



**JUSTIFICATORY REPORT OF THE BOARD OF
DIRECTORS OF FOMENTO DE CONSTRUCCIONES Y
CONTRATAS, S.A. ON THE PROPOSAL FOR
AMENDMENT OF THE BYLAWS**

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I. INTRODUCTION

Pursuant to the provisions of article 286 of the revised text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter referred to as the "**Company**"), at its meeting held on 21 April 2023, approved this Report in order to explain the **amendment** of the current article 28 ("Composition") of the Bylaws, the approval of which is submitted to the Ordinary General Shareholders' Meeting called to be held on 14 June 2023, at first call, and on 15 June 2023, at second call, under the second item on the agenda.

II. JUSTIFICATION FOR THE PROPOSAL TO AMEND ARTICLE 28 ("COMPOSITION") OF THE BYLAWS

The Board of Directors of the Company has considered it appropriate to propose to the General Shareholders' Meeting to amend Article 28.3 ("Composition") of the Bylaws for the purpose of:

- Establishing that the board "*shall have the number of independent directors deemed most appropriate at all times*", so that it can be made up of the categories of directors and the number of directors deemed most appropriate at all times for the effective functioning of the administrative body.
- Affording full freedom to the Company's Appointments and Remuneration Committee so that, in accordance with the best practices and recommendations of good corporate governance, it may establish the systems and procedures for the selection of directors that it deems most appropriate at all times and, in this regard, may be advised by an external expert when deemed appropriate.

Accordingly, Article 28 would read as follows:

"Article 28. Composition

1. The Board of Directors will consist of a minimum of nine (9) and a maximum of fifteen (15) members. The General Shareholders' Meeting shall be responsible for determining the specific number of its members, i.e. the minimum and maximum number of members referred to above.

2. Directors shall be classified as executive or non-executive, and a distinction shall be made within the latter between proprietary, independent and other external directors, all in accordance with the corresponding legal provisions.

3. In particular, the Board of Directors **shall have three independent directors, who shall be elected by the General Meeting of Shareholders based on the application of criteria of rigorous professionalism and full independence,** ~~and who shall be proposed for election by the Appointments and Remuneration Committee following a proposal, in turn, to the same, by a firm of recognised prestige in charge of selecting directors from listed companies, The latter, in turn, must act in its selection process in accordance with the profile of the director that the company seeks and with the aim of satisfying the requirements of professionalism and independence demanded at all times both by law and by good corporate governance practices.~~ The selected candidates will be proposed to the Board of Directors and by the latter to the General Shareholders Meeting unless vacancies are directly filled by co-option.

4. The Board of Directors shall ensure that the procedures for the selection of its members favour diversity with respect to issues 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 for a balanced presence of women and men".

21 April 2023