Servicios Ciudadanos

REASONED PROPOSAL OF THE BOARD OF DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. CONCERNING THE DIRECTORS' REMUNERATION POLICY FOR 2021-2023

1. Introduction

As provided for under Article 529 novodecies of the Spanish Corporate Enterprises Act (“**LSC**”), listed companies must have a Directors’ remuneration policy approved by the General Shareholders’ Meeting as a separate item on the agenda to be applied for a maximum period of three business years.

Since the latest Directors' Remuneration Policy of Fomento de Construcciones y Contratas, S.A. (the “**Company**”) approved by the General Shareholders’ Meeting covers fiscal years 2018, 2019 and 2020, it is appropriate for the Company’s General Shareholders’ Meeting to be held in 2021 to approve the new Directors’ Remuneration Policy for the years 2021, 2022 and 2023.

Pursuant to section 4 of article 529 novodecies of the Spanish Corporate Enterprises Act, the proposal for a new Directors' Remuneration Policy for the years 2021-2023 (the “**Policy**”), must go along with a reasoned report by the Board of Directors, and a specific report from the Appointments and Remuneration Committee. Both documents will be made available to shareholders on the Company’s website from the date of the notice of the General Meeting, while shareholders may also request that they be delivered or sent free of charge.

2. Reasons for the new Policy

The new Policy submitted to the Ordinary General Meeting for approval fulfils the legal obligation outlined above.

The Policy has been amended to take into account the changes included in the Spanish Corporate Enterprises Act by Law 5/2021, of 12 April, which amends the revised text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to promoting the long-term involvement of shareholders in listed companies.

Aside from those modifications required by the aforementioned reform of the Policy in accordance with the new legal regime, with regard to the structure of the remuneration of both Directors in their capacity as such and executive Directors, the Policy essentially repeats the scheme contained in the Company's Directors' Remuneration Policy in force until 31 December 2020.

In this respect, the Policy maintains with respect to the remuneration of the Directors in their capacity as such, the participation in the net profits in the terms established in the previous Remuneration Policy and the allowances for attending the meetings of the Board of Directors and its Committees; and, with respect to the remuneration of the executive Directors, it maintains the fixed annual remuneration, with the Chief Executive Officer also being able to receive variable remuneration and remuneration in kind.

The most important changes compared to the previous Directors' Remuneration Policy 2018-2020 are that the new Policy for the 2021-2023 periods includes, among its general principles, the provisions of article 529 novodecies.3.c) of the Spanish Corporate Enterprises Act, on employees' remuneration and employment conditions, and a specific section has been included regarding the process for determining the Policy, as established in article 529 novodecies.3.h) of the Spanish Corporate Enterprises Act.

Thus, without prejudice to the new features required by the new regulation applicable to remuneration policies, the 2021-2023 Policy is intended to be of a continuous nature, maintaining the criteria and principles that inspired the policy in force until 31 December 2020.

3. Text of the Directors' Remuneration Policy for 2021-2023.

Attached to this Report, in the form of an Annex, is the text of the new Directors' Remuneration Policy for 2021-2023.

Any modification or replacement of the policy during the period of its validity shall require prior approval by the General Meeting of Shareholders.

Madrid, 25 May 2021.

Annex

Directors' Remuneration Policy 2021-2023

DIRECTORS' REMUNERATION POLICY OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (2021-2023)

1. Introduction

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (the "**Company**" or "**FCC**"), with the favourable report of the Appointments and Remuneration Committee, at its meeting held on 25 May 2021, has assessed and agreed to present this Directors' Remuneration Policy 2021-2023 (hereinafter, the **"Remuneration Policy**") to the approval of the Ordinary General Shareholders' Meeting to be held in 2021.

This new Remuneration Policy follows on from the previous Policy, in force until 31 December 2020, regarding the principles, structure and content of the remuneration package for directors (both in their capacity as such and for the discharge of executive duties), which was widely accepted by the shareholders, having been approved in 2018 with the favourable vote of 92.095% of the capital present or represented at the General Shareholders' Meeting.

The changes set out in this Policy are essentially related to the amendments made to the Spanish Corporate Enterprises Act by the reform introduced by Act 5/2021, of 12 April, which amends the revised text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to promoting the long-term involvement of shareholders in listed companies. In this regard, this Policy has been prepared in accordance with the provisions of Articles 529 novodecies of the Spanish Corporate Enterprises Act (hereinafter, the "**Spanish Corporate Enterprises Act**" or "**LSC**") and article 38 of the Articles of Association of the **Company**.

2. General principles

The general principles and foundations of the Remuneration Policy are as follows:

- The remuneration policy must respect the criteria set forth in art. 28 of the Regulations of the Board of Directors.

i. Directors' remuneration should be sufficient to reward the dedication, qualifications and responsibility required for the position, but should not be so high as to compromise their independent judgement;

ii. That if there is any remuneration linked to shares in the Company or Group companies, stock options or remuneration indexed to the value of the share price, variable remuneration linked to the Company's performance or pension systems, such remuneration should be limited to executive directors, unless in the case of the delivery of shares it is conditional upon the directors holding them until they cease to be directors;

iii. Remuneration related to the Company's profit and loss should take into account any qualifications in the external auditor's report that reduce said profit and loss; and

iv. In the case of variable remuneration, remuneration policies should include the necessary technical precautions to ensure that said remuneration is related to the professional performance of its beneficiaries and is not simply a result of general market performance or trends in the Company's sector or other similar circumstances.

- In accordance with the provisions of article 38.3 of the Articles of Association, the Remuneration Policy for FCC directors takes into account the duties and responsibilities exercised by each one of them within the Board itself and its Committees,

  The directors' Remuneration Policy ensures that they receive a competitive and market-based remuneration, which is consistent with that paid by companies of a similar size and activity, being periodically reviewed by the Appointments and Remuneration Committee so that it may propose to the Board the modifications that, where appropriate, are appropriate.

- The Remuneration Policy for FCC's directors has been prepared by analysing the remuneration of the different levels of the Company's employees, taking into account the size of the Company and market standards in peer companies, and proceeding along the same lines with respect to the directors.

  In particular, the remuneration of employees, in both managerial and non-managerial positions, is based on the criteria of position, functions and skills, professional merit and degree of responsibility, as well as on the circumstances of the company, the country and the market in which each employee is located. Based on these criteria, the Group maintains, at all levels, what is considered to be a fair and reasonable remuneration system.

  As set forth in this Remuneration Policy, the guidelines implemented in FCC's investee companies to determine the variable remuneration of management personnel are also used to set the targets that determine the variable remuneration of executive directors.

- Article 38 of the Bylaws, in particular shows the relative importance of the variable remuneration items with respect to the fixed remuneration items and the criteria followed to determine the different components of the directors' remuneration package (*remuneration mix*).

  The variable remuneration will be established, applied and maintained in line with the Company's commercial and risk management strategy, its risk profile, its objectives, its risk management practices, and the performance and interests in the short, medium and long term of FCC as a whole, and will include measures aimed at avoiding conflicts of interest.

- Lastly, as stipulated in Article 38 of the Articles of Association, the remuneration of directors should be in reasonable proportion to the importance of the company, its economic situation at all times and the market standards for comparable companies. The remuneration system established must be aimed at promoting the long-term profitability and sustainability of the Company and incorporate the necessary precautions to avoid excessive risk taking and the rewarding of unfavourable results.

3. Process for determining the Directors' Remuneration Policy

Based on legal and statutory regulations, the Company's Appointments and Remuneration Committee is responsible for reporting and proposing to the Board of Directors on the Directors' Remuneration Policy, overseeing its observance.

Thus, in determining this Policy, the Board of Directors of the Company, which is responsible for the reasoned decision regarding the proposal for its approval by the General Meeting of Shareholders, on the basis of the legal and statutory regulations and the principles indicated above, prepares the proposal for the Directors' Remuneration Policy, with the Appointments and Remuneration Committee in turn issuing the mandatory specific report.

The appropriate management of any potential conflict of interest is ensured in the process of preparing, determining, reviewing and applying the Remuneration Policy in effect at any given time. In this regard:

(i) The Appointments and Remuneration Committee, which adopts decisions relating to the Directors' Remuneration Policy, does not include any executive director and is chaired by an independent director, who may be assisted by external advisers when deemed appropriate.

(ii) Every year, the Appointments and Remuneration Committee reviews the monitoring of the policy in force and compliance with the budgets established for the accrual of variable remuneration of executive directors, and submits a report to the Board of Directors.

(iii) Executive directors do not take part in the debate and discussion of the resolutions adopted annually by the Board of Directors to implement the Remuneration Policy in force at any given time.

4. The annual remuneration to be received by the directors for being members of the Board and its various Committees

Pursuant to article 529 septdecies of the Spanish Corporate Enterprises Act, remuneration for the duties that directors are called upon to perform in their capacity as such, as members of the collegiate body or its committees, must comply with the remuneration system provided for in the Articles of Association as stipulated in the Spanish Corporate Enterprises Act and this Remuneration Policy. The Policy shall establish at least the maximum amount of annual remuneration payable to all directors in their capacity as such and the criteria for its apportionment in accordance with the duties and responsibilities attributed to each of them; the Board of Directors will be responsible for fixing the individual remuneration of each director in their capacity as such, subject to a report from the Appointments and Remuneration Committee.

In accordance with the foregoing, Article 38 of the Articles of Association establishes the following criteria in relation to the remuneration of directors in their capacity as such:

i. The remuneration of directors in their capacity as such, shall consist of a share in the net profits, which may not exceed two percent (2%) of the profit for the year attributed to the Company in the consolidated financial statements of the Group of which it is the parent company, once the legal reserve has been covered, and if a minimum dividend of four percent (4%) of the nominal value of the shares has been recognised for the shareholders.

ii. Directors will also receive allowances for attendance at meetings of the Board of Directors and its internal committees.

iii. The Board shall set the individual remuneration for each director in their capacity as such, apportioning amongst its members the remuneration agreed by the General Meeting, taking into account the functions and responsibilities exercised by each of them within the Board itself or its internal committees and other criteria set out in the Regulations of the Board of Directors.

This creates a mixed system of remuneration consisting of two components:

4.1. Remuneration based on a share of net profits.

The annual remuneration received by directors for sitting on the Board or on its various Committees shall consist of a share in the net profit for the year shown in the consolidated financial statements of the Group, which may in no case exceed 2% of such profit, after covering the legal reserve and after having paid shareholders a dividend of at least 4% of the par value of the shares.

The General Meeting shall ultimately decide upon the percentage that corresponds to each financial year, always within the statutory framework and the provisions of this Remuneration Policy.

4.2. Remuneration for effective attendance at meetings of the Board of Directors and its Committees.

Directors will receive a remuneration, in the form of an allowance, for effective attendance, personally or by remote means of communication (such as videoconferencing or conference calls), at meetings held by the Board or its Committees.

Every year, the Board of Directors shall decide on the specific amount of the allowances for actual attendance at meetings of the Board, the Executive Committee, the Audit and Compliance Committee and the Appointments and Remuneration Committee.

In 2021, the amount per meeting of the aforementioned remuneration will be as follows:

REMUNERATION FOR EFFECTIVE ATTENDANCE	AMOUNT IN EUROS PER MEETING
Board of Directors	3,000 euros
Executive Committee	1,875 euros
Audit and Control Committee	1,850 euros
Appointments and Remuneration Committee	1,850 euros

The remuneration of non-executive directors does not include variable remuneration items linked to the value of FCC shares or any other instrument.

4.3. Other remuneration.

Pursuant to Article 38 of the Company's Articles of Association, the Company shall maintain directors' third-party liability insurance under the usual conditions and in accordance with the circumstances of the Company.

An accident policy has been taken out for all directors, both in the exercise of their duties and for their personal life, which covers:

- Death due to an accident
- Death due to a traffic accident

The duration of this policy is one year, renewable annually and with a premium of approximately 5,361.60 euros.

5. Directors' remuneration for discharging executive duties.

According to article 529 octodecies of the Spanish Corporate Enterprises Act, the remuneration of the executive functions of the chief executive officer and other directors to whom such duties are attributed by virtue of other titles must be aligned with the Articles of Association and, invariably, with this Policy and the contracts approved in accordance with the provisions of the Spanish Corporate Enterprises Act. The Policy must specify at least the amount of the fixed annual remuneration corresponding to the directors for the performance of their executive duties and other provisions established by law.

Executive directors shall be entitled to receive such remuneration (including, where applicable, salaries, bonuses, indemnities for early termination of such duties and amounts for insurance premiums to be paid by the Company) as may be deemed appropriate, following a report from the Appointments and Remuneration Committee and by resolution of the Board of Directors, subject to the limits provided for under prevailing legislation, for the discharge of their executive duties.

The Company's Remuneration Policy includes the following principles applicable to the remuneration of executive directors:

1. Remuneration must be consistent with shareholders' interests, with a view to long-term value creation and be aligned with appropriate risk management, as well as with FCC's strategy, values and long-term interests.
2. The variable part of the remuneration must be commensurate with the achievement of the agreed objectives within the framework of prudent risk management.
3. Overall remuneration must be competitive, with the objective of attracting and retaining employees.
4. Conflicts of interest must be avoided.

The Policy seeks to establish an attractive remuneration scheme for directors who have executive duties, with a view to attracting and retaining talent, and to strike an appropriate balance between the Company's results and the taking of risks. Variable remuneration that is tied, in addition to other criteria, to the Company's results, contributes effectively to the achievement of the Company's interests and sustainability, promoting the creation of value for the different stakeholders.

5.1. Fixed components.

Independently of the right of Board members, as mentioned above, to receive remuneration based on a share in the net profits of the Company, and attendance fees based on their actual attendance at meetings of the Board of Directors and its Committees, directors performing executive duties shall receive a fixed amount for the performance of such duties.

Executive directors will receive fixed remuneration for the performance of their executive duties which is commensurate with their duties, level of responsibility and professional profile.

In 2021, the Chief Executive Officer will receive fixed remuneration, as determined by the Board of Directors, of €525,000.

Every year, the Appointments and Remuneration Committee will review the fixed remuneration and decide whether it needs to be changed, based on the Company's performance, results and the duties performed. Ultimately, the Board of Directors shall be responsible for determining the individual remuneration of each executive director, subject to a report from the Appointments and Remuneration Committee.

5.2. Variable components.

The CEO is the only executive director of the Company who receives variable remuneration, which may amount to up to 50% of his fixed remuneration, in the case of compliance with the objectives set.

The CEO´s variable remuneration will be as follows:

a. 50% of their variable remuneration will depend directly on the fulfilment of the corporate objectives, which will be measured based on the result of the EBITDA and the operating cash flow items of the corresponding business year, following the guidelines implemented in the investee companies by FCC to determine the variable remuneration of management personnel.

   Notwithstanding the foregoing, even if the results of the companies measured according to the aforementioned parameters did not reach the objectives set by the Company in a specific year, the Board of Directors may discretionally, and depending on the attendant circumstances, agree to pay the Director a variable remuneration higher than the one that would correspond to him/her if strictly applying the requirements.

b. The remaining fifty per cent (50%) of the variable remuneration will depend directly on how well the Chief Executive Officer fulfils the targets set. The Company's Board of Directors will ultimately decide on the specific amount of this bonus, subject to a report from the Appointments and Remuneration Committee.

The calculation of the variable remuneration for each business year will be based on the actual fixed salary received during that year (from January to December).

At the end of each financial year, the Company's Appointments and Remuneration Committee shall assess the performance of the Chief Executive Officer and the degree of achievement of the objectives set to determine the CEO's variable remuneration, and shall submit the corresponding report to the Board of Directors. The Board of Directors, on the basis of the Committee's report, shall determine the variable remuneration payable to the Chief Executive Officer. All these matters will be duly reported in the Company's Annual Remuneration Report.

5.3. Remuneration in kind.

The Chief Executive Officer receives the following items as remuneration in kind:

a. <u>Travel insurance:</u>

An accident insurance for trips taken by aeroplane, train or boat whilst performing his professional responsibilities within the company, which the Company has established for all its employees.

Specifically, the policy has coverage of €601,012.10 per person, with a maximum of €6,000,000 for each claim. The company pays the premium in full.

b. Insurance for accidental death or total permanent disability:

An insurance policy for accidental death or total permanent disability that the Company has established for all its employees and which is intended to cover an accident resulting in death or total permanent disability, within or outside working hours, under the terms and conditions of the current policy.

Coverage for both contingencies will cover the amount of one year of their respective fixed salaries and the company will cover the premium payment in full.

c. Medical Insurance:

The Company will cover 50% of the cost of health insurance, as established for all employees.

5.4. Compensation of the Chief Executive Officer.

If the contractual relationship is terminated at the will of the CEO for any of the following causes:

- Substantial changes in working conditions that are notoriously detrimental to his professional training, that are detrimental to his dignity, or that are decided with serious transgression of good faith, by the company.
- Failure to pay for three consecutive months or six alternate months, or continued delay in the payment of the remuneration agreed under the contract.
- Succession of a company or significant change in ownership of the same, which has the effect of a renewal of its governing bodies or the content of its main activity, provided that the termination occurs within three months of the occurrence of such changes.
- Any other serious breach of the contractual obligations by the Company, with the exception of force majeure budgets, in which the payment of compensation shall not be applicable.

As in the case of free and unilateral termination from the company, the Chief Executive Officer will have the right to receive compensation resulting from the sum of the following two items:

a) The amount resulting from liquidating the employment relationship that the Executive Director previously had with any company of the FCC Group calculated from the beginning of the contractual employment relationship (and in accordance with the applicable regulations on that date).

b) The amount resulting from multiplying 7 days of salary by the number of years elapsed from the date of commencement of the contractual relationship until the time of termination thereof.

The early termination of the previous relationship, unless there is justifiable cause of dismissal, will entail compensation under the terms established by the Workers' Statute in relation to unfair dismissal.

5.5. Other conditions applicable to the Chief Executive Officer.

- **Duration:** The duration of the contract will be indefinite.

- **Exclusivity and non-competition**: The dedication must be exclusive and as such he may not enter into service contracts with other companies or entities.
  There is a non-competition agreement for a period of one year after the termination of the contract. Certain prohibitions of competition and attracting clients, employees and suppliers are envisaged that are enforceable for one year after its termination.

- **Notice**: Written notice must be given at least 3 months in advance of the contract being terminated at the will of the CEO or if the termination is due to the free and unilateral termination of the company.

- **Code of conduct**: The obligation to strictly observe the provisions of the code of conduct in terms of its policies of confidentiality, professional ethics and conflict of interests is established.

- **Conflicts of interest**: Articles 22 and 23 of the Regulations of the FCC Board of Directors set forth that directors have a duty to refrain from attending and intervening in deliberations that affect matters in which they may have a direct or indirect interest and from voting in the corresponding decisions. Likewise, the directors must timely inform the Board, through the Corporate Responsibility Department or any other department that may replace it, of any situation that could lead to a conflict of interest with the interests of the Company or those of the group of companies that comprise the FCC Group or its related companies.

- **Liability:** Pursuant to article 29.1 of the Board Regulations, directors shall be liable to the company, shareholders and creditors for any damage caused by acts or omissions contrary to the law or the Articles of Association or for those carried out in breach of the duties inherent to their office, provided there has been fraud or negligence.

Madrid, 25 May 2021.