

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

2021 FINANCIAL YEAR

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1. INTRODUCTION

The Appointments and Remuneration Committee (the '**Committee**' or '**ARC**') of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**") has, in accordance with Article 41.6 of the Articles of Association and Article 38.7 of the Regulations of the Board of Directors, drawn up this report on its activities and operations during financial year 2021 (the "**ARC Report**"), taking as a reference for these purposes the provisions of the CNMV Technical Guide 1/2019 on Appointment and Remuneration Committees ("**Technical Guide 1/2019**") as well as generally accepted practices of good corporate governance.

2. REGULATIONS AND PRACTICAL GUIDELINES FOLLOWED

The composition, powers and functioning of the ARC are governed by the Articles of Association (Article 41) and by the Regulations of the Board of Directors (Article 38), based on the provisions of Article 529 quindecies of the consolidated text of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital or "**LSC**") and on the recommendations of the Good Governance Code of Listed Companies approved by the CNMV on 18 February 2015 and subsequently revised on 26 June 2020.

When discharging its duties, the ARC observes the provisions of the Code of Good Governance and also relies on the basic principles and recommendations of Technical Guide 1/2019. In particular, this report includes the information described in section three, paragraph 11 of Technical Guide 1/2019.

3. COMPOSITION

In accordance with Article 41.1 of the Company's Articles of Association and Article 38.1 of the Regulations of the Board of Directors, the Board of Directors must have an Appointments and Remuneration Committee without executive functions and with powers to provide information and advice and issue proposals within the scope of its remit. The ARC shall be composed of a minimum of four (4) and a maximum of six (6) directors, all appointed by the Board of Directors, for a period not exceeding their term as directors although they may be re-elected indefinitely provided that they also continue to serve as directors.

All members of the ARC must be non-executive directors, of whom 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. The Committee shall also have a Secretary with the right to speak but not to vote. The Secretary need not be a director.

At 31 December 2021, the composition of the ARC was as follows:

Name	Category	Position	Date of last appointment
Mr Álvaro Vázquez de Lapuerta	Independent director	Chairman	08/05/2019
Dominum Desga, S.A., represented by Ms Esther Alcocer Koplowitz	Proprietary director	Voting member	02/06/2020
Mr Juan Rodríguez Torres	Proprietary director	Voting member	02/06/2020
Mr Manuel Gil Madrigal	Independent director	Voting member	08/05/2019
Mr Felipe Bernabé García Pérez	Secretary	Non-member	

The professional profile and experience of the members of the ARC are available on the Company's corporate website (www.fcc.es)

4. FUNCTIONING

The functioning of the Committee is governed by the following basic principles: Independence and scepticism, constructive dialogue that promotes freedom of expression, internal dialogue and sufficient analytical capacity, and reliance on the advice of external experts when deemed necessary.

The ARC Secretary assists the Chairman and ensures the proper functioning of the ARC, taking care to duly reflect in the minutes the course of the meetings, the content of the deliberations and the resolutions adopted. Minutes of each meeting shall be drawn up by the Secretary or acting secretary and signed by the Secretary of the Committee with the approval of the Chairman.

The ARC shall be validly constituted when the majority of its members are in attendance, either in person or represented by proxy. Its resolutions shall be passed by an absolute majority of its members present or represented, with the Chairman having the casting vote in the event of a

tie, in accordance with Article 38.3 of the Regulations of the Board of Directors and Article 41.5 of the Company's Articles of Association.

The Company's Articles of Association (Article 41.4) and the Regulations of the Board of Directors (Article 38.7) provide that the ARC shall meet at the discretion of its Chairman, or at the request of two of its members, doing so as often as necessary for the performance of its duties and at least once a quarter.

Pursuant to Article 41.6 of the Company's Articles of Association, the ARC shall 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 assessment of the Committee's performance to be carried out by the Board of Directors.

5. REMIT

The ARC is vested with the powers set forth in Article 41.3 of the Company's Articles of Association and Article 38.4 of the Regulations of the Board of Directors, in accordance with Article 529 quindecies of the LSC.

The ARC will have the powers to provide information and advice and to issue proposals within the scope of its remit. Aside from the duties ascribed to it by law, the Company's Articles of Association or the Regulations of the Board of Directors, the Committee shall have the following duties:

- a) Evaluate the skills, knowledge and experience required of the Board of Directors. For these purposes, it shall define the duties and skills required of the candidates to fill each vacancy and shall assess the time and dedication necessary for them to discharge their duties effectively, ensuring that the non-executive directors have sufficient time available for the proper performance of their duties.
- b) Examine and organise the succession of the Chairman of the Board of Directors and the CEO and, where applicable, make proposals to the Board of Directors so that this succession takes place in an orderly and suitably planned manner.
- c) Present to the Board of Directors proposals for the appointment of independent directors for their appointment by co-option or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of said directors by the General Shareholders' Meeting.

- d) Report on proposals for the appointment of the remaining directors for their appointment by co-option or for their submission to the decision of the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.
- e) Report on proposals for the appointment and removal of senior officers, and also propose the basic terms of their contracts, which the chief executive presents to the board, proposing the persons or positions that should be considered senior officers within the company, in addition to those envisaged in Article 2.2 of these Regulations, and drawing up proposed reprimands referred to in Article 19.2.d) of these Regulations.

It shall likewise issue a preliminary report on appointments to positions or posts the annual remuneration of which is 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 for directors and general managers or those who discharge senior management duties under the direct supervision of the Board, the Executive Committee or the Chief Executive Officer, as well as the individual remuneration and other contractual terms of executive directors, while verifying compliance therewith.

It shall also report and make proposals on multi-year incentive plans affecting the Company's senior management and, in particular, those that may be established in relation to the price of the share.

- g) Report to the Board of Directors, in advance, on the individual determination of the remuneration of each director in his or her capacity as such within the framework of the Articles of Association and the remuneration policy. It shall likewise report on the individual determination of the remuneration of each director for the performance of the executive duties ascribed to him or her within the framework of the remuneration policy and in accordance with the provisions of his or her contract.
- h) Periodically review the remuneration policy applied to directors and senior executives, including, as the case may be, share-based remuneration schemes and their application; and ensure that their individual remuneration is commensurate to that paid to other directors and senior executives of the Company. It shall likewise verify the information on remuneration of directors and senior executives contained in the various corporate documents, including the annual report on director remuneration.
- i) Prepare and keep a record of FCC directors and senior managers.

- j) “Assist the Board in its function of ensuring that the procedures for selecting its members favour diversity with respect to matters such as age, gender, disability or professional training and experience and do not suffer from implicit biases that could imply any discrimination and, in particular, that they facilitate the selection of female directors in a number that allows a balanced presence of women and men to be achieved, in such a way that the Company deliberately seeks and includes, among the potential candidates, women who meet the desired professional profile. The Board must explain, where appropriate, through the Annual Corporate Governance Report, the reason for any low or non-existent number of female directors and the initiatives adopted to remedy that situation.

For this purpose, it should set a target for representation of the under-represented gender on the Board of Directors and develop guidance on how to achieve this target.

- k) Report on the proposals for appointment of the members of the committees of the Board of Directors.
- l) Report on the appointment of the Chairman of the Board and the Vice-Chairmen, and also inform on the appointment and removal of the Secretary and, as the case may be, the Vice-Secretary of the Board.
- m) Verify the relevant categories of directors as set out in Article 6.3.
- n) Report in advance to the Board of Directors on all matters provided for by law, these Articles of Association and these Regulations of the Board of Directors.
- o) Receive information and keep the register referred to in section g) above, including the personal information provided by directors, as established in Article 25 of these Regulations.
- p) Request, where appropriate, the inclusion of items on the agenda of Board meetings, under the conditions and within the deadlines set out in Article 34.3 of these Regulations.
- q) Ensure that any conflicts of interest do not undermine the independence of any external advice provided to the Committee.

6. ACTIVITIES

a) Meetings held.

The ARC met a total of six (6) times in 2021.

The calendar of meetings of the ARC in 2021 was as follows:

First quarter	Second quarter	Third quarter	Fourth quarter
19 January	27 April	-	28 October
25 February	25 May		
	29 June		

Announcements of ARC meetings were sent out in due course, in accordance with applicable rules and regulations. This information must be delivered sufficiently in advance of the meeting so that its members have time to analyse and evaluate the information. ARC members regularly attend the meetings.

The Company provides the necessary information and resources to the members of the Committee so that they are made duly aware of the matters to be discussed at the meetings and can actively take part, as well as for the due fulfilment of the Committee's own functions and competencies.

In particular, and to ensure that the ARC is effectively able to discharge its duties, 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, in 2021 the following managers and professionals formally attended ARC meetings upon the invitation of the Chairman:

- FCC Administration and Finance Division: three times.
- FCC CO Administration and Finance Division: one meeting.
- HR Department: three meetings.

The ARC duly complies, through its Secretary, with its obligation to take minutes of its meetings, in which the course of the meeting, including all deliberations and resolutions passed, are duly reflected. Resolutions were adopted unanimously in all cases.

b) Significant activities carried out.

(i) In relation to corporate governance:

- Report on the functioning of the ARC in 2020.
- Report ratifying the current categories (proprietary, independent and executive) of the members of the Board.
- Report on the Chairman of the Board of Directors and Report on the Chief Executive Officer so that the Board of Directors may assess their performance in 2020.

(ii) In relation to the Remuneration Policy:

- Submit a favourable report on the report-proposal on the Bylaw-stipulated remuneration of the Board of Directors for 2020.
- Submit a favourable report on the FCC Group's proposed salary policy for 2021.
- Approve the Variable Remuneration Plan for 2021.
- Approve the effective implementation of the Variable Remuneration Plan for 2020.
- Propose to the Board of Directors the Annual Report on Director Remuneration of Fomento de Construcciones y Contratas, S.A., for 2020.

(iii) With regard to the Appointments Policy:

- Approve the report submitted to the Board, as provided for in Article 529 decies of the Corporate Enterprises Act, regarding proposals for appointment of directors.
- Report favourably on the proposal for the appointment of Ms Alicia Alcocer Koplowitz as proprietary director.
- Report favourably, for the appropriate purposes, on the appointment of Ms Alicia Alcocer Koplowitz as a member of the Executive Committee of FCC.
- Report favourably to the Board, so that the latter may submit the Director Remuneration Policy for financial years 2021, 2022 and 2023 to the General Shareholders' Meeting.
- Approve the FCC Succession Plan.
- Approve the FCC's staff selection procedure.

It is hereby stated for the record that during the 2021 financial year there were no deviations in the performance of the Committee's duties with respect to the procedures in place at the Company; nor did the Committee report to the Board of Directors on any irregularities relating to those matters that fall within the Committee's remit, as it was not aware of any such irregularities having occurred.

7. EVALUATION AND CONCLUSIONS

The ARC has issued this report on its activities and operation during the 2021 financial year so that the Board of Directors may evaluate it, pursuant to Article 34.9 of the Regulations of the Board of Directors, which incorporates recommendations 36 and 42 to 44 of the Good Governance Code of Listed Companies, and Article 529 nonies of the Corporate Enterprises Act.

This evaluation process has concluded that the ARC 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.

8. DATE OF DRAFTING OF THE REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS

This *Activities Report of the Appointments and Remuneration Committee for 2021* was drawn up by the Committee on 26 April 2022 and presented to the Company's Board of Directors at its meeting held on the same date.