



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

2021 FINANCIAL YEAR

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1. INTRODUCTION

The Audit and Control Committee (the "**Committee**" or "**ACC**") of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**"), in accordance with Article 40.7 of the Articles of Association, has prepared this report on its activities and operation during the financial year 2021 (the "**ACC Report**"), taking as a reference for these purposes the provisions of the CNMV Technical Guide 3/2017 on Audit Committees of Public Interest Entities ("**Technical Guide 3/2017**") as well as generally accepted practices of good corporate governance.

2. REGULATIONS AND PRACTICAL GUIDELINES FOLLOWED

The composition, powers and functioning of the ACC are regulated in the Articles of Association (Article 40) and in the Regulations of the Board of Directors (Article 37), based on the provisions of Article 529 quatedecies of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital or "**LSC**") and Spanish Act 22/2015 of 20 July, on account auditing ("**Audit Act**"), as well as the recommendations set out in the Good Governance Code of Listed Companies approved by the CNMV on 18 February 2015 and subsequently amended on 26 June 2020.

When discharging its duties, the ACC observes the provisions of the Code of Good Governance and also relies on the basic principles and recommendations of Technical Guide 3/2017. In particular, this report includes the information contained in paragraph 79 of Technical Guide 3/2019.

3. COMPOSITION

In accordance with Article 40.1 of the Articles of Association and Article 37.1 of the Regulations of the Board of Directors, the Board of Directors must have an Audit and Control Committee without executive functions and with powers to provide information and advice and issue proposals within the scope of its remit. The ACC shall be composed of a minimum of three (3) and a maximum of six (6) directors, all appointed by the Board of Directors. When appointing Committee members, and especially its Chairman, the Board shall consider the knowledge and experience of the candidates in accounting, auditing and risk management, both financial and non-financial, following a report from the Appointments and Remuneration Committee (the "**ARC**"). Committee members shall have a term of office not exceeding their term of office as directors, although they may be re-elected indefinitely, provided that they also continue to serve as directors.

Pursuant to Article 16.4 of the Regulations of the Board of Directors, the Secretary shall provide each new director with a copy of the Articles of Association, the Regulations of the Board, the Code of Ethics of the FCC Group, the Internal Code of Conduct in the Securities Market, the latest annual accounts and management reports, both separate and consolidated, approved by the General Meeting of Shareholders, the audit reports corresponding thereto and the latest economic and financial information disclosed to the markets. They shall also be given the names and details of the current account auditors and their representatives.

All members of the ACC must be non-executive directors, and the majority of its members should be independent directors, one of whom shall be appointed on the basis of his or her knowledge and experience in accounting and/or auditing matters. As a whole, the members of the ACC shall possess adequate technical knowledge with regard to the industry or sector of activity of the Company.

The ACC shall elect a Chair from among its independent members and may also elect a Deputy Chair. The duration of these positions may not exceed four (4) years or their terms of office as members of the ACC, and they may be re-elected once at least one year has elapsed since they last left that position. The ACC shall also have a Secretary and, where appropriate, a Deputy Secretary, who need not be directors.

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

Name	Category	Position	Date of last appointment
Mr Manuel Gil Madrigal	Independent director	Chairman	08/05/2019
Mr Juan Rodríguez Torres	Proprietary director	Voting member	02/06/2020
Mr Henri Proglío	Independent director	Voting member	08/05/2019
Mr Álvaro Vázquez de Lapuerta	Independent director	Voting member	08/05/2019
Mr Felipe Bernabé García Pérez	Secretary	Non-member	

Pursuant to Article 529 quaterdecies of the LSC and Article 37.2 of the Regulations of the Board of Directors, as stated above, at least one of the members of the ACC must have

knowledge and experience in accounting and/or auditing so that the ACC may diligently fulfil its duties, and the independent directors Manuel Gil Madrigal and Álvaro Vázquez de Lapuerta both meet this requirement. In addition, all members of the Committee shall have relevant technical expertise in relation to the sector in which the Company operates.

The professional profile and experience of the members of the ACC 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: responsibility, scepticism, constructive dialogue that promotes freedom of expression and a critical approach among its members, continuous dialogue with internal audit, the statutory auditor and management, sufficient analytical skills, and the ability to seek and obtain the advice of external experts when deemed appropriate.

The Secretary of the ACC and, as the case may be, the Deputy Secretary, shall assist the Chairman and ensure the proper functioning of the ACC, taking care to duly reflect in the minutes the course of the meetings, including all deliberations and the resolutions ultimately passed. 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 ACC 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 37.3 of the Regulations of the Board of Directors and Article 40.6 of the Company's Articles of Association.

The Company's Articles of Association (Article 40.5) and the Regulations of the Board (Article 37.6) provide that the ACC shall meet at the discretion of its Chairman, or at the request of two of its members, as often as necessary for the performance of its duties and at least once a quarter.

Pursuant to Article 37.4. d) of the Regulations of the Board of Directors, the head of the internal audit function shall submit an annual work plan to the ACC and report directly on its implementation, including any incidents and limitations on scope that may arise in its development, the outcomes or results and the follow-up of its recommendations. In addition, at the end of each year, a report summarising the activities of the ACC shall be submitted for information purposes and monitoring.

5. REMIT

The ACC has the powers ascribed to it under Article 40.4 of the Articles of Association and Article 37.4 of the Regulations of the Board of Directors, in accordance with Article 529 quaterdecies of the LSC and Spanish Law 22/2015 of 20 July, on account auditing.

The primary function of the Audit and Control Committee is to support the Board of Directors in its oversight duties by periodically reviewing, inter alia, the economic and financial reporting process, its internal controls and the independence of the external auditor.

In particular, by way of example, and without prejudice to other tasks that may be entrusted to it by the Board of Directors, the ACC shall have the following responsibilities:

- a) Reporting to the General Shareholders Meeting on any issues that may arise with regard to those matters that fall within the Committee's remit and, in particular, on the result of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in this process.
- b) Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit. The Committee shall also, in relation to the external auditor:
 - (i) submit, to the Board of Directors, proposals for the selection, appointment, re-election and replacement of the auditor, with the ACC being responsible for the selection process, in accordance with EU law, and for establishing the terms and conditions of the auditor's engagement;
 - (ii) obtain regular information from the external auditor on the audit plan and the results of its execution, while also working to ensure the auditor's independence when performing its functions and verifying that senior management takes its recommendations into account;
 - (iii) discuss, with the external auditor, any significant weaknesses in the internal control system detected over the course of the audit, without this compromising the auditor's independence.
For this purpose, and where appropriate, the ACC may submit recommendations or proposals to the Board of Directors and set a deadline for their follow-up;
 - (iv) establish appropriate relations with the external auditor to receive information on issues that may pose a threat to their independence, for scrutiny by the Committee,

and any other relating to the process of conducting accounts audits. It shall also, where appropriate, authorise services other than those prohibited, under the terms provided for in the regulations governing account auditing activities on the system of independence, as well as any other communications provided for in account auditing legislation and in auditing standards;

- (v) ensure the independence of the external auditor by establishing, in particular, appropriate measures: 1) to ensure that the engagement of advisory and consultancy services with said auditor or companies in its group does not entail a risk to its independence, for which purpose the Committee shall request and receive annually from said auditor a declaration of its independence in relation to the Company or entities directly or indirectly related to it, as well as detailed and individualised information on additional services of any kind rendered and the corresponding fees received from those entities by the external auditor or by the persons or entities related to it, in accordance applicable law and regulations governing the auditing of accounts; 2) for the Company to notify the CNMV of the change of auditor, accompanied by a statement and description of any disagreements with the outgoing auditor, and, in the event of resignation of the external auditor, to examine the circumstances giving rise to such resignation; and 3) to ensure that the Company and the external auditor comply with current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence, and to ensure that the external auditor's remuneration for its work does not compromise its quality or independence; and
- (vi) seek to ensure that the Company's auditor also audits the companies that make up the wider group.
- c) Each year, prior to the issuance of the account auditing report, issue a report expressing an opinion on whether the independence of the auditors or audit firms may have been compromised. This report shall contain, in any case, a reasoned assessment on the provision of each and every one of the additional services referred to in section b) v) 1) above, taken individually and as a whole, other than the statutory audit and in relation to the system of independence or the regulations governing the account auditing activities.
- d) Supervise the Company's internal audit unit in ensuring the proper functioning of reporting and internal control systems and functionally reporting to the Chairman of the Committee. In this regard, the person responsible for the internal audit function

must present its annual work plan to the Committee for approval, detailing any incidents and scope limitations that may have arisen when implementing the plan, as well as the results and the follow-up of its recommendations, and shall submit to the Committee a report on its activities at the end of each financial year. The Committee must ensure that its activity is primarily focused on material risks (including reputational risks).

- e) Supervise the internal risk management and control unit, which shall have the following minimum duties:
 - (i) ensuring the proper functioning of the control and risk management systems and, in particular, that all important risks affecting the Company are properly identified, managed, and quantified;
 - (ii) actively participating in the preparation of the risk strategy and in the important decisions regarding its management; and
 - (iii) ensuring that the control and risk management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

- f) Supervise and analyse the effectiveness of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that it identifies or determines at least:
 - (i) the various types of risks (inter alia, operational, technological, legal, social, environmental, political and reputational, including corruption-related risks) to which the Company is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks;
 - (ii) a tiered risk management and control model;
 - (iii) the level of risk that the Company considers acceptable;
 - (iv) the measures planned to mitigate the impact of the risks identified, should they materialise; and
 - (v) the reporting and internal control systems to be used to control and manage these risks, including contingent liabilities and off-balance sheet risks, and submit them to the Board for approval.

- g) Supervise the process of preparing and presenting separate and consolidated annual accounts and management reports, and the periodic financial information to be

disclosed to the markets; and submit recommendations or proposals to the Board of Directors with a view to safeguarding their integrity by ensuring compliance with legal requirements and generally accepted accounting principles and reporting to the Board of Directors before the latter passes resolutions on any of the following matters:

- (i) the financial information and the management report, including, where appropriate, any non-financial information that the Company must periodically disclose, ensuring that the interim accounts are prepared on the same basis as the annual accounts and, to this end, considering the desirability of arranging a limited review by the Company's external auditors; and
 - (ii) the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the FCC Group.
- h) Ensuring that the annual financial statements that the Board of Directors submits to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. Whenever the auditor includes a qualification in its audit report, the Chairman of the ACC shall clearly explain, at the General Shareholders' Meeting, the Committee's opinion on the content and scope of said qualification. A summary of such opinion shall be made available to the shareholders at the time the meeting announcement of the General Shareholders' Meeting is published, together with all the other proposals and reports of the Board.
- i) In relation to reporting and internal control systems:
- (i) supervise and evaluate the preparation process and the integrity of all financial and non-financial information relating to the Company and, as the case may be, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the scope of consolidation and the correct application of accounting criteria;
 - (ii) periodically supervise and assess the internal control and financial and non-financial risk management systems relating to the Company and, as the case may be, its group, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks, so that the main risks are properly identified, managed and disclosed;

- (iii) ensuring the independence and effectiveness of the internal audit function, proposing the selection, appointment and dismissal of the head of the internal audit service, as well as the internal audit service's budget, receiving regular information on its activities and verifying that senior management takes into account the conclusions and recommendations of its reports;
 - (iv) receiving regular information from the Response Committee and from the Management Control and Risk Management Department on the performance of their duties and the functioning of internal controls;
 - (v) establishing and supervising a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial, accounting or any other irregularities related to the Company that they become aware of within the Company or its group. This mechanism must guarantee confidentiality and, in any case, allow for anonymous communications to be made to protect and uphold the rights of both the complainant and the person being reported.
 - (vi) ensure that the policies and systems in place for internal control are effectively implemented in practice; and
- j) report on the related-party transactions that must be approved by the General Meeting or the Board of Directors and supervise the internal procedure established by the Company for those matters the approval of which has been delegated in accordance with applicable law and regulations.
- k) Supervise compliance with the Company's environmental, social and corporate governance policies and rules, and also the internal codes of conduct and, in particular:
- (i) see to it that internal codes of conduct and corporate governance rules comply with regulatory requirements and are appropriate for the Company, likewise ensuring that the corporate culture is aligned with the Company's purpose and values and verifying effective compliance by persons subject to those codes and governance rules and their reporting obligations to the Company.
 - (ii) oversee compliance with the Company's corporate governance rules and internal codes of conduct, and ensure that the corporate culture is aligned with its purpose and values;

- (iii) oversee the effective implementation of the general policy on economic-financial, non-financial and corporate reporting as well as communication with shareholders and investors, proxy advisors and other stakeholders. The Committee shall also monitor how the Company communicates and interacts with small and medium-sized shareholders;
 - (iv) regularly evaluate and review the Company's corporate governance system and environmental and social policy, in order for them to fulfil their aim of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders;
 - (v) ensure that the Company's environmental and social practices are in line with the established strategy and policy; and
 - (vi) supervise and evaluate relations with the Company's various stakeholders.
- l) Issue the reports and proposals requested by the Board of Directors or by the Chairman of the Board of Directors and those deemed appropriate in the proper performance of their duties and, in particular: (i) issue a report on any proposed modifications of these Regulations, pursuant to Article 4.3; (ii) make decisions in relation to requests for information that the Committee receives from directors, pursuant to Article 26.3 of these Regulations; and (iii) request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and deadlines provided for in Article 34.3 of these Regulations.

6. ACTIVITIES

a) Meetings held.

The ACC met ten on (10) occasions 2021, thus complying with the requirement set out in the Company's Articles of Association (Article 40.5) and in the Regulations of the Board of Directors (Article 37.6) that the ACC meets at least on a quarterly basis.

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

First quarter	Second quarter	Third quarter	Fourth quarter
19 January	27 April	27 July	8 October
25 February	25 May		28 October

	29 June		2 December
			15 December

Announcements of ACC 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. Specific meetings are also held with internal and external auditors and with members of management as and when needed. Most ACC 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 ACC 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 ACC meetings upon the invitation of the Chairman:

- General Administration Department: eight meetings.
- General Administration and Finance Department: one meeting.
- Capital Markets Division: one meeting.
- Information Systems and Technologies Department: one meeting.
- Internal Audit Division: seven meetings.
- Legal Advisory Department: two times.
- HR Department: two meetings.
- Tax Department: two meetings.
- *Compliance Officer* of the FCC Group: two meetings.
- Representatives of the external audit firm: four meetings.
- Administration Division of FCC Construcción: one meeting.

The ACC 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 the external audit:

- Ensuring the independence of the external auditor and taking the necessary steps to achieve this.
- Serve as a channel of communication between the Board of Directors and the Company's external auditor, assessing the results of each audit, as well as submitting proposals for the selection, appointment, re-election and replacement of the account auditor, and assuming responsibility for the selection process, pursuant to EU regulations, as well as the terms of their engagement.
- Discussing, with the external auditor, any significant weaknesses in the internal control system detected over the course of the audit, without this compromising the external auditor's independence. Receiving information from the external auditor on any issues that may threaten their independence and, where appropriate, authorising services other than those prohibited, under the terms provided for in the regulations governing account auditing activities on the system of independence.
- Reporting to the General Shareholders Meeting on any issues that may arise with regard to those matters that fall within the Committee's remit and, in particular, on the result of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Committee has played in this process.
- Issuing a report each year, prior to the issuance of the account auditing report, expressing an opinion on whether the independence of the auditors or audit firms has been compromised.

(ii) In relation to corporate governance:

- Submitting a favourable report on the FCC Annual Corporate Governance Report for 2020.
- Report favourably to the Board of Directors on the proposal to amend the Regulations of the Board of Directors, the Regulations of the General Meeting of Shareholders and the Articles of Association of the Company, in order to adapt them to the reforms ushered in by the Corporate Enterprises Act.
- Supervising compliance with the Company's environmental, social and corporate governance policies and rules, and also the internal codes of conduct.
- Submitting the information required by current legislation to the CNMV and the stock exchanges.
- Approving, in compliance with Article 34.9 of the Board Regulations, the self-assessment report on the functioning of the Company's ACC for 2020, to be submitted to the Board of Directors.
- Approving the ACC's activities report for 2020.

- Reporting, globally, on communications received through the Internal Whistleblowing Channel and the actions carried out to this end. An internal whistleblowing channel and procedure is in place that allows employees and third parties to send their questions and report irregular behaviours confidentially.

(iii) In relation to financial and non-financial information and associated internal control mechanisms.

- Supervising the process of preparing and presenting the separate and consolidated annual accounts and management report, as well as the financial information to be periodically disclosed to the markets.
- Issuing a favourable report on the annual, half-year and quarterly financial information, and on the process of preparing it.
- Submitting a favourable report to the Board on the preparation of FCC's annual accounts and management report (both separate and consolidated) for 2020.
- Submitting a favourable report to the Board on the amounts to be allocate to Legal Reserve and Voluntary Reserves.
- The Committee played an important role in relation to the proposal made to the Company's Board of Directors – for submission by the latter to the General Meeting of Shareholders – of a flexible dividend (scrip dividend), by reviewing the compensation mechanism for shareholders so as to ensure the economic equivalence (i.e. without favouring or penalising) of the two options of either: (i) transferring the free-of-charge allocation rights to the Company by virtue of the Purchase Commitment; or (ii) receiving the relevant amount in New Shares.
- Reporting favourably to the Board on FCC's Non-Financial Statement for 2020.
- Reporting favourably on the adequacy of the information contained in the "Interim Statement", referring to the first and third quarters of 2021, in accordance with Article 20.1 of Royal Decree 1362/2007 of 19 October, and implementing law and regulations, recommending its approval by the Board of Directors and its submission to the CMNV and stock exchanges.
- Reporting favourably on the adequacy of the information contained in the financial statements for the first half of 2021 ("Condensed annual accounts" and "Interim Management Report") in respect of the Article 11 et seq. of Royal Decree 1362/2007 of 19 October, and its implementing provisions.
- Submitting a favourable report on the process of preparing the consolidated interim Management Report of FCC, as provided for in Article 11 of Royal Decree 1362/2007, and the consolidated financial statements at 30 September 2021,

recommending their approval by the Board of Directors and their submission to the CNMV and stock exchanges.

(iv) In relation to risk management and control:

- Taking note of the matters relating to tax risk reports, legal risk reports and labour risk reports.
- Taking note of matters relating to the anti-money laundering and counter terrorism financing manual.
- Issuing, in compliance with Article 24.4 of the Board Regulations and Article 529 duovicies 3) of the Corporate Enterprises Act, the report prior to the approval, by the General Meeting or by the Board of Directors, of any related-party transaction, assessing whether the transaction is fair and reasonable in the eyes of the Company and, if applicable, of the shareholders other than the related party. Likewise, supervising the internal procedure established in the Company for those related-party transactions whose approval has been delegated in accordance with applicable regulations.

(v) In relation to internal audit:

- Taking note of the matters relating to the summary report of external audits.
- Analysing the annual Internal Audit Plan and its effective implementation.
- Taking note of matters relating to the activities report of the Internal Audit Department.
- Receiving specific reports on relevant issues from Internal Audit.

7. COMMITTEE'S OPINION ON THE INDEPENDENCE OF THE STATUTORY AUDITOR

& YOUNG la confirmación escrita de su independencia frente a la Comisión de Auditoría y Control, así como la información referida a los servicios distintos de auditoría que el auditor externo ha prestado a la Sociedad y su Grupo durante el ejercicio 2021. Esta declaración indica expresamente que el auditor no se ha encontrado durante el ejercicio 2021 en ninguna de las causas de incompatibilidad establecidas al efecto en la Ley de Auditoría de Cuentas; In relation to the independence of the external auditors, the Committee has received from ERNST & YOUNG written confirmation of their independence from the Audit and Control Committee, as well as information regarding the non-audit services that the external auditor has provided to the Company and its Group during the financial year 2021. This statement expressly indicates

that the auditor did not, in 2021, fall within any of the causes of incompatibility established for this purpose in the Spanish Audit Act; and in view of the information available, the Committee has not identified any factors that may jeopardise the independence of the auditor ERNST & YOUNG.

8. EVALUATION AND CONCLUSIONS

The ACC has issued this report on its activities and operation in 2021 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.

The aforementioned evaluation concludes that the ACC 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.

9. DATE OF DRAFTING OF THE REPORT BY THE AUDIT AND CONTROL COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS

This *Activities Report of the Audit and Control Committee* was drawn up by the Committee on 26 April 2022 and submitted to the Company's Board of Directors at its meeting held on the same date.