relations, including small and medium shareholders.

c) Evaluation from time to time of the Company's corporate governance system, in order for it to fulfil its mission of developing the Company's interests and take into account, as appropriate, the legitimate interest of other stakeholders.

d) Review of the Company's corporate responsibility policy, seeing to it that it is geared to creating value.

e) Monitoring the corporate social responsibility strategy and practices and evaluating the degree of compliance therewith.

f) Monitoring and evaluating relationships with the different stakeholders.

g) Evaluating everything related to the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.

h) **Coordination of the process of reporting non-financial information and diversity, in conformity with the applicable regulations and accepted international standards.**

Compliant X Partially compliant ☐ Explain ☐

54. **The corporate social responsibility policy must include the principles or commitments voluntarily assumed by the Company in its relations with the different stakeholders, identifying at least:**

    a) **The objectives of the corporate social responsibility policy and the development of support instruments.**

    b) **The corporate strategy regarding sustainability, the environment and social matters.**

    c) **Specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.**

    d) **The methods or systems for monitoring the results of applying the specific practices stated under the preceding item, the associated risks and the management thereof.**

    e) **The mechanisms for supervising non-financial risk, ethics and company behaviour.**

    f) **The channels for communication, participation and discussion with stakeholders.**

    g) **The responsible communication practices preventing the manipulation of information and protecting integrity and honour.**

Compliant X Partially compliant ☐ Explain ☐

55. **The Company is to report, on a separate document or in the management report, on matters related to corporate social responsibility, using any of the internationally accepted methods for the purpose.**

Compliant X Partially compliant ☐ Explain ☐

56. **The remuneration of Directors shall be as necessary to attract and retain Directors with the required profile and to reward the dedication, qualification and responsibility of the position, but not too high so as to jeopardise the independence of criteria of non-executive Directors.**

Compliant X Explain ☐

57. **Variable remuneration linked to the performance of the Company and personal performance, as well as remuneration via the delivery of shares, options or share options or share-indexed instruments and long-term savings systems such as pension plans, retirement schemes and other corporate benefit systems, must be limited to executive Directors.**

    The delivery of shares as remuneration to non-executive Directors may be considered, but must be conditional upon their keeping them until they are no

longer Directors. The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant X Partially compliant   Explain

58. **In the case of variable remuneration, the remuneration policies should include limits and 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, or other circumstances of this kind.**

    In particular, the variable components of remuneration:

    a) **Should be linked to performance criteria that are predetermined and measurable, and those criteria must consider the risk assumed to obtain a result.**

    b) **Should foster the sustainability of the Company and include non-financial criteria suited to long-term value creation, such as compliance with the rules and internal procedures of the Company and of the risk control and management policies.**

    c) **Are to be based on the balance between compliance with short, medium and long-term objectives, allowing the remuneration of returns for continuing performance during a sufficiently long period to appreciate their contribution to sustainable value creation, such that the measuring elements do not focus only on singular, occasional or extraordinary facts.**

Compliant   Partially compliant   Explain   Not applicable X

59. **The payment of a relevant part of the variable remuneration should be deferred for a sufficient minimum period to make sure that the previously established performance conditions have been met.**

Compliant   Partially compliant   Explain   Not applicable X

60. **In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce the said results should be considered.**

Compliant   Partially compliant   Explain   Not applicable X

61. **A relevant percentage of the variable remuneration of executive Directors is to be linked to the delivery of shares or share-indexed financial instruments.**

Compliant   Partially compliant   Explain   Not applicable X

62. **Once the shares or share options or share rights corresponding to the remuneration systems are allocated, Directors must not transfer the ownership of a number of shares equal to twice their fixed annual remuneration, and must not exercise the options or rights till at least three years have elapsed since the allocation.**

The foregoing shall not apply to the shares that the Director may need to dispose of, as the case may be, to meet the costs related to the acquisition thereof.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

63. **Contractual agreements should include a clause enabling the Company to claim the refund of the variable remuneration when the payment was not adjusted to the performance conditions or when it was paid according to data that were subsequently proven not to be exact.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

64. **Contract termination payments should not exceed an established amount equivalent to two years of the total annual remuneration and are not to be paid until the Company has been able to check that the Director has met the previously established performance criteria.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

H. OTHER INFORMATION OF INTEREST

1. If you consider that there are any relevant principles or aspects of corporate governance in the Company or subsidiaries which have not been assessed in this report but which are necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.

2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it must provide other than that required in the report herein.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practices, that are international, industry or otherwise. If applicable, identify the relevant code and the date of adherence. In particular, mention whether the Company has adhered to the Code of Good Tax Practice, of 20 July 2010.

FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012. The Group has provided employees with a Whistleblowing Channel in relation to this Code.

FCC adhered to the United Nations Global Pact on 7 May 2007.

This Annual Corporate Governance report was approved by the Board of Directors of the Company at its meeting held on 10 March 2017.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

Yes ☐ No X

Name or company name of the Director who has not voted in favour of this report.	Reasons (against, abstention, not attended)	Explain the reasons