

REPORT OF THE AUDIT AND CONTROL COMMITTEE ON THE INDEPENDENCE OF THE STATUTORY AUDITORS

INTRODUCTION

Regarding the Audit and Control Committee, section 4.f in article 529 *quaterdecies* of the Consolidated Text of the Corporate Enterprises Act states that the functions of this body will include issuing an annual report expressing an opinion on whether the independence of the statutory auditors or audit firms has been compromised before their audit report is issued.

As established by law and under articles 40.4.f of the Bylaws and 37.5.c of the Regulations of the Board of Directors, the Audit and Control Committee of FOMENTO DE CONTRUCCIONES Y CONTRATAS, S.A. (hereinafter referred to as "FCC") hereby issues this report at its meeting on 26 February 2019. This report will be posted on the FCC website www.fcc.es alongside the notice convening the General Shareholders Meeting with a view to complying with recommendation 6.a of the Corporate Governance Code for listed companies.

I – SUBJECT ENTITY OF THIS REPORT

At its meeting of 28 June 2017, the General Shareholders' Meeting agreed, at the request of the Board of Directors on a proposal from the Audit and Control Committee, to appoint Deloitte S.L. (with registered office in Madrid at Plaza de Pablo Ruiz Picasso 1 (Torre Picasso), Tax ID (CIF) B79104469 and registered with the Madrid Companies Registry at volume 13650, folio 188, page M554414.) as the Statutory Auditor of FCC and its consolidated group.

It is hereby stated that the current partner and responsible for the audit of the Consolidated Annual Accounts of the FCC Group is Raquel Martínez Armendáriz, being his first year as auditor of the FCC Group, therefore the mandatory rotation of the auditor signing the audit report is fulfilled.

II – INCOMPATIBILITIES DETERMINING A LACK OF INDEPENDENCE

Article 16 of the Statutory Audit Act (Law 22/2015 of 20 July) establishes the circumstances under which the statutory auditor would have insufficient independence in exercising its functions. These circumstances are as follows:

a) Circumstances arising from personal situations:

- 1) Status as member of the board of directors, or as an executive, or holding a power of attorney granting a general power for, or performing some job at, the audited entity. This circumstance will also apply regarding the person responsible for the finance area and posts carrying out supervisory or internal control duties at the audited entity, regardless of the link and relation with that entity.
- 2) Holding some significant direct interest in the audited entity arising from a contract or ownership of an asset or title to a right. In any case, such an interest shall be deemed to exist when the party concerned holds financial instruments of the audited entity or of an entity

related thereto if, in the latter case, they are significant for any of the parties. The scope of this rule excludes interests held indirectly through diversified collective investment institutions.

3) Execution of any operation or transaction related with financial instruments issued, guaranteed or backed in any way by the audited entity.

The scope of this rule excludes financial instruments held indirectly through diversified collective investment institutions.

4) Soliciting or accepting gifts or favours from the audited entity, unless the value is trivial or inconsequential.

b) Circumstances arising from the rendered services:

1) Providing the audited entity with accounting services or the preparation of accounting records or financial statements.

2) Providing the audited entity with valuation services, unless when the following requirements are met:

i. The services have either no direct effect or an effect of no relative importance, separately or in an aggregated manner, on the audited financial statements;

ii. The estimation of the effect on the audited financial statements is thoroughly documented in the working papers underlying the auditing tasks.

3) Providing internal auditing services to the audited entity, unless the management body of the audited entity is responsible for the global internal control system, determining the scope, risk and regularity of the internal auditing procedures, consideration and execution of the results, and recommendations provided by internal audit.

4) Providing legal services simultaneously for the audited entity, unless such services are furnished by different legal persons and with different boards of directors, and are unrelated to any litigation that could have a significant impact, measured in terms of relative importance, on the financial statements corresponding to the audited year or period.

5) Providing the audited entity with services for the design and implementation of internal control or risk management procedures related to the production or control of financial reporting or the design or application of computerised financial-reporting systems used to generate the data making up the financial statements of the audited entity, unless the latter assumes responsibility for the overall internal control system or the service is furnished in accordance with the specifications established by that entity, which should also assume responsibility for the design, execution, assessment and functioning of the system.

III – STATUTORY AUDITOR INDEPENDENCE ANALYSIS

None of the cases of incompatibility contemplated by the Spanish Audit Act are present. However, the Audit and Control Committee has analysed further aspects to ascertain the independence of the company's Statutory Auditor.

First, the Statutory Auditor was appointed for an initial period of three years and renewed for successive annual periods as prescribed by article 264 of the Corporate Enterprises Act and article 22 of the Audit Act.

Second, the Audit and Control Committee meets regularly with the statutory auditors to guarantee the effectiveness of their review and analyse the possible situations that could compromise their independence. In this regard, the statutory auditor has implemented procedures for identifying and assessing potential situations that could result in incompatibilities and the pertinent necessary safeguards. In these meetings, the auditor has not reported any circumstance that could have put his independence at risk.

Third, the statutory auditor has provided the Audit and Control Committee with a statement of its independence and detailed and individualised information on all additional services rendered by the auditor in accordance with the pertinent legislation currently in force.

At the consolidated level of the FCC Group, DELOITTE's fees for providing the group with auditing services totalled €3.251 thousand, plus € 183 thousand in fees billed for other professional services.

The amount billed by the statutory auditor for other professional services represents 5, 33 % of the total amounts invoiced to the FCC Group.

The Audit and Control Committee, as part of its rule of ensuring the independence of the statutory auditor, approved in 2017 a procedure for the prior approval of services other than the audit of accounts that are provided by the auditor or members of the network. In this role, the Audit and Control Committee has the support of the General Management of Internal Audit, in the delegated approval of those services other than the prohibited ones that do not suppose a potential reasons of incompatibility. This delegated approval is subsequently ratified by the Audit and Control Committee.

IV – CONCLUSIONS

According to the foregoing, it is deemed that there are no objective reasons to call into question the independence of the statutory auditor. And, in particular:

- None of the circumstances of incompatibility contemplated by the Audit Act are applicable.
- The statement of the statutory auditor's independence vis-à-vis FCC was received before issuing the audit report.
- These fees do not represent a significant percentage of the total annual revenues of the statutory auditor.

26 February 2019