

**REPORT ON ACTIVITIES OF THE APPOINTMENTS AND REMUNERATION  
COMMITTEE OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**

**2018 FINANCIAL YEAR**



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## 1. INTRODUCTION

The Appointments and Remuneration Committee (the '**Committee**' or '**CNR**') of Fomento de Construcciones y Contratas, S.A. ('**FCC**' or the '**Company**'), in accordance with the provisions of articles 41.6 of the Company Bylaws and articles 34.9 and 38.7 of the Rules of the Board of Directors, draws up this report on its activities and operations during the 2018 financial year (the '**CNR Report**'), taking as reference to these effects the provisions of the Technical Guide of the CNMV 1/2019 on Appointments and Remuneration Committees (the '**Technical Guide**' ) as well as the generally accepted practices of good corporate governance.

## 2. REGULATION

The composition, powers and functioning of the CNR are regulated in the Company Bylaws (article 41) and in the Rules of the Board of Directors (article 38), based on the provisions of article 529 quincecies of the Spanish Limited Liability Companies Law ('**LSC**') and in the recommendations of the Code of Good Governance for Listed Companies published by the CNMV on 18 February 2015.

## 3. COMPOSITION

In accordance with the provisions of articles 41.1 of the Company Bylaws and 38.1 of the Rules of the Board of Directors, the Board of Directors must have an Appointments and Remuneration Committee without executive functions and with powers of information, advice and proposal within its scope of action, which will be composed of a minimum of three (3) and a maximum of six (6) directors, appointed by the Board of Directors, for a period not exceeding their term as directors and without prejudice to being re-elected indefinitely, insofar as they were also directors.

All the members of the CNR must be non-executive directors, of which at least two (2) must be independent directors and another two (2) proprietary directors. The Committee shall appoint the Chairman from among its independent members. Likewise, the Committee will have a Secretary with a voice and without a vote, who shall not need to be a director.

As of 31 December 2018, the composition of the CNR was as follows:

<b>Name</b>	<b>Category</b>	<b>Function</b>	<b>Date of most recent appointment</b>
<b>Mr Álvaro Vázquez de Lapuerta</b>	Independent Director	Chairman	13/07/2015
<b>Dominum Desga, S.A. represented by Mrs Esther Alcocer Koplowitz</b>	Proprietary Director	Member	28/06/2016
<b>Mr Juan Rodríguez Torres</b>	Proprietary Director	Member	28/06/2016
<b>Mr Manuel Gil Madrigal</b>	Independent Director	Member	25/06/2015
<b>Felipe Bernabé García Pérez</b>	Secretary	Non-member	

The professional profile and experience of the members of the CNR are available on the Company's corporate website ([www.fcc.es](http://www.fcc.es))

#### **4. FUNCTIONING**

The functioning of the Committee is governed by the following basic principles: Independence and skepticism, constructive dialogue that promotes freedom of expression, internal dialogue and sufficient analytical capacity and use of advice from external experts when deemed appropriate.

Article 38.2 of the Rules of the Board of Directors provides that the CNR regulates its own functioning in accordance with the Company Bylaws and the Rules of the Board. The CNR Secretary assists the Chairman and ensures the proper functioning of the CNR, taking care to duly reflect in the minutes the course of the meetings, the content of the deliberations and the agreements adopted. From each meeting, the Secretary or whoever exercises their duties prepares the minutes, which are signed by the members of the CNR who have attended the meeting.

The CNR is validly constituted when the majority of its members attend, are present or represented, adopting its resolutions by an absolute majority of its members present or represented, with the Chairman having the deciding vote in the event of a tie, in accordance with the provisions of article 38.3 of the Rules of the Board of Directors and 41.5 of the Company Bylaws.

The Company Bylaws (article 41.4) and the Rules of the Board (article 38.7) provide that the CNR shall meet at the discretion of its Chairman, or at the request of two of its members, as many times as necessary for the performance of its duties and at least once a quarter.

Pursuant to article 41.6 of the Company Bylaws, the Appointments and Remuneration Committee will draw up an action plan for the year to be reported to the Board of Directors, as well as a report on its activity during the year, which will serve as the basis for the evaluation that the Board of Directors will carry out.

## **5. COMPETENCE**

The CNR is vested with the powers set forth in articles 41.3 of the Company Bylaws and 38.4 of the Rules of the Board of Directors, in accordance with LSC article 529 quindecies.

The CNR will have the powers of information, assessment and proposal within its powers, corresponding to it, in addition to the functions established by law, the Company Bylaws or in accordance with the Rules of the Board of Directors, the following:

- a. Evaluate the necessary skills, knowledge and experience in the Board of Directors. For this purpose, it will define the functions and skills necessary in the candidates who must fill each vacancy and will evaluate the time and dedication required so that they can effectively carry out their duties. Any Director may request the Appointments and Remuneration Committee to take into consideration, if it considers them suitable, potential candidates to fill the vacancies of Director.
- b. Examine and organise the succession of the Chairman and the CEO and, where appropriate, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.
- c. Submitting to the Board of Directors proposals for the appointment and re-election of independent Directors for appointment by co-option or for submission for a decision by

of the General Shareholders Meeting, as well as proposals for the re-election or removal of said Directors by the General Shareholders Meeting.

- d. Report on the proposals for appointment and re-election of the remaining Directors for their appointment by co-optation or for submission for a decision by the General Shareholders Meeting, as well as the proposals for their re-election or removal by the General Shareholders Meeting.
- e. Report on the proposals for the appointment and removal of senior executives and the basic conditions of their contracts, which the CEO proposes to the Board, proposing the persons or positions that should be considered senior executives of the Company, in addition to those provided for in article 2.2 of the Rules of the Board and preparing the proposals for reprimands referred to its article 19.2.d).

Likewise, it will previously report on appointments for the holding of positions or posts that have an annual remuneration equal to or higher than the figure established by the Committee itself in each case, which must be reported to the Board of Directors.

- f. Propose to the Board of Directors the remuneration policy of the Directors and of the general directors or of those who carry out their senior management duties under the direct authority of the Board, the Executive Committee or the Chief Executive Officer, as well as the individual remuneration and the remaining contractual conditions of executive Directors, ensuring their observance. Likewise, inform and make proposals about the incentive plans of a multi-year nature that affect the Company's senior executives and in particular, those that may be established in relation to the value of the shares. Likewise, to propose to the Board of Directors the distribution among the Directors of the remuneration derived from their status as Directors agreed by the General Shareholders Meeting, in accordance with the provisions of the Company Bylaws and the Rules of the Board.
- g. Prepare and keep a record of positions of FCC Directors and Senior Managers.
- h. Assist the Board in its role of ensuring that the selection procedures of its members favour the diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of female Directors, so that the Company deliberately seeks and includes among the potential candidates, women who meet the intended professional profile, with the Board having to explain, if applicable, through the Annual Corporate Governance Report, the reason for the scant or non-existent number of female Directors

and the initiatives taken to correct this situation. For the purposes of the foregoing, it must establish a representation objective for the less represented gender in the Board of Directors and prepare guidelines on how to achieve this objective.

- i. Report on the proposals for appointment of the members of the Committees of the Board of Directors.
- j. Report the appointment and removal of the Secretary of the Board.
- k. Verify the classification of the Directors as established in article 6.3 of the Rules of the Board.
- l. Report, in advance, to the Board of Directors on all the matters provided in the Law, the Company Bylaws and the Rules of the Board and, in particular, related-party transactions.
- m. Request, if applicable, the inclusion of points in the Agenda of the Board meetings, with the conditions and within the deadlines set forth in article 34.3 of the Rules of the Board. In the case of matters relating to the executive Directors and senior executives, the Appointments and Remuneration Committee will consult the Chairman and the Company's CEO.

## 6. ACTIVITIES

### a) Meetings held.

The CNR met a total of eight (8) occasions during the 2018 financial year, complying with the requirement established in the Company Bylaws (article 41.4) and in the Rules of the Board of Directors (article 38.7) that the CNR meets at least quarterly basis.

The following is the CNR calendar of meetings during the 2018 financial year:

First quarter	Second quarter	Third quarter	Fourth quarter
31 January	10 April	30 July	18 December
27 February	9 May	11 September	
	27 June		

The level of attendance of the members of the CNR has been satisfactory. The majority of CNR members attended 100% of the meetings.

The meetings of the CNR are held with the established regulatory notice. It emphasises the prior and sufficient dedication of its members to analyse and evaluate the information.

The Company provides the necessary resources to the members of the Committee for the responsible person to take note of the matters to be discussed at the meetings and their active participation in them, as well as for the due performance of the Committee's duties and powers.

In particular, for the effective development of compliance with the functions of the CNR, the members have the right and the duty to gather information from the different executives of the Company and, in particular, from those responsible for the areas of internal governance. Thus, during the 2018 financial year, the CNR met with the following executives and professionals in formal meetings:

- FCC General Administration and Finance Division, five times.
- FCC CO Administration and Finance Division, once.
- General Legal Counsel Division, once.
- HR Coordination And Development Division, twice.
- FCC Tax Division, once.
- FCyC (Real Estate) Division, once.

The CNR duly complies, through its Secretary, with its obligation to record minutes of its meetings, in which their development and the content of the deliberations and the resolutions adopted are duly reflected. The corporate agreements have been adopted unanimously in all cases.

***b) Significant activities carried out.***

***(i) In relation to corporate governance.***

- Report on the operation of the Appointments and Remuneration Committee during the 2017 financial year.
- Report of the Appointments and Remuneration Committee on the Chairman of the Board of Directors and Report of the Appointments and Remuneration Committee

on the Managing Directors for the evaluation by the Board of Directors of the carrying out of their duties during the 2017 financial year.

(ii) In relation to the Remuneration policy.

- Report favourably on the FCC Group's proposed salary policy for 2018.
- Report favourably on the Report-Proposal on the statutory remuneration of the Board of Directors for the 2017 financial year.
- Report favourably on the proposal for the Board's remuneration policy for 2018.
- Propose to the Board of Directors the Annual Report on the Remuneration of the Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A., corresponding to the 2017 financial year.
- Approve the application of the Variable Remuneration Plan for the 2017 financial year.
- Approve the Variable Remuneration Plan for the 2018 financial year.
- Approve the specific CNR report on the remuneration policy of FCC Directors (2018-2020).

(iii) In relation to the Appointments policy.

- Report ratifying the current categories (proprietary, independent and executive) of the members of the Board.
- Report favourably on the proposal for appointment as Executive Director of Mr Pablo Colio Abril.
- Report favourably to the Board on the appointment of Mr Javier López-Galiacho Perona as Compliance Officer of the FCC Group.
- Report favourably to the Board on the appointment of new members of the Board of the FCC Foundation and its Secretary.

## 7. ASSESSMENT

The CNR has issued this Report on its activities and operations during the 2018 financial year so that the Board of Directors may proceed with its evaluation, in compliance with the provisions of article 34.9 of the Rules of the Board of Directors, which incorporates recommendations 36 and 42 to 44 of the Code of Good Governance for Listed Companies

published by the CNMV on 18 February 2015, and article 529 nonies of the Spanish Limited Liability Companies Law.

The aforementioned evaluation concludes that the CNR duly fulfils its formal obligations and organises and functions effectively for the performance of its duties and the ultimate achievement of its aims. Without prejudice to the foregoing, this committee shall inform the Board of Directors, whenever it deems it appropriate, of any aspects of improvement that may contribute to a better performance by the Committee of its duties.

21 March 2019