ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

ISSUER'S IDENTIFICATION DATA

END OF RELEVANT FISCAL YEAR 31/12/2014

TAX ID NO. (CIF): A-28037224

Company name:
Fomento de Construcciones y Contratas, S.A

Registered Office
Calle Balmes, 36. 08007 Barcelona

ANNUAL CORPORATE GOVERNANCE REPORT
LISTED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Complete the table below on the Company's share structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
19/12/2014	260,572,379	260,572,379	260,572,379

Indicate whether there are different classes of shares with different associated rights:

NO

Class	Number of shares	Unit nominal value	Number of voting rights	Different rights
-	-	-	-	-

A.2. Indicate direct and indirect owners of significant stakes in the entity at year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Indirect voting rights		Pct. of total voting rights
		Direct holder of stake	Number of voting rights	
GATES III, WILLIAM H.	-	CASCADE INVESTMENT, LLC.	10,422,895	4.00%
GATES III, WILLIAM H.	-	BILL & MELINDA GATES FOUNDATION TRUST	4,429,730	1.70%
INMOBILIARIA CARSO, S.A. DE C.V.	-	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	66,798,648	25.635%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the transaction
INMOBILIARIA CARSO, S.A. DE C.V.	19/12/2014	Exceeds 25%
ESTHER KOPLOWITZ ROMERO DE JUSEU	19/12/2014	Drops below 25%

A.3. Complete the tables below regarding the members of the Company's Board of Directors who have voting rights from shares in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Pct. of total voting rights
		Direct owner of stake	Number of voting rights	
B 1998, S.A.	55,334,260	AZATE, S.A.	8,353,815	24.442
Juan Béjar Ochoa	35,688	-	-	0.014
Dominum Desga, S.A.	4,132	-	-	0.002
Dominum Dirección y Gestión, S.A.	10	-	-	0.000
E.A.C. Inversiones Corporativas, S.L.	32	-	-	0.000
E.A.C. Medio Ambiente, S.L.	122			0.000
Fernando Falcó Fernández de Córdova	39,977	-	-	0.015
Felipe Bernabé García Pérez	7,098	-	-	0.003
Larranza XXI, S.L.	10	-	-	0.000
Rafael Montes Sánchez	98,903	Josefa Fernández Mayo	20,697	0.046
Marcelino Oreja Aguirre	28,629	-	-	0.011
Olivier Orsini	100	-	-	0.000
Gonzalo Rodriguez Mourullo	100	-	-	0.000
Gustavo Villapalos Salas	100	-	-	0.000

Total pct. of voting rights held by the Board of Directors:	24.534%

Note:

As of 13 January 2015 the following directors left the Board: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office on the Board: Inmobiliaria AEG, S.A. de CV, Inmuebles Inseo, S.A. de CV, Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

On 27 November 2014 the company B 1998, S.L. became a public Limited company (S.A.), by means of a deed authorised by the Notary Public of Madrid, Jaime Recarte Casanova, under number 3244 of the records.

Complete the tables below regarding the members of the Company's Board of Directors who own shares with voting rights in the Company:

Name or company name of Director	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	Pct. of total voting rights
		Direct owner of stake	Number of voting rights		
-	-	-	-	-	-

A.4. Indicate, where appropriate, any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:

Related names or company names	Type of relationship	Brief description
-	-	-

A.5. Indicate, where appropriate, any commercial, contractual or corporate relationships between owners of significant stakes and the Company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:

Related names or company names	Type of relationship	Brief description
-	-	-

A.6. Indicate whether the Company has been notified of any shareholders' agreements which affect the Company as set out in Articles 530 and 531 of the Spanish Capital Companies Act. If so, list the shareholders involved and briefly describe the agreements:

YES

Participants in the shareholders' agreement	Pct. of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu and Financing Entities (Financing Agreement)	50,156	Relevant events of 08/07/2014 www.cnmv.es (See note).
Esther Koplowitz Romero de Juseu and Control Empresarial de Capitales SA de CV	50,156	Relevant event of 27/11/2014 www.cnmv.es (See note).

Note:

Relevant event of 08/07/2014: By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of Fomento de Construcciones y Contratas, S.A. (hereinafter, FCC) they might receive should they exercise the Warrants after the conversion of Tranche B ("Pact of Orderly Sale"). Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC), therefore hereby such pacts are disclosed and the corresponding clauses are published, in conformity with Articles 531.1 and 531.3 of LSC.

Relevant event of 27/11/2014: the controlling shareholder of FCC informed that the negotiations with Control Empresarial de Capitales SA de CV, a company fully owned by Inmobiliaria Carso SA de CV, were successfully completed. A copy of the agreement was enclosed.

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

NO

Participants in the concerted action	Pct. of share capital affected	Brief description of the action
-	-	-

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

B 1998, S.A. communicated to the CNMV, by means of a relevant event of 2/12/2014, the agreement whereby the minority shareholders Larranza XXI, S.L. and CaixaBank, S.A. exited the capital, which was executed on 15 January 2015. This divestment was carried out by means of the acquisition of its own shares by B 1998, S.A., and in exchange it delivered 2,700,000 and 2,533,146 shares of FCC respectively to Larranza XXI, S.L. and CaixaBank, S.A. Thus B 1998, S.A. is now the direct holder of 50,101,114 shares of FCC, which added to the 8,353,815 shares indirectly held by B 1998, S.A. though Azate, S.A.U., and represent 22.433% del capital social de FCC.

As a consequence, the shareholders' agreements regulating the corporate relations between Larranza XXI, S.L. and CaixaBank, S.A., individually, on the one hand, and Dominum Dirección y Gestión, S.L., on the other hand, in relation to B 1998, S.A., were no longer in force as of 15 January 2015. (Relevant event of 19/01/2015).

A.7. Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 4 of the Securities Market Law: If so, name the person.

NO

Name or company name
-

Comments
-

A.8. Complete the tables below about the Company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Pct. of share capital
232,747	0	0.089

(*) Through:

Name of direct owner of stake	Number of direct shares
-	-
Total:	

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	Pct. of share capital
07/02/2014	1,309,419	0	1.030
01/04/2014	1,289,845	0	1.013
23/05/2014	1,276,359	0	1.002
09/07/2014	1,283,224	0	1.007
29/08/2014	1,136,496	0	0.892
10/10/2014	1,326,629	0	1.041
12/11/2014	1,275,373	0	1.001

A.9. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell own shares.

Resolution of the Annual General Meeting of 23 May 2013 (item seven of the agenda):

The General Meeting of Shareholders, on 30 November 2009, resolved under item two of the agenda to approve a buyback programme of own shares to fulfil the obligations deriving from the issuance of exchangeable bonds, resolved under item one of the agenda at that same General Meeting.

The Board of Directors considers that, taking into account, among other particulars, the circumstances that gave rise to the acquisition of treasury stock on the basis of the above-mentioned resolution of the General Meeting, the Company must have the possibility of availing of such shares, subject to the Board of Directors closely monitoring the price of the Company's shares and, if necessary, it may approve a new share buyback programme under the terms passed by the above-mentioned General Meeting of Shareholders of 30 November 2009.

Based on the foregoing, it was resolved to authorise the Company to carry out any acts of disposal under any title allowed by law of the treasury stock held by the Company, which were acquired under the Buyback Programme approved by means of a resolution of the General Meeting of Shareholders on 30 November 2009 under item two of the agenda.

Resolution of the Extraordinary General Meeting of 30 November 2009 (item two of the agenda)

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, to approve a Company share buyback programme whose only purpose is (i) to fulfil the obligations of delivering own shares deriving from the issuance of exchangeable bonds for the amount of four hundred and fifty million euros (€450,000,000) approved by the Company under the resolution of the General Meeting of Shareholders on 18 June 2008 and by virtue of an Executive Commission resolution dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (including, for this purpose, the 5,090,000 shares loaned to the Underwriters), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the General Meeting. As a result of the foregoing, resolution six adopted by the General Meeting on 10 June 2009 is annulled to the extent that it has not been executed and the Company is authorised so that, directly or via any of its subsidiaries, within a maximum period of five years from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit, shares of the Company by any means allowed by law, all in conformity with Article 75 and related Articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its exchange or conversion obligations arising from the issuance of the Bonds and/or to reduce the Company's capital, as the case may be.

Resolution of the Annual General Meeting of 23 May 2013 (Item seven of the agenda)

According to the usual practice of listed companies, it is convenient that the Board of Directors have an authorisation for the derivative acquisition of treasury stock in the future, and for such purpose FCC, together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, were authorised for the derivative acquisition of treasury stock, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their stock exchange price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest market price in the three months prior to the time of acquisition.

The minimum value would be the result of deducting 20 per cent from the lowest market price, likewise in the three months prior to the time of acquisition.

By virtue of this authorisation the Board, the Steering Committee and the CEO, indiscriminately, may buy treasury stock, according to the terms provided in article 146 of the Capital Companies Act.

The Board of Directors, the Steering Committee and the CEO may also, indiscriminately, fully or partially allocate the treasury stock they acquire to the execution of remuneration programmes which have as their object or which entail the delivery of shares or share options, pursuant to the provisions in article 146.1 of the Capital Companies Act.

This authorisation is granted for the maximum period allowed by law, and it must also respect the applicable share capital ceiling according to the regulations in force at the time of acquisition.

The acquisition of the treasury shares, which must be fully called up, should allow the companies in the FCC Group that have acquired them to fill in the non-disposable reserve established by article 148, rule 3, of the Capital Companies Act."

Resolution of the Annual General Meeting of 27 May 2010 (Item seven of the agenda)

B. Company shares buyback programme and capital reduction

Under the provisions of Article 3 et seq. of European Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Resolution for a maximum of three hundred million euros (€300,000,000) (the "Securities"), and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes that have not been completed), which will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.

The Company is authorised so that, directly or via any of its subsidiaries, within a maximum period of five years from the date of this Meeting, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares of the Company by any means allowed by law, all in conformity with Article 75 and related articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- The shares acquired must have been fully paid up.
- The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its obligations to deliver existing shares in connection with the securities issue or to reduce the Company's capital so as to limit the dilution of existing shares if the shareholders exercise their right to convert or subscribe the newly issued shares in connection with the bond issue.

This resolution does not eliminate or alter the terms and conditions of previous share buyback programmes approved by the Company or the corresponding authorisations for the derivative acquisition of treasury stock, which shall remain in force. This share buyback programme is compatible with previous programmes in place. However, this programme may only be carried out to the extent that it does not preclude the complete fulfilment of prior share buyback programmes and hence the achievement of the aims for which they were approved.

Note:

A relevant event was reported to the CNMV on 1 July 2011 under number 146731 communicating the suspension of the Share Buyback Programme by the Company.

Furthermore, on 6 July 2011, a Relevant Event was reported to the CNMV under number 146998, communicating the subscription of a liquidity contract Santander lnvestment Bolsa, Sociedad de Valores, S.A.

A relevant event was reported to the CNMV on 26 July 2013 under number 191238 communicating the renewal of the liquidity contract. The CNMV was informed of the end of operations pursuant to the liquidity contract subscribed with Santander Investment Bolsa, Sociedad de Valores, S.A., on 6 July 2011 in respect of company shares under the operativity conditions established by applicable regulations. FCC has subscribed a Liquidity Contract with Bankia Bolsa, Sociedad de Valores, S.A. This contract is applicable to Spanish stock exchanges and the object of the agreement is to favour trading liquidity and regularity. The term of the Liquidity Contract is twelve months, tacitly renewable for 12-month periods and 180,000 shares and EUR 1.7 million is allocated.

It was also reported that said liquidity contract is established in conformity with the provisions in Circular 3/2007, of 19 December, of the National Securities Market Commission (CNMV).

On 18 November 2014, the Company sent the CNMV relevant event no. 214288, communicating the temporary suspension of operations pursuant to the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A., dated 26 July 2013 (Register 191238) involving company shares in the operativity conditions established by the applicable regulations.

On 21 January 2015, the Company informed the CNMV, by means of relevant event no. 217446, of the renewal, as from 22 January 2015, of the liquidity agreement undersigned with Beka Finance, Sociedad de Valores, S.A.

A.10. Indicate whether there are any legal restrictions on the transfer of securities and/or the exercise of voting rights. In particular, any types of restrictions which might hinder the control of the company by acquiring shares on the market shall be communicated.

YES

Description of the restrictions
By virtue of the provisions in the long-term syndicated financing agreement that was undersigned between 24 and 31 March 2014 and entered into full force on 26 June 2014, the financing entities assumed a number of restrictions on the transfer of shares ("Pact of Non-transfer of Shares") and a commitment to the orderly sale of the new shares of FCC they might receive should they exercise the Warrants after the conversion of Tranche B ("Pact of Orderly Sale"). Since the Pact of Non-transfer and the Pact of Orderly Sale represent a restriction of the free transferability of FCC shares, as the case may be, of the financing entities, both these pacts are shareholders' agreements pursuant to Article 530 of the Capital Companies Act (hereinafter, LSC) For further information consult the Relevant Event of 08/07/2014, number 208276. Also, according to the **agreement to invest in FCC between B 1998, S.L. and Control Empresarial de Capitales, S.A. de C.V.** (see relevant event filed with the CNMV no. 214618), the parties undertake, in pact no. 6.1, not to sell or transfer under

any title, or negotiate a transaction of that nature with any third parties, 85% of the shares held by the current shareholders and the investor, until the fourth anniversary of the date of the subscription and payment of the shares by the investor within the capital increase (the "Lock-up Period"), with the exceptions described in said agreement.

On the other hand, in the **Note on Shares registered at the CNMV, section 7.3. (Lock-up agreements)** (page 69), contains the following restrictions in relation to the capital increase:

• FCC
By virtue of the Insurance Contract*, FCC has undertaken vis-à-vis the Global Coordinating Entities*, during a period running from the date of the Insurance Contract until the 180 next days starting from next trading day after the date of the public deed documenting the execution of the Capital Increase, mainly not to do the following without the consent of those Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or register a prospectus with any regulating entity in relation to the above-mentioned transactions, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects. The above operations shall not apply to the transactions carried out by the Company in relation to the Capital Increase, the grant of share options or rights in relation to employee bonus plans, dividend payments, transactions involving treasury shares or the conversion of warrants or other instruments already scheduled to be issued as of the date of this Note on Securities.

• B 1998, S.L. and Azate, S.A.U.

- B 1998, S.L. and Azate, S.A.U. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.
- By virtue of the investment agreement described under 5.2.2 above, B 1998, S.L. and Azate, S.A.U. have undertaken, for a period of 4 years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the holding of B 1998, S.L. and Azate, S.A.U. drops below 85% of their holding at the time when the Capital Increase is executed.

• CaixaBank, S.A.
CaixaBank, S.A. has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it

holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

- Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A.

Banco Bilbao Vizcaya Argentaria, S.A. and Bankia, S.A. have undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: they shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

- Strategic Investor

– The Strategic Investor has undertaken vis-à-vis the Global Coordinating Entities during a term starting on 27 November and up until 180 days elapse since the listing of the New Shares, mainly not to do the following without the consent of the Global Coordinating Entities: it shall not issue, sell, pledge, grant rights, options, warrants, loans or in any way, whether directly or indirectly, dispose of the shares held in the company or of any other instrument that is convertible or exchangeable for shares in the company, or enter into any contract for the transfer, whether fully or partially, directly or indirectly, of the economic value inherent to the ownership of the shares it holds in the company or enter into any other kind of contract or transaction having the same economic effects as the above-mentioned transactions.

– By virtue of the investment agreement described under 5.2.2 above, the Strategic Investor has undertaken, for a period of four years as from the date of execution of the Capital Increase, not to negotiate with third parties or to carry out a sales transaction or a transfer under any title entailing that the Strategic Investor's holding drops below 85% of its holding at the time when the Capital Increase is executed.

*On 27 November 2014 an Insurance Contract was signed between FCC, as the issuer, and the Insurance Entities (which act as insurers and also place securities). Banco Santander, S.A. J.P. Morgan Securities, plc, Morgan Stanley & Co. International plc, CaixaBank, S.A., Société Générale and Fidentiis Equities Sociedad de Valores, S.A. act as insurance entities in relation to the Capital Increase (the "Insurance Entities"). These Insurance Entities insure the entirety of the New Shares except the Locked-up Shares.

A.11. Has the General Meeting of Shareholders resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007?

NO

Detail, if appropriate, any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

A. 12. Indicate if the company has issued securities that are not negotiated on a regulated market in the European Community.

NO

Detail, if appropriate, the different classes of shares and, for each class of shares, the rights and obligations they confer.

B – GENERAL MEETING

B.1 State whether there are any differences between the minimum requirements established in the Capital Companies Act (LSC) and the quorum required for a General Meeting to be held.

YES

	Quorum percentage other than that established in art. 193 of LSC for general cases	Quorum percentage other than that established in art. 194 of LSC for special cases mentioned in art. 194 of LSC
Quorum required at first call	**50**	
Quorum required at second call	**45**	**45**

Description of differences
The annual and extraordinary General Meetings are quorate: Generally, when the shareholders present or represented at first call possess at least fifty per cent of the share capital with voting rights. At second call, the Meeting is quorate when the shareholders present or represented possess at least forty-five per cent of the share capital with voting rights. Specifically, in order for the Meeting to validly decide on bond issues, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws, shareholders possessing at least fifty per cent of the share capital with voting rights must be present or represented at the meeting at first call. At second call, it will suffice for shareholders accounting for at least forty-five per cent of the subscribed voting capital to be present or represented. When the shareholders in attendance or represented at second call account for less than fifty per cent of the subscribed capital with voting rights, the types of resolutions referred to above may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

B.2 State whether there are differences in respect of the system established in the Capital Companies Act (LSC) for the adoption of corporate resolutions.

NO

Describe the differences in respect of the system provided in LSC.

	Special majority other than that established in article 201.2 of LSC for the cases mentioned in art. 194.1 of LSC	Other cases requiring a special majority
Pct. established by the entity for adopting resolutions		
Describe the differences		

B.3 State the rules applying to the amendment of the company bylaws. In particular, indicate the majorities established for the amendment of the bylaws and, as the case may be, the rules established for the protection of shareholder rights in the amendment of the bylaws.

There are no differences with respect to the rights set out in the Capital Companies Act.

Nota:

By virtue of the Agreement undersigned between the companies B 1998, S.L., Azate, S.AU. Dominum Dirección y Gestión, S.L. and Control Empresarial de Capitales, S.A. de CV on 27 November 2014, the parties have undertaken (clause 5), in relation to the corporate governance of FCC, to call an extraordinary general meeting of shareholders of FCC, attend the meeting and vote for the following decisions:

To amend the bylaws of FCC such that the vote for of at least 50% of the share capital be required for the Meeting of Shareholders to adopt decisions on the following matters:

- Amendment of the corporate purpose.
- Transfer of the registered office abroad.
- The issuance of shares or bonds or convertible securities which exclude pre-emptive rights for shareholders of FCC.
- The issuance or creation of share classes or share series other than those currently outstanding.
- Any remuneration or bonus system for directors or senior executives consisting of the delivery of shares, share options or which in any way are linked to the share price.
- The winding-up, liquidation, merger, spin-off, transfer en bloc of assets or liabilities, change of corporate form or filing for bankruptcy.
- The amendment of the articles of the bylaws regulating the above matters.

B.4 Indicate the figures on the attendance of General Meetings held during the year referred to in this report and those of the previous year:

	Pct. in attendance				
Date of General Meeting	**Pct. present**	**Pct. represented**	**Pct. of distance vote: Electronic voting**	**Pct. of distance vote: Others**	**Total**
23/06/2014	51.072%	10.587%		0.107%	61.659%
20/11/2014	50.745%	13.600%		0.050%	64.345%

Note:

The final attendance list for the Meeting of Shareholders of 23 June 2014 was as follows:

- 149 shareholders in attendance controlling 65,016,796 shares accounting for 51.072% of the share capital.
- 897 shareholders represented controlling 13,477,288 shares accounting for 10.587% of the share capital.

As established in the Capital Companies Act, the 38 shareholders controlling 136,438 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 78,494,084, accounting for 61.659% of the subscribed share capital and valued at EUR 78,494,084.00.

The Company held 218,747 shares of treasury stock, equivalent to 0.172% of the share capital.

The final attendance list for the Meeting of Shareholders of 20 November 2014 was as follows:

- 100 shareholders in attendance controlling 64,600,006 shares accounting for 50.745% of the share capital.
- 654 shareholders represented controlling 17,312,845 shares accounting for 13.600% of the share capital.

As established in the Capital Companies Act, the 26 shareholders controlling 63,320 shares who resorted to distance voting were counted as shareholders in attendance.

The total number of shares present or represented at the General Meeting was 81,912,851, accounting for 64.345% of the subscribed share capital and valued at EUR 81,912,851.00.

The Company held 232,747 shares of treasury stock, equivalent to 0.183% of the share capital.

B.5 State whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting.

NO

No. of shares required to attend the General Meeting	

B.6 State whether it has been resolved that certain decisions entailing a structural modification of the company (‘subsidiarisation’, purchase and sale of essential operating assets, transactions equivalent to the liquidation of the company, etc.) must be submitted to the General Meeting of Shareholders for approval, even though it is not expressly required in the Mercantile Laws.

YES

Article 8.6 of the Board Rules establishes that the Board of Directors will be answerable for its performance to the General Meeting of Shareholders, and it shall submit to the prior approval of the latter, any transactions entailing a structural amendment of the Company, in particular the following:

(i) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the original firm, even though the latter retains full control of the former;

(ii) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

(iii) Operations that are equivalent to the Company's liquidation.

B.7 Give the address and instructions for accessing corporate governance content and any other information on general meetings that must be made available to shareholders via the Company's web page.

The FCC website (www.fcc.es) has a page dedicated to Corporate Governance, accessible from the home page under 'Information for shareholders and investors' and 'Corporate responsibility'. This page includes the information on the Company's Corporate Governance regulations, government bodies, annual reports on corporate governance and remunerations, meetings of shareholders and shareholders' agreements. These sections provide a specific access for electronic voting and for the electronic shareholder forum, pursuant to the provisions in article 539.2 of the consolidated text of the Capital Companies Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles. All of its pages can be printed.

The FCC website has been designed and programmed according to the WAI (Web Accessibility Initiative) guidelines, which sets international standards for the creation of web contents accessible across the world. The AENOR Accessibility Consultants, after conducting a technical analysis of accessibility, established that the FCC Group website complies with all of the priority 2 and priority 1 checkpoints, according to the UNE 139803:2004 Standard, which is in turn based on the Web 1.0 Content Accessibility Guidelines of W3C (known as WAI guidelines).

The site includes a link under 'Information for shareholders and investors' to the data reported by FCC to the CNMV website.

C – STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 **Board of Directors**

C.1.1 Maximum and minimum number of Directors provided in the bylaws:

Maximum number of Directors	22
Minimum number of Directors	5

C.1.2 Fill in the table below with the members of the Board:

Name or company name of Director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Dominum Desga, S.A	Esther Alcocer Koplowitz	Chair-woman	27/09/2000	01/06/2011	Voted at Shareholder Meeting
B 1998, S.A.	Esther Koplowitz Romero de Juseu	First Vice-President	17/12/1996	31/05/2012	Voted at Shareholder Meeting
Juan Béjar Ochoa		CEO	31/01/2013	23/05/2013	Voted at Shareholder Meeting
E.A.C. Inversiones Corporativas, S.L.	Alicia Alcocer Koplowitz	Director	30/03/1999	23/06/2014	Voted at Shareholder Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Director	26/10/2004	27/05/2010	Voted at Shareholder Meeting
Fernando Falcó y Fernández de Córdova		Director	18/12/2003	27/05/2010	Voted at Shareholder Meeting
Marcelino Oreja Aguirre		Director	21/12/1999	27/05/2010	Voted at Shareholder Meeting
Rafael Montes Sánchez		Director	06/03/1992	23/06/2014	Voted at Shareholder Meeting
Felipe Bernabé García Pérez		Director	30/03/1999	27/05/2010	Voted at Shareholder Meeting
Larranza XXI, S.L.	Lourdes Martínez Zabala	Director	13/01/2005	27/05/2010	Voted at Shareholder Meeting
E.A.C. Medio Ambiente, S.L.	Henri Proglio	Director	25/09/2014	20/11/2014	Voted at Shareholder Meeting
Olivier Orsini		Director	18/07/2013	23/06/2014	Voted at Shareholder Meeting
Gustavo Villapalos Salas		Director	18/07/2013	23/06/2014	Voted at Shareholder Meeting
Gonzalo Rodríguez Mourullo		Director	18/07/2013	23/06/2014	Voted at Shareholder Meeting

Total number of Directors	14

Note:

On 13 January 2015 the following directors left their position on the Board of Directors: Rafael Montes, Marcelino Oreja, Fernando Falcó y Fernández de Córdoba, Felipe B. García Pérez and E.A.C. Medio Ambiente, S.L. On the other hand, the following directors took office: Inmobiliaria AEG, S.A. de CV, Inmuebles Inseo, S.A. de CV, Alejandro Aboumrad González, and Gerardo Kuri Kaufmann.

State any removals from the Board of Directors in the period:

Name or company name of Director	Status of Director at time of removal	Date removed
César Ortega	External Independent Director	04/12/2014
Cartera Deva, S.A.	External Nominee Director	31/03/2014
Gonzalo Anes y Álvarez de Castrillón	External Independent Director	31/03/2014
Henri Proglio	External Independent Director	22/09/2014
Claude Serra	External Nominee Director	23/06/2014

C.1.3 Fill in the table below on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name of Director	Committee that proposed the appointment	Position in the Company
Juan Béjar Ochoa	Appointments and Remunerations Committee	CEO
Felipe B. García Pérez	Appointments and Remunerations Committee	Company Secretary

Total number of executive Directors	2
Pct. of the Board	14.29

EXTERNAL NOMINEE DIRECTORS

Name or company name of Director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
Dominum Desga, S.A	Appointments and Remunerations Committee	B 1998, S.A.
B 1998, S.A.	Appointments and Remunerations Committee	B 1998, S.A.
E.A.C. Inversiones Corporativas, S.L.	Appointments and Remunerations Committee	B 1998, S.A.

Dominum Dirección y Gestión, S.A.	Appointments and Remunerations Committee	B 1998, S.A.
Fernando Falcó y Fernández de Córdova	Appointments and Remunerations Committee	B 1998, S.A.
Marcelino Oreja Aguirre	Appointments and Remunerations Committee	B 1998, S.A.
Rafael Montes Sánchez	Appointments and Remunerations Committee	B 1998, S.A.
Larranza XXI, S.L.	Appointments and Remunerations Committee	B 1998, S.A.
E.A.C. Medio Ambiente, S.L.	Appointments and Remunerations Committee	B 1998, S.A.

Total number of nominee Directors	9
Pct. of the Board	64.29

EXTERNAL INDEPENDENT DIRECTORS

Name of Director	Profile
Olivier Orsini	He has a degree in Applied Economics and a diploma from the Ecole Supérieure de Commerce of Paris, and is widely experienced internationally in the environmental services and infrastructure management sectors. He was the chairman of Proactiva from December 2002 to 2013, and the company secretary of Veolia Environnement, the first environmental services group in the world, where he developed almost all his career up until April 2012.
Gonzalo Rodríguez Mourullo	Ph.D. In law from the University Of Santiago De Compostela. Currently he is professor emeritus of the Autonomous University of Madrid and full member of the Royal Academy of Case Law and Legislation. He was awarded the Castelao Medal, the highest distinction of the Xunta De Galicia, for his contribution to law. He has been a member of the Madrid Bar Association since 1962.
Gustavo Villapalos Salas	Ph.D. in law and professor of the history of law at the Complutense University of Madrid, of which he was the Dean from 1987 to 1995. In 1995 he was appointed Regional Minister of Education, Culture and Sports of the Autonomous Community of Madrid, a position he held until 2001. He is Doctor Honoris Causa of over 20

	universities across the world. He is the chairman of the OSCE Human Rights subcommittee, a member of the advisory committee on the UNESCO World Heritage sites, of the Royal Academy of Case Law and Legislation, and of the Royal Academy of Moral and Political Sciences.

Total number of Independent Directors	3
Pct. of total Board members	21.43

State whether any of the Directors considered independent Directors receive from the Company or from the group any sums or benefits other than their remuneration as Directors, or whether they maintain or have maintained during the last year a business relationship with the company or with any of the companies in its group, either in his own name or as a significant shareholder, director or senior executive of a company maintaining or that maintained such a relationship.

In such event, include a statement by the Board justifying the reasons why it considers that said Director may perform Functions as an independent Director.

Name of Director	Description of the relationship	Statement

OTHER EXTERNAL DIRECTORS

Name of Director	Committee that proposed the appointment

Total number of other external Directors	
Pct. of total Board members	

State why these Directors cannot be considered nominee or independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name of Director	Reasons	Company, executive or shareholder with which he/she is related

Indicate any changes in Directors' status in the period:

Name of Director	Date of change	Former status	Current status

C.1.4 Fill in the table below on the number of women on the Board over the last four years, as well as what type of Directors they are:

	Number of female Directors				Pct. of total Directors of the same kind			
	FY t	FY t-1	FY t-2	FY t-3	FY t	FY t-1	FY t-2	FY t-3
Executive	0	0	0	0	0	0	0	0
Nominee	5	5	5	5	55.555	50.000	45.454	45.454
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0
Total	5	5	5	5	35.71	27.78	27.78	27.78

C.1.5 State the measures adopted, as the case may be, in order to include a number of women on the Board of Directors such as to be able to reach a balanced number of women and men on the Board.

Explanation of the measures
Article 42.3.h of the Board Rules establishes the following among the functions of the Appointments and Remuneration Committee: "Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female Directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation." On 18 November 2014 FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Servicios Ciudadanos, for the promotion of the balanced participation of men and women on Boards of Directors). According to said agreement the Board of Directors of FCC undertakes to: advance in the fulfilment of the recommendation of art. 75 of Organic Law 3/2007, of 22 March, for the Effective Equality of Men and Women; publicly disclose and keep duly updated the data on the directors in conformity with recommendation 28 of the Unified Code of Corporate Governance; include in the internal regulations specific references to the promotion of the balanced participation of men and women on the Board; as well as trying to incorporate members of the least represented gender to the Board. Also, FCC has signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

C.1.6 Explain the measures adopted, as the case may be, by the Appointments Committee so that the selection procedures are not tainted by implicit biases hindering the selection of women, and so that the Company deliberately seeks women candidates with the appropriate professional profile.

Explanation of the measures
Article 42.3.h of the Board Rules establishes the following among the functions of the Appointments and Remuneration Committee: "Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female Directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation."

If despite the measures adopted, as the case may be, there is a very low number of women on the Board or none at all, explain the reasons justifying this:

Explanation of the reasons

C.1.7 State how shareholders with significant holdings are represented on the Board:

The shareholder B 1998, S.A. is a director of FCC. Also, eight other directors have been designated at the proposal of B 1998, S.A.: Dominum Desga, S.A; EAC Inversiones Corporativas, S.L.; Dominum Dirección y Gestión, S.L.; Fernando Falcó y Fernández de Córdova; Marcelino Oreja Aguirre; Rafael Montes Sánchez; Larranza XXI, S.L.; and E.A.C. Medio Ambiente, S.L..

William H. Gates III is not represented on the Board of Directors of FCC.

C.1.8 Explain, as the case may be, the reasons why nominee directors have been appointed at the request of shareholders whose holding is below 5% of the capital:

Name or company name of shareholder	Reason

State whether any formal requests for Director positions on the Board have been rejected, when the shareholders making such request have holdings equivalent to or greater than other shareholders who do have nominee Directors. Detail the reasons for any such rejection, as the case may be:

NO

Name or company name of shareholder	Explanation

C.1.9 State whether any directors have been removed from office before the end of their term, if they have explained the reasons to the Board and via what means, and if an explanation was given in writing, then state the reasons that they themselves gave:

Name of Director	Reason for removal
Cartera Deva, S.A.	Transfer of its holding in the share capital of B 1998, S.A. to Caixabank.
Gonzalo Anes y Álvarez de Castrillón	Died
Henri Proglio	Personal reasons
César Ortega	Personal reasons

C.1.10 State the powers delegated to the Managing Director(s) or CEO(s), if any are delegated:

Name or company name of Director	Brief description
Juan Béjar Ochoa	Article 35.2 of the Rules of the Board of Directors establishes that: "The Board may delegate permanently, to one or more of its members, all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Association or these Rules, may not be delegated. In order to be valid, the permanent delegation of the powers of the Board of Directors and the designation of the Director or Directors delegated with such powers, regardless of their title, will require the favourable vote of at least two-thirds of the members of the Board of Directors. The CEO is responsible for representing and directing the Company's business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective authority. The effective representation and direction of the Company's business affairs includes but is not limited to: - Supporting the Board of Directors in defining the Group's strategy. - Drafting the Business Plan and Annual Budget to be submitted to the Board of Directors for approval. - Preparing, and submitting to the Board of Directors or the Steering Committee for approval, depending on whether the amount involved is more or less than eighteen million euros, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility. - Hiring and dismissing any company employees, with the

	exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules. Once per year, at the first Board meeting of the year, the CEO will inform the members of the Steering Committee of the actual level of compliance with the forecasts contained in the investment proposals submitted to the Committee and to the Board of Directors for approval." Article 7.2 of the Rules of the Board of Directors establishes that: "In any event, through the passing of resolutions which must be approved in each case as stipulated by law and the Articles of Association, the plenary Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated: a) Appointment and removal of the Chairman, Vice-President, CEOs, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the CEO, the appointment, removal and, when appropriate, indemnity clauses for the senior executives in the Company's functional areas (Administration, Finance, Human Resources, and the General Secretariat), of members of the Management Committee and, in general, the Company's Senior Executives. b) Propose to respective Boards of Directors, at the initiative of the CEO and through the Company's representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and CEOs of the parent companies of FCC Group FCC in this respect shall act in pursuit of the corporate interest of each of them. c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Association, and revoking such powers. d) Appointment and removal of Directors who are to make up the various Committees envisaged in these Rules. e) Supervising the Board's Delegated Committees. f) The appointment of Directors by co-optation if vacancies arise, up until the next General Meeting. g) The acceptance of resignations tendered by Directors. h) Drawing up the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends, as the case may be. i) Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the CEO , and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the Group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise. j) Approving investments and financing policy, particularly the approval of investments, divestments, credit lines, loans, surety or guarantee lines, and other financial facilities within the limits that the Board of Directors itself establishes, as well as investments and

	any other types of transactions whose specific circumstances make them strategic. k) In general, the Board's organisation powers and especially the power to amend the Regulations herein. l) The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting." Also, article 8 ("General Functions – Equilibrium in the development of functions "), establishes in section 1: "It is up to the Board of Directors to develop any actions that are necessary to carry out the corporate purpose established in the Bylaws, pursuant to the applicable laws." On the other hand, section 2 states that: "Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers." The Board of Directors, at its meeting of 31 January 2013, delegated to Mr Juan Béjar Ochoa, effective as from 1 February 2013, a number of different kinds of powers, such as: financial powers, powers of relationship with clients and suppliers, powers related to employment, administration and disposal, powers related to companies and associations, of a legal nature and internal powers. This delegation facilitates the management of the Group and enhances the external manifestation of the Company's will.

C.1.11 Identify, if appropriate, the members of the Board who hold Director or senior executive positions in other companies that are part of the group of the listed company:

Name or company name of Director	Name of group entity	Position
E.A.C. Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Director
	FCC Construcción, S.A.	Director
Juan Béjar Ochoa	Cementos Portland Valderrivas, S.A.	Director
Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A.	Director
Felipe B. García Pérez	FCC Construcción, S.A.	Director-Secretary
	FCC Power Generation, S.L. Unipersonal	Director-Secretary
E.A.C. Medio Ambiente, S.L.	Cementos Portland Valderrivas, S.A.	Director
Olivier Orsini	Cementos Portland Valderrivas, S.A.	Director
Gustavo Villapalos Salas	Cementos Portland Valderrivas, S.A.	Director

C.1.12 State, if appropriate, the directors of your company who are members of the Board of Directors of other companies listed on official securities exchanges in Spain that are not in your same group of companies, which have been communicated to your company:

Name or company name of Director	Name of listed company	Position
Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director
E.A.C. Inversiones Corporativas, S.L.	Realia Business, S.A.	Director
Rafael Montes Sánchez	Realia Business, S.A.	Director

C.1.13 State whether the Company has established rules about the number of directorships its Board members can hold, and describe any such rules:

YES

Explanation of the rules
Article 24.3 of the Board Rules establishes that "Before accepting any management position or Directorship at another company or entity, Directors must consult the Appointments and Remuneration Committee. Article 22.3 of these Regulations establishes that "Directors must inform the Appointments and Remuneration Committee of any other professional obligations they may have, in case they might interfere in the required dedication to office, and the Board of Directors, following a proposal of the Appointments and Remuneration Committee, must establish how many directorships its Board members may hold."

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C.1.14 State the policies and general strategies that the Board in full session has reserved the right to approve:

	Yes	No
Investment and financing policy	x	
Definition of the structure of the group of companies	x	
Corporate governance policy	x	
Corporate social responsibility policy	x	
Strategic or business plan and the annual management and budget objectives	x	
Remuneration policy and assessment of senior management performance	x	
Risk control and management policy and periodical follow-up of internal control and reporting systems	x	
Dividend and treasury share policy, especially its limits	x	

C.1.15 Indicate the overall remuneration of the Board of Directors

Remuneration of the Board of Directors (in thousand euros)	5,659.20
Amount of the overall remuneration corresponding to pension rights accrued by the Directors (in thousand euros)	3,242.60
Overall remuneration of the Board of Directors (in thousand euros)	8,901.80

Note:

Juan Béjar accrued in 2014 a variable triennial remuneration of 1,600,000 euros corresponding to the year 2013, the payment being subject to his contract conditions.

C.1.16 Identify the senior executives who are not executive directors, and state the total remuneration they accrued during the year:

Name or company name	Position(s)
Agustín García Gila	Chairman of Environmental Services
Eduardo González Gómez	Chairman of FCC Aqualia and Director of FCC's Institutional Relations
José Luis Sáenz de Miera	Chairman and CEO of Cementos Portland Valderrivas
Miguel Jurado Fernández	Chairman of FCC Construcción
Juan José Drago Masía	General Manager of Administration
Miguel Hernanz Sanjuan	General Manager of Internal Audits
Víctor Pastor Fernández	General Manager of Finance
José Manuel Velasco Guardado	General Manager of Communication and Corporate Responsibility
Ana Villacañas Beades	General Manager of Organisation

Total remuneration of senior management (in thousand euros)	4,130.93

Note:

During the year senior executive positions in FCC were also held by: Fernando Moreno (Chairman of FCC Construcción) and Antonio Gómez Ciria (General Manager of Administration).

C.1.17 Indicate, as the case may be, the identity of members of the Board who are in turn members of the Board of Directors of significant shareholder companies and/or in group subsidiaries:

Name or company name of Director	Company name of significant shareholder	Position
Dominum Desga, S.A.	B 1998, S.A.	Director
Dominum Dirección y Gestión, S.L.	B 1998, S.A.	Director
EAC Inversiones Corporativas, S.L	B 1998, S.A.	Director

Rafael Montes Sánchez	B 1998, S.A.	Director

Identify any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

Name or company name of Director	Name or company name of related significant shareholder	Description of relationship
Larranza XXI, S.L.	B1998, S.A.	B 1998, S.A. shareholder agreements.
B 1998, S.A.	Control Empresarial de Capitales, S.A. de C.V.	Agreement for investment in FCC, S.A. (Relevant event of 27/11/2014 filed with CNMV).

C.1.18 State whether there have been any amendments of the Board Rules during the year:

NO

Description of the amendments

C.1.19 State the procedure for appointing, re-appointment, assessing and removing directors. State the competent bodies, the process and the criteria for each procedure.

The General Meeting is in charge of appointing and removing Board members. Directors may be re-elected indefinitely one or more times, for three-year terms.

Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

Article 16. "Appointment, ratification or re-appointment of Directors"

"Proposals for the appointment or re-appointment of Directors submitted by the Board of Directors to the General Meeting of Shareholders for its consideration, and the appointments made by the Board using the powers of co-optation attributed to it by law must fall upon people of recognised integrity, fitness, technical competence and experience, and must be approved by the Board based on a proposal from the Appointments and Remuneration Committee, in the case of independent Directors, and based on a prior report of the Appointments and Remuneration Committee, in the case of other Directors."

Article 18. "Term of office"

"1. Directors shall hold office for the term established in the bylaws.

2. The Directors appointed by co-optation will hold office until the next General Meeting is held. This period will not count toward the term established in the preceding paragraph.

3. Directors whose mandates expire or who cease to sit on the Board for any reason may not render services to FCC competitors for two years.

4. If the Board of Directors deems it appropriate, it may dispense former Directors from this obligation or shorten the term thereof."

Article 19. "Re-appointment of Directors"

"Prior to proposing re-appointment of any Director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report that evaluates the quality of work and dedication of the proposed Directors during their previous mandate."

Assessment:

Article 38. "Meetings of the Board of Directors"

"6. The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work and the efficacy of its rules and, if necessary, correcting any aspects which have been shown to be dysfunctional. At that meeting, in light of the relevant report submitted by the Appointments and Remuneration Committee, it will also evaluate the performance of functions of the Chairman of the Board and of the CEO, as well as the performance of its committees based on the reports submitted by these."

Article 20. "Removal of Directors"

"1. Directors shall be removed from office when the term for which they were appointed has elapsed or when the General Meeting so decides exercising the powers granted to it by the law and the bylaws."

Article 21. "Nature of Board resolutions on this matter"

"Pursuant to the provisions of Article 25 of these Rules, the Directors being proposed for appointment, re-appointment or dismissal may not participate in the debates or vote on these issues."

. . .

Regarding corporate governance in FCC, see the Agreement for Investment in FCC S.A. (relevant event no. 214618 filed with the CNMV of 27 November 2014) undersigned by B 1998, S.A. and Control Empresarial de Capitales, S.A. de C.V., 5th shareholders' Agreement, on undertakings by the parties in terms of the "Corporate Governance of FCC."

C.1.20 State whether the Board of Directors has evaluated its activities during the year:

YES

As the case may be, explain to what extent that self-evaluation has given rise to important changes in its internal organisation and in the procedures applying to its activities:

Description of Amendments
The Board of Directors of FCC issued, on 19 May 2014, a report evaluating the quality and efficiency of its performance and of its Committees in respect of the year 2013, in order to comply with the duty imposed by Article 38.6 of the Rules of the Board of Directors. The Board considered it convenient to again seek advice from the consultancy firm Spencer Stuart, as it had done in the year 2012 (in respect of the year 2011), to help

improve the evaluation of the functioning of the administration bodies and thereby achieve a more transparent and effective corporate governance.

Spencer Stuart started by drawing up a checklist for the self-assessment of the Board and for the assessment of the CEO and the Chairwoman. The self-assessment matters consisted of the composition, organisation and functioning of the Board, the knowledge and involvement of the Board, relations with senior management and the organisation and functioning of the committees. The two partners of Spencer Stuart had individual meetings with each of the directors and, after the corresponding analysis and the drawing up of their conclusions, they presented a document to the Appointments and Remuneration Committee and then to the Board.

The study conducted by Spencer Stuart concluded with a number of recommendations and suggestions to improve aspects of the current Board practise:

- Reducing the number of Board members.
- Increasing the number of directors with CEO experience in complex global companies.
- Increasing the permanent training for directors.
- Dedicating at least one Board meeting per year to strategic aspects.
- Creating a Global Succession Plan or Protocol.

The Appointments and Remuneration Committee also made a positive assessment of the conclusions of the Spencer Stuart report and made sure to oversee the effective implementation of the recommendations. Additionally, the Committee also drew up a report on the scores of the directors and the performance of the chairwoman and the CEO during the year 2013.

Fulfilling the above mandate, at the meeting of the Board of Directors held on 19 May 2014 a resolution was passed (Resolution 32/2014) whereby the document submitted by that Committee was approved.

C.1.21 State the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board establishes the following:

1. Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Bylaws."

2. The Directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:

a) In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.

b) In the case of nominee directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that its number of nominee directors must be reduced.

c) When they fall under a situation of incompatibility or legal disqualification provided by law.

d) When the Board, by a two-thirds majority, asks the director to resign:

- if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee or

- when his or her permanence on the Board may jeopardise the Company's credibility and reputation; directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether the Director must resign or not, and it must give a justification in the Annual Corporate Governance Report.

C.1.22 Explain whether the functions of the Company's chief executive are performed by the Chairman of the Board. If so, state the measures taken to limit the risk of a single person accumulating power:

NO

Risk-limiting measures

State whether the Company has established rules to empower an independent Director to request a Board meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external Directors; and to lead the Board's evaluation; of any such rules:

YES

Explanation of the rules
Article 34.3 of the Rules of the Board establishes the following: "When a Company's Chairman is also its CEO or top executive, an independent Director should be empowered by the Board to request the calling of Board meetings or the inclusion of new business on the agenda, to coordinate and give voice to the concerns of external Directors, and to lead the Board's evaluation of the Chairman".

C.1.23 Is a supermajority, other than the legal majority, required in some decisions?

NO

If so, describe the differences.

Description of differences

C.1.24 Detail whether there are specific requirements, other than those relating to directors, to be appointed Chairman.

NO

Description of requirements

C.1.25 State whether the chairman has a casting vote:

NO

Issues in respect of which there is a casting vote

C.1.26 State whether the Bylaws or the Rules of the Board establish an age limit for directors:

NO

Age limit for Chairman	Age limit for CEO	Age limit for Directors
-	-	-

C.1.27 State whether the Bylaws or the Rules of the Board establish a term limit for independent directors, other than that established in the regulations:

NO

Maximum number of years in office	-

C.1.28 State whether the bylaws or the rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, how this is done and, in particular, the maximum number of delegations to one same Director, as well as whether it is compulsory to delegate one's vote to a Director of the same class. If so, give a brief description.

There are no are formal processes for delegating votes on the Board of Directors.

C.1.29 State the number of Board of Directors meetings held in the year. Also, state the number of times that the Chairman did not attend the Board meeting. Proxies granted with specific instructions are not counted as absences:

Number of meetings of the Board of Directors	13
Number of Board meetings without the attendance of its Chairman	0

Indicate the number of meetings held by the various Board Committees in the year:

Number of Steering Committee meetings	9
Number of Audit or Control Committee meetings	7
Number of Appointments and Remuneration Committee meetings	9

C.1.30 State the number of Board of Directors meetings held in the year that were attended by all of its members. Proxies granted with specific instructions are not counted as absences:

Attendance by Board members	184
Pct. of attendance over the total votes during the year	88.88

C. 1.31 State whether the individual and consolidated financial statements that are presented for Board approval have been certified:

YES

Indicate any person(s) who have certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Juan Béjar Ochoa	CEO
Juan José Drago Masià	General Manager of Administration
Víctor Pastor Fernández	General Manager of Finance

C.1.32. Detail whether the Board of Directors has established any mechanisms to avoid that the individual and consolidated financial statements authorised by it be presented to the General Meeting with audit qualifications.

The Audit and Control Committee has among its functions that of revising the process of drafting the economic and financial reports that FCC Group publishes from time to time. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' drawing up of the annual financial statements, the Audit and Control Committee thoroughly examines those statements and requests that the external auditor explain the conclusions of its review so that, once the statements are approved by the Board, the external auditor’s report contains no qualifications.

C.1.33. Is the Secretary of the Board a Director?

NO

Note:
Mr Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

C.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the Appointments Committee was consulted and the appointment or removal was approved by the full Board:

Appointment and removal procedure
Article 36 of the Board Rules (Secretary of the Board. Functions. Vice-secretary of the Board) establishes that the Secretary of the Board does not have to be a Director. The appointment and removal must be approved by a full Board meeting based on a proposal by the Appointments and Remuneration Committee. Also, Article 42 of the Rules (Appointments and Remuneration Committee) establishes in section 3. i) that the Appointments and Remuneration Committee shall have the authority to report, advise and make proposals within its functions, in particular "j) Reporting prior to the appointment and removal of the Secretary of the Board." Mr Francisco Vicent Chuliá was appointed non-voting Secretary of the Board at a Board meeting held on 26 October 2004. The current Appointments Committee did not exist at the time. The appointment was unanimously resolved.

	Yes	**No**
Is the Appointments Committee consulted on the appointment?	x	
Is the Appointments Committee consulted on the removal?	x	
Does the full Board approve the appointment?	x	
Does the full Board approve the removal?	x	

Is the Board Secretary entrusted in particular to ensure compliance with corporate governance recommendations?

YES

Comments
Article 36.2 of the Rules of the Board establishes that the Secretary shall especially see to it that the Board's actions: (i) are adjusted to the letter and spirit of the Laws and regulations, including those approved by regulatory bodies; (ii) are in conformity with the Bylaws and the Rules of the General

Meeting, the Board and any others that the Company may have; (iii) and that they bear in mind the recommendations on governance included in the Bylaws and Rules of the Company.

C.1.35. State the mechanisms, if there are any, established by the Company to maintain the independence of external auditors, financial analysts, investment banks and rating agencies.

These mechanisms are included in Article 41.4 of the Rules of the Board, which states as follows:

“4. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.

b) Liaising between the Board of Directors and the Company’s external Auditor, evaluating the results of each audit, with the following additional duties with respect to the external Auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, re-election and removal of the external Auditor, and the terms and conditions of his or her engagement; (ii) receiving regular information from the external Auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations; (iii) discussing with the external Auditors any significant weaknesses found in the internal control system as a result of the audits conducted; (iv) ensuring the independence of the external Auditor and, in particular, establishing appropriate measures to ensure that: 1) contracting consulting and advisory services with that Auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and will receive an annual report from the Auditors confirming in writing their independence in respect of the Company or the entities directly or indirectly related to it and information on any additional services of any kind rendered to the companies by the Auditors or by persons or entities related to the Auditors, as provided for in the Auditing Act; and 2) the Company issues a relevant event to the CNMV as regards the change in Auditor, with a statement about any disagreements with the outgoing Auditor and their nature; where the external Auditor resigns, the Committee must examine the reasons; (v) and seeking to ensure that the Company's Auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company’s Auditors or auditing companies. This report must necessarily address any additional services of the kind referred to in section b) (iv) 1 above.

d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.

e) Supervising and analysing the risk control and management policy, identifying at least: (i) the different types of risk to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events identified, should they occur; (iv) and the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks, and submission to the Board for approval.

f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the information released periodically to the markets, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) the financial information that the Company must release periodically by virtue of being listed, ensuring that the interim financial statements are drawn up in accordance with the same accounting principles as the annual financial statements and, to this end, considering the advisability of a limited review by the Company's external Auditor; (ii) and the creation, or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC group.

g) With respect to internal control and reporting systems: (i) monitoring the preparation and the integrity of the financial information prepared on the Company and, as the case may be, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles; (ii) reviewing internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed; (iii) monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing that department’s budget; receiving regular reports on its activities; and verifying that senior management are acting on the findings and recommendations of its reports; (iv) periodically receiving information from the Response Committee and the Management Control and Risk Management Department, respectively, on how they carry out their activities and on how internal controls work; (v) and ensuring that the internal codes of conduct and the rules of corporate governance comply with the requirements of law and are appropriate for the Company, and reviewing compliance, by the persons governed by those codes and governance rules, of their obligations to inform the Company.

h) Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to these Rules, as provided in Article 4.3.

i) Deciding on requests for information presented by directors, by virtue of Article 30.3 of these Rules, to the Committee, and requesting the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 38.3 of these Rules.”

C.1.36 State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

NO

Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing auditor, describe it:

Explanation of disagreement

C.1.37 State whether the audit firm performs other work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group:

YES

	Company	Group	Total
Amount of other non-audit jobs (in thousand euros)	263	98	361
Amount of non-audit jobs / total amount billed by audit firm (in pct.)	15,315	3,054	7,343

C.1.38 State whether the auditors' report on the previous year's financial statements had any reservations or was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or reservation.

NO

Explanation of the reasons

C.1.39 State the number of consecutive years that the current audit firm has been auditing the financial statements of the Company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	13	13

	Company	Group
Number of years the current audit firm has audited / number of years the Company has been audited (as a percentage)	52	52

C.1.40 State whether there is a procedure for directors to engage external consultants and, if so, provide details:

YES

Detail the procedure
Article 31 "Expert assistance" of the Rules of the Board states that: "1. In order to assist them in performing their duties, external directors are entitled to obtain the necessary assistance from the Company to perform their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts. 2. Requests to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that: a) it is necessary for the proper performance by independent directors of their assigned duties, b) the cost is reasonable, in view of the importance of the problem and the assets and revenues of FCC, and c) the technical assistance received cannot be properly provided by internal FCC experts or technical personnel. 3. Requests for expert assistance by any of the Board Committees should not be denied except when a majority of the Board members considers that the conditions envisaged in paragraph 2 of this article are not met."

C.1.41 State whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:

YES

Detail the procedure
Article 38 "Meetings of the Board of Directors" of the Rules of the Board defines the procedure as follows: "1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC so require, in accordance with a calendar and agendas set at the beginning of the year, to which each director, along with any of the Board's Committees, may propose the addition of other items not initially envisaged in the agenda, such proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date, if it is earlier. 2. The announcement of the ordinary meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or his alternate or

the Secretary or Vice-Secretary, by order of the Chairman. Notwithstanding the provisions of Article 30 of the Bylaws, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and if applicable, to vote on the issues submitted to them for their consideration. In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters. 3. The Chairman will decide the meeting agenda. The directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them. When a specific item is included on the meeting agenda as requested by the directors, then the directors who requested the inclusion of that item must forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members. In view of the directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion. 4. Board meetings may be held via telephone multi-conference, videoconference or any other analogous system so that one or more directors can attend the meeting via that system. For that purpose, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must be located, the announcement must state that directors can attend via telephone conference, videoconference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct, simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes of meetings held in this way, in addition to the names of the directors who physically attended or those represented by another director, those who attended via telephone multi-conference, videoconference or an equivalent system.”

C.1.42 State whether the Company has rules obliging directors to inform and, if appropriate, to resign in any circumstance that might harm the organisation's name or reputation, and describe any that exist:

YES

Explain the rules:
According to Article 29 of the Rules of the Board on Directors' duty of disclosure, “Directors must disclose the following to FCC's Appointments and Remuneration Committee through the Corporate Responsibility Department or any other that takes its place: d. Legal, governmental, or any other type of claim which, due to its significance, could have a serious effect on the reputation of FCC.” Also, article 20.2.d) on Removal of Directors states that ‘Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: d. When the Board itself requests it by a majority of at least two thirds of its members: - When their permanence on the Board may jeopardise the Company's credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any Director is indicted or tried

for any of the crimes stated in Article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.”

C.1.43 State whether any member of the Board of Directors has informed the Company that he has been charged with, or tried for, any of the crimes stated in Article 213 of the Capital Companies Act:

NO

Name of Director	Criminal Case	Comments

State whether the Board of Directors has analysed the case. If it has, give a reasoned explanation on the decision made regarding whether it is fit for the Director to remain in office, or as the case may be, explain the action taken by the Board of Directors up until the date of this report or those that it plans to carry out.

Decision or action taken	Explanation

C.1.44 Detail the significant agreements entered into by the company which will enter into force, be amended or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof.

A change of control of FCC as a consequence of a takeover bid could represent an event of obligatory full early repayment of the Syndicated Financing Agreement amounting to €4,511,644,219.02, undersigned on 24 March 2014, which entered into force on 26 June 2014 (Clause 8.4.1(a)), unless:

(A) The loss of control does not entail the acquisition of control by a third party;

(B) The acquisition of control is done by:

(a) An industrial company of renowned solvency, experience and the management capacity of a group of the size and characteristics of FCC Group (or by a consortium led by such a company);

(b) By credit entities, whether Spanish or foreign, provided that they are of renowned solvency, experience and the management capacity of a group of the size and characteristics of FCC Group.

C.1.45 State in aggregate and indicate, in detail, any agreements between the Company and its administration and management officers or employees providing severance, guarantee or golden parachute clauses, whenever they resign or are subject to summary dismissal or if their agreement is terminated due to a takeover bid or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	**Description of the resolution**
Second Vice-President and CEO, and Company Secretary.	Notwithstanding their director status, the two Executive Directors (the Second Vice-President and CEO, as well as the Company Secretary) have contractual arrangements with the company that regulate the performance of their managerial or executive functions. In both cases they are permanent contracts to which there generally apply the regulations on: (i) agreements for the provision of services, in the case of the second Vice-President and CEO, and (ii) senior management employment agreements, in the case of the Company Secretary. These contracts may be extinguished by either party, and said officers shall have the right to severance provided that the extinguishment of the contractual relationship is not a consequence of non-performance of their functions, nor of his/her own free will, under the following terms: • Second Vice-President and CEO: Extinguishment of the contract due to a change of control in the company: There having been a change of control in the company (understood as a loss of B 1998, S.A.'s majority in FCC or the loss of Esther Koplowitz's majority in B 1998, S.A.) within the scope of FCC's capital increase agreed to on 19 December 2014, the CEO may exercise the right to terminate the contract (within a term of one (1) month that shall commence once 1 year has elapsed since the completion of said capital increase) with the right to collect, in such event, an amount equal to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. Extinguishment of the contract decided by the company: a) If the contract is extinguished before 13 months have elapsed following the completion date of the FCC capital increase (19/12/2014): The senior executive shall be entitled to twice the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid. b) After the above period has elapsed and before 30 June 2019: the senior executive will be entitled to the sum of the following amounts: fixed annual remuneration + average annual variable bonus for the last two years + average triennial variable bonus for the last two years + the triennial variable bonus accrued and not yet paid.

	c) As from 30/06/2019: the senior executive shall be entitled to what is established in Royal Decree 1382/85 for events of termination of contract. • Company Secretary: The Company, with the authorisation of the Executive Commission, contracted and paid an insurance premium in order to meet the payment of the contingencies related, among other items, to death or to permanent occupational disability and to retirement bonuses and pensions and other concepts, for some of the executive directors and senior executives. In particular, the contingencies giving rise to severance pay are those that entail the extinction of the employment relationship for any of the following reasons: a) Unilateral decision by the Company. b) Winding up or disappearance of the parent company for any reason, including merger or spin-off. c) Death or permanent disability. d) Declaration of physical disability or legal incompetence for any other reason. e) A substantial change in professional conditions. f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent. g) Resignation at age 65, by unilateral decision of the executive. As of 31 December 2014, the Company Secretary has accumulated under said insurance a net amount equal to 3.5 times his gross annual remuneration.

Indicate whether these contracts have to be notified to and/or approved by the Company's or group's bodies:

	Board of Directors	**General Meeting**
Body that authorises the clauses	x	

	Yes	**No**
Is the General Meeting informed of the clauses?	x	

C.2 Board of Director Committees

C.2.1 Detail all the Board of Director Committees, their members and the proportion of nominee and independent directors among them:

EXECUTIVE COMMISSION

Name	Position	Type
Juan Bejar Ochoa	Chairman	Executive
Fernando Falcó y Fernández de Córdova	Director	Nominee
Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Nominee

Alicia Alcocer Koplowitz on behalf of E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Francisco Vicent Chuliá	Non-voting Secretary	
Felipe B. García Pérez	Non-voting Vice-secretary	Executive

Pct. of Executive Directors	25
Pct. of Nominee Directors	75
Pct. of Independent Directors	0
Pct. of other External Directors	0

AUDIT AND CONTROL COMMITTEE

Name	Position	Type
Gustavo Villapalos Salas	Chairman	Independent
Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz on behalf of E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Felipe B. García Pérez	Non-voting Secretary	Executive

Pct. of Executive Directors	0
Pct. of Nominee Directors	75
Pct. of Independent Directors	25
Pct. of other External Directors	0

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Chairman	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Alicia Alcocer Koplowitz on behalf of E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.	Director	Nominee
Rafael Montes Sánchez	Director	Nominee
Gustavo Villapalos Salas	Director	Independent
Olivier Orsini	Director	Independent
Gonzalo Rodríguez Mourullo	Director	Independent
Felipe Bernabé García Pérez	Non-voting Secretary	Executive

Pct. of Executive Directors	0
Pct. of Nominee Directors	62.5
Pct. of Independent Directors	37.5
Pct. of other External Directors	0

STRATEGY COMMITTEE

Name	Position	Type
Esther Koplowitz Romero de Juseu on behalf of B 1998, S.A.	Chairwoman	Nominee
Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Nominee
Alicia Alcocer Koplowitz on behalf of E.A.C. Inversiones Corporativas, S.L.	Director	Nominee
Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.	Director	Nominee
Fernando Falcó y Fernández de Córdova	Director	Nominee
Lourdes Martínez Zabala on behalf of Larranza XXI, S.L.	Director	Nominee
Rafael Montes Sánchez	Director / Secretary	Nominee
Gustavo Villapalos Salas	Director	Independent

Pct. of Executive Directors	0
Pct. of Nominee Directors	87.5
Pct. of Independent Directors	12.5
Pct. of other External Directors	0

C.2.2 Fill in the table below on the number of female Directors on the Board Committees during the last four years:

	Number of Female Directors			
	FY t **Number Pct.**	**FY t-1** **Number Pct.**	**FY t-2** **Number Pct.**	**FY t-3** **Number Pct.**
Executive Commission	2 50%	2 29%	2 33%	2 33%
Audit Committee	2 50%	2 40%	2 40%	2 40%
Appointments and Remuneration Committee	3 37%	3 30%	3 33%	3 33%
Strategy Committee	5 62%	5 62%	5 50%	5 50%

C.2.3 State whether the following functions are attributed to the Audit Committee:

	Yes	No
Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.	x	
Periodically check the systems of internal control and risk management, in order that the principal risks are identified, managed and announced adequately	x	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports	x	
Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.	x	
Make recommendations to the Board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of his engagement.	x	
Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.	x	
Monitor the independence of the external auditor	x	

C.2.4 Give a description of the rules of organisation and functioning, together with the responsibilities attributed to each one of the Board committees.

EXECUTIVE COMMISSION:

Its rules are determined by Article 36 of the Bylaws of FCC, which are extracted below:

“The Executive Commission will be convened by the Chairman, on his/her own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date. The Executive Commission may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency.”

“The meetings shall be held at the Company's registered offices or another location designated by the Chairman and stated in the announcement.

In order for the Executive Commission to be quorate, there must be a majority of members present or represented.

Absent members may be represented by another member of the Executive Commission by notifying the Chairman in writing.

The deliberations will be directed by the Chairman, who shall give the floor to the attendants wishing to speak.

If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.

Resolutions will be passed by absolute majority of the Committee members.

In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Commission will request that a meeting be convened as provided for in Article 30 of the Bylaws, […]"

Additionally, Article 40 of the Rules of the Board of Directors establishes that:

"2. The Board of Directors will designate the directors to form part of the Executive Commission, ensuring that its structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board will also be the secretary of the Executive Commission.

3. The Executive Commission will be composed of a minimum of five and a maximum of ten members.

4. The members of the Executive Commission will step down from the Committee when they cease to be directors or when decided by the Board.

5. Any vacancies arising will be filled as quickly as possible by the Board of Directors.

6. If the Chairman of the Executive Commission is absent, or if the position is vacant, the meeting will be chaired by a Committee member chosen by majority vote of those in attendance.

7. The Executive Commission will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. Along with the announcement of each meeting, the members of the Executive Commission will be provided with the pertinent information they need to form an opinion and vote.

8. The Executive Commission will be convened by the Chairman, on his own initiative or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date, and in under ten days. The Executive Commission may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency. Along with the announcement of each meeting, the members of the Executive Commission will be provided with the pertinent information they need to form an opinion and to vote […].

9. The Executive Commission will be quorate when the majority of its members are present or represented at the meeting.

10. The Executive Commission, through its Chairman, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.

11. In all other matters, the Executive Commission will be governed by the pertinent provisions of the Bylaws and, specially, by the provisions relating to the Board of Directors contained in the Bylaws and these Rules."

AUDIT AND CONTROL COMMITTEE:

Its functions are governed by Article 41 of the Board Rules. It must comprise at least three Directors designated by the Board of Directors taking into account their knowledge and experience of accounting, auditing or risk management; all of its members will be external Directors, and the Committee will appoint a Chairman from among its members, who will hold office for not more than four years; it may also appoint a Vice-President. The term of the members of the Committee may not exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as Directors.

At least one of the members of the Audit and Control Committee must be an independent Director and will be appointed based on his/her accounting and/or auditing expertise and experience.

The Secretary and Vice-Secretary, if any, shall be chosen by the Committee and need not be Board members.

The members of the Committee may obtain advice from external professionals. These advisors will attend the meetings and may speak but not vote.

The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the external auditors.

Its main responsibilities include:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.

- Liaising between the Board of Directors and the external auditor, evaluating the results of each audit.

- Supervising the Company's internal auditing services.

- Analysing the risk control and risk management policy.

- Supervising the process of drafting the separate and consolidated financial statements and management reports and the regular financial disclosures to the market.

- Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services rendered.

- Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to the Board Rules.

APPOINTMENTS AND REMUNERATION COMMITTEE:

This Committee is organised and governed by Article 42 of the Rules of the Board of Directors.

"1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee. It will be composed of a minimum of three (3) Board members appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

2. The Appointments and Remuneration Committee will regulate its own functioning pursuant to the Corporate Bylaws and these Rules. The Committee will designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the development of the deliberations, the contents of the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors.

There shall be a quorum at the Appointments and Remuneration Committee meetings when the majority of its members are present or represented; its resolutions are to be passed by an absolute majority of the members present or represented and the Chairman shall have a casting vote in the event of a tie.

3. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and it will have the following functions in particular, in addition to those already indicated in these Rules:

a) Evaluating the balance of skills, knowledge and experience on the Board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest Directorship candidates to the Appointments and Remuneration Committee for its consideration to cover vacant positions.

b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Proposing the appointment and re-appointment of independent Directors and advising on proposals for the appointment and re-appointment of the other Directors.

d) Advising on proposals to maintain independent Directors in their positions after 12 years and advising on proposals for the removal of independent Directors, in accordance with Article 20.3.

e) Advising on the appointment and removal of senior managers proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in Article 2.2 of these Rules, and making the proposals for reprimands envisaged in Article 20.2. d) of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee and reported to the Board of Directors in each case.

f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior managers, the remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior managers, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares. It may also propose to the Board of Directors the distribution among the Directors of the remuneration arising from their membership of the Board that is resolved by the General Meeting of Shareholders, pursuant to the provisions in the Corporate Bylaws and in these Rules.

g) Preparing and maintaining a record of the status of Directors and senior executives of FCC.

h) Ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female Directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female Directors and the initiatives adopted to correct this situation.

i) Advising on the proposed appointment of members of the Board of Directors Committees.

j) Advising on the appointment and removal of the Secretary of the Board.

k) Verifying the qualifications of the Directors under Article 6.4.

l) Receiving the information provided by Directors under Article 24.2 of these Rules.

m) Advising, as the case may be, on any professional or commercial transactions referred to in Article 25.3 of these Rules.

n) Advising on the use, for the benefit of a Director, of business opportunities or assets of FCC which have been previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules.

o) Receiving and keeping in custody the registration of situations mentioned in section e) above and the personal information furnished by the Directors, as established in article 29 of these Rules.

p) Requesting, as the case may be, the inclusion of items on the Agenda of Board meetings, under the conditions and in the terms provided in article 38.3 of these Rules.

When dealing with matters referring to the Executive Directors and Senior Managers, the Appointments and Remuneration Committee will consult with the Chairman and the Chief Executive of the Company.

4. The Appointments and Remuneration Committee will regulate its own operations to the extent that they are not regulated in the Bylaws and these Rules, whose provisions relating to the operation of the Board of Directors will apply specifically insofar as this is possible considering the nature and functions of the Committee.

5. The Appointments and Remuneration Committee will have access to all of the documentation and information needed to perform its functions. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per Committee member, as required. Such advisors may attend meetings but not vote, and the provisions of Article 31 of these Rules will apply to them.

6. The Committee will meet periodically, at least once per quarter, and when convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

7. Discussions will be directed by the Chairman, who will give the floor to the attendants wishing to speak.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his/her functions will be performed by the Director chosen for such purpose by a majority of those attending the meeting."

STRATEGY COMMITTEE:

This Committee is governed by Article 43 of the Rules of the Board of Directors.

"1. [...] It shall be made up by the Directors appointed by the Board of Directors for a period not to exceed their terms as Directors, notwithstanding the possibility that they may be re-appointed indefinitely to the extent that they are also re-appointed as Directors. The majority of the members of the Strategy Committee will be external Directors.

2. The Strategy Committee will choose a Chairman from among its non-executive members. The Committee will also designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted.

3. The members of the Strategy Committee will step down from the Committee when they cease to be directors or when it is decided by the Board."

4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and motions as may be necessary.

5. In particular, the Strategy Committee will inform the Board of proposals regarding investments, divestments, agreements of Association with third parties, development of new lines of business and financial transactions which, because of their relevance, in the opinion of the Board may affect the Group's strategy; it will also inform the Board of any other matters which it may submit because they are not allocated to any of the other Committees.

6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will apply.

7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers may speak at the meetings but may not vote.

8. The Strategy Committee will meet periodically and as convened by the Chairman or requested by two Committee members. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

In the absence of the Chairman of the Strategy Committee, or if the position becomes vacant, the Committee may be convened by the member of greatest seniority or, if there is equal seniority between members, by the oldest one. In the event of legal persons, the age of the individual representing them will be taken into account.

9. Discussions will be directed by the Chairman, who will give the floor to the attendants wishing to speak.

In the absence of the Chairman of the Appointments and Remuneration Committee, or if the position becomes vacant, his functions will be performed by the Director chosen for such purpose by a majority of those attending the meeting.

10. The minutes of each Committee meeting will be drafted and signed by the Committee members in attendance.

11. Any member of the Company's management team or personnel who is asked to attend the Strategy Committee's meetings will be obliged to attend, collaborate and provide the information at his/her disposal.

12. The Strategy Committee will have access to all of the documentation and information needed to perform its functions.

13. The Strategy Committee will regulate its own operations to the extent that they are not regulated in these Rules and in the Bylaws, whose provisions relating to the operations of the Board of Directors will apply specifically insofar this is possible considering the nature and functions of the Committee."

C.2.5. Indicate, as the case may be, whether the Board Committees are regulated, where the regulations are available to be queried, and any amendments made during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

The Rules of the Board, amended on 10 April 2013, regulates in its articles the functioning of the various Board Committees: Executive Commission (Article 40), Audit and Control Committee (Article 41), Appointments and Remuneration Committee (Article 42), and Strategy Committee (Article 43).

Pursuant to article 38.6 of the Rules of the Board, "the Board in full session will dedicate the first of its meetings in the year to evaluate the quality and efficiency of its own performance during the previous year, valuing the quality of its work, evaluating the efficacy of its rules and, where applicable, correcting aspects found to be dysfunctional. Also, based on a report drawn up by the Appointments and Remuneration Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."

Regarding the self-evaluation of the Board and of its Committees, see section C.1.20 herein.

C.2.6 State whether the Steering Committee's composition reflects the composition of the Board in terms of director type:

NO

If not, detail the composition of the Delegated or Executive Commission
The Executive Commission is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors. The Board of Directors has six Independent Directors, of which none are members of the Executive Commission.

D – RELATED PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Identify the body authorised to approve related party and intra-group transactions and the procedure for such approval.

Body authorised to approve related-party transactions
The authorised body is the Board of Directors via the Appointments and Remuneration Committee. Article 25 of the Rules of the Board of Directors establishes that: "1. Directors must refrain from attending and taking part in the discussions affecting related-party transactions and generally matters in which they may be directly or indirectly involved, and from voting on the corresponding decisions, and they must not delegate their vote and leave the assembly room while the Board discusses the matter and votes. An indirect interest on the part of the Director is considered to exist when that matter affects a related party. 2. Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies. 3. In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required: a) Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from Executive Directors' employment relationship. b) Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. c) Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties d) Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices. The request for authorisation will be submitted to the Corporate Responsibility Department, which will in turn ask the FCC area involved for a report, which will subsequently be sent together with the application to the Appointments and Remuneration Committee. 4. The authorisation referred to in the item above will not be necessary for related-party transactions that fulfil all of the following three conditions: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person supplying the goods or services. c) Their amount is not more than 1% of the Company's annual revenues. 5. In any event, all material transactions of any kind between Directors and FCC, its

subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect). 6. For the purpose of the provision herein, related parties will be deemed to be those included in article 231 of the Capital Companies Act.”

Procedure for approving related-party transactions

Explain whether the approval of related-party transactions has been delegated, stating the body or persons to whom it has been delegated, as the case may be.

This has not been delegated.

D.2 Detail any significant transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and significant shareholders of the Company:

Name or company name of significant shareholder	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euros)
-	-	-	-	-

D.3 Detail any transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and directors or executives of the Company:

Name or company name of the directors or executives	Name or company name of the related party	Relation	Nature of the transaction	Amount (thousand euros)
-	-	-	-	-

D.4 Detail the significant transactions between the Company and other companies in the group, except those that are eliminated in consolidation or do not form part of the Company's normal operations with regard to their purpose and conditions:

In any event, any intra-group transactions with entities established in countries or territories deemed to be tax havens must be reported:

Name of group entity	Brief description of transaction	Amount (thousand euros)
-	-	-

Note:

There are many transactions between Group companies in the ordinary course of their business which are eliminated in the process of drawing up the consolidated financial statements.

D.5 Indicate the amount of the transactions with related parties.

-

D.6 Describe the mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or the group and its directors, executives or significant shareholders.

Article 25.2, 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board of Directors establishes that Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies.

According to Article 25.3, “the prior express authorisation of the Board of FCC will be required without this being delegable, following a favourable report by the Appointments and Remuneration Committee, for the following cases:

a. Provision by a Director or a related party to companies of the FCC Group of professional services other than those deriving from Executive Directors' employment relationship.

b. Sale or disposal by any other means, for good and valuable consideration of any type of supplies, materials, goods or rights in general by a Director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group.

c. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties.

d. Provision of works or services or the sale of materials by companies of the FCC Group to a Director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

According to articles 25.4 and 25.5:

“4. The authorisation referred to in the preceding item will not be necessary for related-party transactions that fulfil all of the following three conditions:

a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.
b) They are performed at market prices or rates generally set by the person supplying the goods or services.
c) Their amount is not more than 1% of the Company's annual revenues.

5. In any event, all material transactions of any kind between Directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect).

Under Article 25.1, "An indirect interest on the part of the Director is likewise considered to exist when that matter affects a related party."

D.7 Is more than one Group company listed in Spain?

YES

Identify the subsidiaries that are listed in Spain:

Listed subsidiaries
Cementos Portland Valderrivas, S.A.

Has a public definition been established describing precisely the respective business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies?

NO

Define any business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms for resolving conflicts of interest

E - RISK CONTROL SYSTEMS

E.1 Explain the scope of the Company's Risk Management System.

FCC Group is currently in the midst of an improvement and evolution process of its comprehensive risk management policy, which is gradually being extended, that will enable it in the near future to significantly enhance the mitigation of impacts that might lead to deviations and non-compliance with its financial and business strategy. This new model will allow the Group to anticipate the materialisation of the possible risks to which its business is exposed, by operating in different geographic areas, activities and legal environments which in turn entail different risk levels suited to the activities in which it develops its operations. During the year 2015, significant progress in the implementation of said Model is expected.

As of today and during the year 2014, the new Model that has been partially implemented to date, allows the development of a high level Risk Map, using the Enterprise Risk Management (Coso II) methodology which provides management with valuable information and contributes to the definition of FCC Group's strategy.

FCC Group's risk management approach is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in the Group's operations, so that ultimately the risk policy is appropriately integrated within the Group's organisation.

Given the singularity of each of FCC Group's business areas, the risk management is carried out in each of the areas, drawing up a risk map in each of them and, subsequently, based on the information that is reported, FCC Group's consolidated risk map is drawn up.

By way of this model, partially during 2014, risk management takes place in each of the business areas, via:

- The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives, at the level of each of the business areas.

- Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.

- The identification of the controls and procedures to mitigate the economic impact of the risks and the likelihood of their occurrence.

- The identification of a proprietor for each of the identified risks, as the first person in charge of keeping the adequate level of internal control.

The results of the Continuous Risk Management are communicated to the Audit and Control Committee, the highest body in charge of supervising the management of the Group's Risks, as set out in the Group's Rules of the Board of Directors.

During 2014, with the goal of ensuring compliance with the best practice available in the field (COSO II ERM), FCC Group's Internal Audit and Risk Management Department has supervised the work performed by the different business areas in the stages of the implementation process of the model related to risk identification and evaluation, as well as to the suitable identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, progressing in the implementation process of the model, for the risks exceeding the accepted risk level for each of the sectors of activity the necessary action plans will be established, with the required corrective measures, to make sure their critical levels are within the Accepted Risk values. These action plans will include the necessary measures to reinforce existing controls and may even incorporate new risk controls.

Additionally, work will be done to update the specific procedures to carry out the risk management in each of the business areas, so as to ensure both their compliance with the model and their active involvement in any decision-making process within the organisation.

In this way, once all the expected improvements of the model are completed, the policy will allow FCC Group to:

- Take steps to prevent the materialisation (probability of occurrence) or to minimise their economic impact, by identifying the key risks in advance, whenever an area where internal control may be enhanced is identified.
- Relate the goals sought by the Group both with the risks that could prevent the execution thereof and with the necessary control activities to prevent the materialisation or to minimise the economic impact if the risks materialise.
- Ensure that the legal regulations in force are fulfilled, as well as the Group's rules and internal procedures.
- Review that the processes for preparing financial reports are suitable to ensure the reliability and integrity of said information.
- The safeguarding of assets.

In keeping with the best business practices in this field and applying the Coso II methodology, the Group has classified its risks as follows:

- Strategic risks: These are the key risks related to the Group's strategy and hence managed on a priority basis. These risks are related to the markets/countries/sectors where the FCC Group operates. Also included in this category are reputational, innovation and financial planning risks.

- Operating risks: These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to tender and contracting processes, selection of partners, subcontractors and suppliers, human resource management and ongoing personnel training.

- Compliance risks: These are the risks affecting internal and external regulatory compliance, including those relative to the compliance with the code of ethics of the FCC Group, compliance with applicable laws regarding legal (since 2010 the criminal code includes articles whereby criminal liabilities may arise for legal persons), fiscal, ICFR, data protection, quality, environmental, information security and occupational risk prevention matters.

- Financial risks: Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, the access to financial markets, exchange rates and interest rates.

During 2014 reporting risks were included within the operating and strategic risks category. However, given their singularity and how important it is for FCC Group to adequately control this kind of risks, during the year 2015 reporting risks will be identified as an independent category in the Risk Maps. They shall refer to the risks associated to the reliability of the financial reports generated in the businesses and consolidated by FCC Group's parent company, and they include both the risks related to the generation of information and those related to the management thereof throughout the organisation.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Management System:

- **Steering Committee**

The Board may permanently delegate in the Steering Committee all the powers of the Board of Directors with the exception of those which are reserved by law, the bylaws or its regulations for the Board. Like the plenary Board, the Committee ensures that FCC Group's organisation structure, planning systems and management processes are designed to deal effectively with the different risks to which FCC Group's business is exposed.

- **Audit and Control Committee**

According to article 41 of Rules of the Board and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit and Control Committee is to support the Board of Directors in its supervisory and oversight efforts, particularly with regard to risk management and control policies, the monitoring of the Risk Maps and the action plans needed to mitigate the most relevant risks that are identified, and lastly the supervision of the Company's internal audit services.

- **Strategy Committee**

The Strategy Committee supports the Board of Directors in determining the Group's strategy based on the guidelines agreed by the Board, preparing the corresponding reports and proposed agreements in this regard. Accordingly, it is responsible for ensuring that the objectives of the strategic plan can be achieved by the Company, assuming an acceptable level of controlled risk so as to protect the interests of shareholders, other stakeholders and society in general, as well as the Group's reputation.

- **Management Committee**

During 2014 the Management Committee has been chaired by the Second vice-President and CEO of FCC Group and made up by all the members assigned to the Committee by the plenary Board of Directors. Its functions regarding the financial reporting internal control systems include, among others, reviewing FCC Group's consolidated financial reports on a monthly basis, especially when the information must be reported to the CNMV. The Group's Management Committee was replaced as from 13 January 2015 by business area management committees and by a central services coordination committee.

- **Response Committee**

This committee is in charge of supervising the adequate functioning of the Whistleblowing Channel, assessing possible improvements of the controls and systems established in the Company, processing communications in order to solve them, encouraging knowledge of the Code of Ethics and regularly drawing up reports on the level of compliance therewith. It may establish corrective actions and, if it considers it necessary, penalties.

- **Risk Committee of each one of the business areas**

Currently, the risk committees are included in the committees held by each of the business areas, and it will become fully operational when the implementation of the Comprehensive Risk Management Model process finishes.

E.3 Point out the main risks that may affect the attainment of the business goals.

Strategic risks

a) FCC Group's substantial borrowing could negatively affect its financial situation.

(i) FCC Group's borrowings

FCC Group has substantial borrowings, fundamentally as a result of the refinancing agreements and other additional financing arrangements. Said borrowings could increase due to a number of reasons, including fluctuations in operating profit or loss, capital expenditure, working capital requirements and potential acquisitions or temporary trade associations.

FCC Group's financing agreements include financial ratios and other restrictive covenants that limit its capacity to carry out activities that might benefit its long-term interests, to pay dividends or to invest in new projects. If FCC Group does not comply with those covenants or does not service its debt (including compliance with the financial ratios as defined in the agreements), it could breach its financing agreements. Said breach, if it is not remedied or dispensed, could lead to an accelerated repayment of all the debt under the corresponding financing agreement. Under certain circumstances, should an event of breach occur, the debt under the financing agreement that entered into force in June 2014 may partially be converted into new FCC shares.

On the other hand, FCC Group's financing agreements include obligatory clauses establishing the full early repayment that might be triggered by certain events, for instance, among others, a change of control. They also include obligatory clauses establishing partial early repayment. Pursuant to said clauses, the funds originating from certain capital increases and insurance indemnity, as well as from cash flow surpluses, must be used for the early repayment of FCC Group's financial debt.

It should also be noted that the refinancing agreement that entered into force in June 2014 includes restrictions on certain types of fund transfers for the parties to that agreement. The project finance agreements likewise establish limitations on the use and transfer of funds as long as the debt service has not been fulfilled and as long as certain undertakings under those agreements have not been met.

(ii) Peculiarities of Cementos Portland Valderrivas Group's borrowings

As part of FCC Group's debt mentioned above, Cementos Portland Valderrivas, S.A. must comply with a number of financial ratios by virtue of the syndicated refinancing agreement entered into on 31 July 2012. These ratios are based on the costs of the consolidated Cementos Portland Valderrivas subgroup (excluding the Giant Cement Holding, Inc. subgroup) and they are co-related to its net financial debt level and its net financial expenditure in respect of EBITDA, as well as to its CAPEX ceiling.

Notwithstanding the 'without recourse to FCC' nature of Cementos Portland Valderrivas subgroup's debt, as party to Cementos Portland Valderrivas, S.A.'s syndicated refinancing agreement, FCC entered into an Agreement called "CPV Support Agreement," whereby it was agreed to contribute up to a maximum of 200 million euros if certain events occurred in relation to Cementos Portland Valderrivas, S.A.'s minimum EBITDA obligations.

Since Cementos Portland Valderrivas, S.A. has not complied with the EBITDA levels provided in the "CPV Support Agreement," FCC is liable since 10 October 2014 for the payment of up to 200 million euros pursuant to the above-mentioned "CPV Support Agreement", although said payment has been deferred and it is governed by the same terms and conditions of FCC Group's refinancing agreement which entered into force on 26 June 2014.

Additionally, in the event of non-compliance with certain financial ratios, the lender entities of Cementos Portland Valderrivas, S.A. (which hold a 66.66% majority stake) may demand the early repayment of the financing that was granted.

(iii) Lenders may seek the early repayment of the debt

Some of FCC's lenders could interpret that the terms of the New Restructuring Framework Agreement or that FCC has been subject to an event of obligatory winding-up, give rise to a breach of contract or to an early repayment according to the terms and conditions of some of the agreements regulating part of FCC's existing debt. As a consequence, they could seek the early maturity of the debt involved or threaten to do so. FCC was recently notified by the advisors of a small group of lenders, including holders of the FCC convertible bond, stating that they might take legal action to declare non-compliance in relation to the debt of which they are holders. Any attempt to declare the early maturity of some of FCC's debt could generate negative publicity for FCC Group, regardless of the outcome. If all or a material part of FCC's debt is declared to be due early, FCC might not obtain the necessary liquidity to meet the required payments.

b) Adjustments due to impairment and provisions could have a significant negative effect on FCC Group's business and finances.

A significant impairment of the cash flows supporting FCC Group' goodwill would have a negative impact on FCC Group's income statement, by recognising impairment adjustments in the corresponding goodwill, and on its balance sheet and equity, due to the subsequent reduction of the corresponding book values. This in turn could have other indirect negative effects, such as the difficulty in complying with the existing commitments under the financing agreements, or the non-renewal thereof or the non-obtainment of new financing.

c) FCC Group is exposed to risks in relation to deferred tax assets.

In principle, the cumulative losses incurred by FCC Group in prior years may be used to offset future profits subject to taxation. These deferred tax assets show the amount of the tax losses that FCC Group expects to be able to use, as well as the deferred tax assets that it expects to recover in the future. A change of FCC's expectations on its capacity to use deferred tax assets in the future (whether because of a change in the rule such as to eliminate or limit the right to offset deferred tax assets or a change in FCC Group's strategic plans or in its expected future profits) may cause an impairment of the value of those assets, which could negatively affect the results of FCC's operations.

d) FCC Group's working capital requirements are highly seasonal and require it to maintain high liquidity levels.

FCC Group's cash requirements are very seasonal. Its cash requirements are higher in the summer and they are lower in the fourth quarter, when FCC Group receives payments from many of its public sector clients, particularly in November and December.

The only bilateral credit facilities available under the Financing Agreement that could be used to provide FCC Group with working capital are factoring, leasing and confirming, and these will be available only throughout the term of the Financing Agreement.

As long as the Financing Agreement is in force, FCC Group will be subject to limitations for further borrowing. Thus, under certain circumstances, FCC Group may open up new credit facilities provided that the new aggregate debt does not exceed a ceiling of 50 million euros.

On the other hand, the increase of seasonality in FCC Group's business which cannot be managed by extending the credit facilities or other sources of liquidity could have a negative impact on FCC Group's liquidity and on its capacity to meet its working capital requirements.

e) FCC Group is required to furnish performance bonds or similar instruments

In project-related business, FCC Group is required to furnish performance bonds or other similar instruments to ensure the timely compliance with its contractual obligations. If FCC Group does not manage to have those bonds granted by financial institutions under terms acceptable for its clients, it cannot submit its bid to take part in a project or, as the case may be, it may have to incur larger financial costs to obtain the necessary guarantees or bonds.

f) FCC Group cannot ensure that its cost control programme will yield the expected results.

The cost control programme implemented by FCC Group as from 1 March 2013 affects each and every one of its business areas and it is based on the compliance with a number of objectives including (i) staff cuts (both in operations and ancillary services personnel) that significantly affect the Construction and Cement areas, with the object of adapting said personnel to the current conditions of the Spanish market; (ii) reorganisation of the Environmental Services area (mainly outside Spain) and the Water area with the purpose of simplifying the staff structure; (iii) implementation of new operating procedures to improve the efficiency of the contracts in the Environmental Services and Water areas; (iv) elimination of non-profitable business in the Cement area; (v) reduction of the cost of facilities as a result of staff relocation and less space used; (vi) other ad hoc measures.

These measures have led and may lead in the future to substantial cost restructuring. FCC Group, however, cannot ensure that its cost savings programme will yield the expected profits and returns.

g) The staff cuts that FCC Group has carried out to adapt to market demands may negatively affect its business development.

FCC Group has reduced its headcount as a result of the cost restructuring plan. Since 2013, FCC Group has gradually reduced the number of its employees in order to meet current market demands, adopting for such purpose several types of restructuring measures including the redundancy measures in the Construction area that will end in 2015.

However, the layoff or early retirement of staff could negatively affect the future development of FCC Group's business, including its capacity to take advantage of new opportunities and maintaining sufficient professional expertise to develop planned activities.

In this regard, FCC Group has developed, in the Spanish territory, a project for the modernisation of the information and human resources management system, integrating all the information in a single, unique global database for the whole Group, with the purpose of supporting and facilitating that human resources management.

That project also includes an IT tool running under SAP, to design and implement the payrolls of all FCC Group's companies in Spain, thereby improving the security, quality and homogenisation thereof.

h) FCC Group could come across difficulties for the implementation of its international growth strategy.

In spite of FCC Group's growing international presence, it continues to carry out most of its activities in Spain. Since at present FCC Group generates over half of its revenues in Spain, it remains exposed to a certain degree of concentration risk in respect of the Spanish economy. One of the goals of FCC Group's international diversification strategy, contemplated in its Strategic Plan, is to mitigate that risk by reducing the scope of its exposure to one national economy. Insofar as FCC Group is not capable of implementing its diversification strategy it will not be able to reduce its exposure to the Spanish economy.

i) FCC Group's international operations imply additional risks; the exposure to said risks will rise as its international operations grow.

FCC Group expects to continue facing current and additional risks in international operations in the various jurisdictions where it operates. These risks may include difficulties in terms of managing personnel and the operations involved due to distance, time zones, language and cultural differences, difficulty finding local partners, hiring and training new personnel speaking the local language and with knowledge of the market, and difficulties for the correct implementation of our internal control policy and procedures in all the countries in which we operate. If FCC Group is unable to effectively mitigate or eliminate those risks, the results of its operations could be materially and negatively affected.

j) The impairment of Spanish and global economic conditions could negatively affect FCC Group's business.

FCC Group's business returns have been closely linked in the past, and are expected to continue to be so to a certain extent in the future, to the economic cycle of the countries, regions and cities in which it operates. Normally, sound economic growth in the areas where FCC Group operates leads to greater demand for its services and products, whereas slower growth or a contraction of the economy reduces demand.

The global economy has been significantly impaired over the last few years as a result of a severe financial and liquidity crisis. Said crisis has had a global impact, affecting both emerging and western economies. The crisis has affected several markets in which FCC Group develops a substantial part of its operations, including the Spanish market.

If the Spanish economy and that of other markets in which FCC Group operates stagnates or even contracts, FCC Group's business could be negatively affected as a consequence of the delay or even abandonment of potential projects on the part of FCC Group's clients, both in the private and public sectors, as well as due to a reduction of construction activities and a fall in the demand of construction materials. Also, for projects in which the infrastructures are owned by public administrations but are administrated and exploited by FCC Group, the Group's operating costs could increase if said administrations do not make the necessary investments for the adequate maintenance and renewal of the facilities. In periods of economic contraction, the authorities are more than likely to be reluctant to incur these types of expenses.

k) FCC Group's international operations could be affected due to economic, social and political uncertainty.

FCC Group carries out its activities in various jurisdictions and in the future it might expand its activities to new countries.

If FCC Group decides to enter new markets, it could be difficult to identify and adequately evaluate the risks present in each one of them until it gathers sufficient experience in each of these new markets. The revenues and fair value of FCC Group's international affiliates, as well as the dividends that may be generated through said affiliates, are exposed to the risks inherent to the countries where they operate. The economies of these countries are in different stages of political and socio-economic development. As a consequence, just like many other companies with a significant number of international operations, FCC Group is exposed to various risks in relation to business and activities outside its own jurisdiction. These risks may include:

- The influence of national governments on the economy;
- Fluctuations in the growth of the local economy;
- High inflation;
- Devaluation, depreciation or excess revaluation of local currencies;
- Foreign exchange controls or restrictions for repatriating profits;
- A changing interest rate environment;
- Changes in financial, economic and fiscal policies;
- Political, legal, regulatory and macroeconomic instability; and
- In some regions, the possibility of social unrest, terrorist acts and war.

Operating risks

a) Public administrations may unilaterally modify or terminate certain contracts before they are fully executed. The compensation for FCC Group in such cases might not be sufficient to cover the damage caused, aside from the fact that it might be hard to collect that compensation

In Spain, as a general rule, if a public administration that has granted a concession linked to FCC Group's main activity, decides to terminate the concession or recover the control over it prior to the end of the concession period, said public administration would be obliged to compensate FCC Group for all the profits that FCC Group should have received until the end of the corresponding concession period. However, in most of the concession agreements to which FCC Group is party, in the above-mentioned cases it is only entitled to recover the costs actually incurred or committed, the administration costs and the profits from the work completed up until the termination of the concession agreement

Depending on the jurisdiction and specific circumstances, the public administration may unilaterally terminate its concession agreement with FCC Group without paying any compensation and, particularly in Spain, FCC Group's capacity to recover the profits is conditional upon whether the event of termination may be attributed to FCC Group or otherwise. Even when compensation is requested, it may be insufficient to cover the damages caused to FCC and, in particular, the loss of profit as a result of the termination of the concession agreement. If FCC Group is not capable of replacing the terminated agreements with others, it could suffer a decline of its revenues.

Regardless of the nature and the amount of the compensation owed to FCC Group by virtue of a concession agreement terminated by the corresponding public administration, FCC Group might need to resort to legal action or arbitration proceedings to collect it, which would increase its expenses and delay the collection of the amounts the group is owed.

Additionally, during the life of a concession, the relevant public administration could unilaterally impose restrictions or amendments of the rate agreed and imposed upon end users.

b) The economic situation has entailed a decline of public administration tax revenues, generating a reduction of the investment in sectors such as concessions or infrastructures

The context of economic instability and financial crisis in Spain and in other countries has entailed a decline in the fiscal revenues of public administrations, which in turn has entailed a reduction of public expenditure in certain areas of activity, including in this respect the concession, infrastructure and construction projects in which FCC Group operates.

Aside from general budgetary considerations, many of FCC Group's clients, including the public administrations, are continuously seeking cost savings and efficiency improvements. These and other factors could lead to our clients reducing their budgets for expenditure in FCC Group products and services, which would negatively affect FCC Group's results and financial position.

c) Certain municipalities could decide to manage the services currently provided by FCC Group

Urban services are affected by the decisions of current or future local governments. In certain cases, said decisions could lead to the municipal management of the services that are currently provided by private companies. In particular in the case of FCC Group, municipal management could affect the Environmental Services and Water business areas, depriving them of future business.

d) FCC Group's design and construction activities expose it to certain risks, including economic loss and liability for third-party actions

In the Environmental Services, Water and Construction business areas, FCC Group develops 'turnkey' design-construction contracts that are remunerated based on a fixed price. The fact that the price of a 'turnkey' contract may be revised can vary depending on the jurisdiction. For instance, internationally the price of 'turnkey' contracts is not revised. On the other hand, in Spain historically it has been possible to revise the terms of that type of contracts, although over recent years, there is increased resistance to review the terms of contracts. In many cases, profits are conditional upon the compliance with the execution goals, such that the non-attainment of those goals entails the imposition of contractual penalties.

These kinds of contracts expose FCC Group to technical, operating and economic risks, and FCC Group cannot ensure that the contractual measures adopted to mitigate these risks will be effective. Also, FCC Group could have to face difficulties that are fully beyond its control, for instance, the complexity of certain infrastructure, weather or economic risks or contingencies in the construction, acquisition and orders of equipment and supplies of goods, or changes in execution deadlines.

In some cases, FCC Group has to integrate existing information or studies provided by the client into its project planning, even though they may be inexact or incorrect. Also, sometimes the project requires the use of existing infrastructure with deficient operating characteristics. These difficulties and risks may lead to non-compliance with the contractual performance indicators, added expenses, loss of revenue or contractual penalties.

On the other hand, to execute its projects in all of its business areas, particularly in the Water and Construction areas, FCC Group relies on subcontractors and suppliers that FCC Group is generally entitled to make claims if they do not comply with their contracts. However, if a subcontractor or supplier files for bankruptcy or unexpectedly ceases its activity, that non-compliance could cause delay s and subject FCC Group to relevant additional costs, which in many cases could not be fully or partially recovered. The evaluation and selection process to which FCC Group submits its potential subcontractors and suppliers might be inadequate for identifying those with unacceptable risk levels.

All of the foregoing could negatively affect FCC Group's results and financial position.

e) FCC Group carries out its activities via long-term contracts that may diminish its capacity to react rapidly and satisfactorily to new unfavourable financial situations.

The initial circumstances or conditions in which FCC Group signs a contract may vary over time, and said change may have a negative impact on FCC Group's results and financial situation.

These changes vary in nature and they might not be easy to predict. FCC Group cannot ensure the effectivity of certain contractual measures, such as price-indexing clauses, which may be used to face those changes and restore the initial economic balance of the contract. As a consequence, FCC Group may be unable to adapt the remuneration to be collected from those contracts so that it may offset the changes in terms of costs or demand, regardless of whether that remuneration consists of a price paid by the client or a fee imposed upon end users based on an agreed scale.

Said limitations are worsened by the long-term nature of many of FCC Group's contracts. In this type of contracts, particularly in the case of public service management contracts, FCC Group is obliged to ensure the continuation of service, without being able to unilaterally terminate a contract even if considers that it yields no profits, and neither may it change its characteristics, except in certain circumstances, in the event of a visible infringement or breach by the client. Additionally, the new Bill for the De-indexation of the Spanish Economy, which establishes that the prices of public service management contracts are to be updated according to the evolution of costs instead of according to the Consumer Price Index (CPI), could have a negative impact on FCC Group's business, especially in the Environmental Services area, if each Town Council is free to decide how to apply it.

f) FCC Group's payment capacity is related to the payment capacity if its clients

FCC Group's liquidity risk is mainly attributed to its receivables and it is therefore related to the Group's exposure to its clients' credit risk. In this connection, the most relevant risk is that not enough income is generated to be able to meet its payments. This collection risk may in turn be divided into two classes, according to client type: (i) collections from public administrations, mainly in the Environmental Services business area; and (ii) collections from industrial and commercial clients. The risk in relation to public administration clients is mainly that of delayed payments, which may hamper the Group's liquidity. FCC Group cannot ensure that public administrations will continue or increase any type of stimulus packages or that the Spanish government will eliminate or reduce any measures currently in force. However, if the Spanish economy contracts again, there could be a new increase of the payment period for public administrations. On the other hand, the risk with commercial clients is that of delayed payments and, in extreme cases, that they may become insolvent before FCC Group has been able to collect all the amounts owed by that client at the time. Also, expense reductions carried out by FCC Group client, the fact that fewer construction projects are performed and an increased risk of clients' insolvency, are other examples of general risks that FCC Group may experience.

To manage said risk, FCC Group has adopted a number of measures, but it cannot ensure that the measures adopted are the most adequate to protect itself against the possible risks related to trade debts, or that said measures will be able to effectively mitigate the adverse effects of those risks. If clients do not pay the amounts that FCC Group is counting on to meet its financial obligations, or is the payment thereof is delayed, FCC Group would have to find an alternative source of financing. And if it cannot find it, FCC Group would be exposed to the risk of not meeting its payment obligations, which could affect its financial situation.

g) The decline in the acquisition of goods and services or the delay of projects, both in the public and the private sector, may negatively affect FCC Group's results

Current economic conditions have led to a decline in acquisitions of goods and services by public administrations and companies in the private sector. Some of the latter could decide to halt the projects that are currently under development due to the lack of funds, or delay or abandon studies of potential projects until more favourable investment conditions arrive. Although the normal procedure in the private sector is for payment to take place gradually as the work is executed, FCC Group is exposed to losing revenue if the work is delayed.

On the other hand, the financial limitations of public administrations could force some municipalities to reduce their budgets, which in turn could reduce the funds earmarked for the maintenance or renewal of existing infrastructures or it could affect the scope and calendar of projects that are pending. Any resulting public expenditure deficits could have a significant effect on FCC Group's Environmental Services, Water and Construction business areas. Also, the Cement area could be affected indirectly by the reduction of the construction budgets of public administrations. Public expenditure reductions could cause FCC Group to have to assume additional investments to maintain its business operations in the way it had planned (for instance, water treatment facilities might not be renewed in satisfactory terms, i.e., with sufficient funds for the maintenance of those facilities) or suspend or shut down certain business projects (for instance, if a municipal authority decides to shut down a facility for which FCC Group has the concession, for example a landfill).

h) FCC Group relies on technology to develop its business areas and maintain its competitiveness. If FCC Group does not manage to adapt to technological developments or industry trends, its business could be affected negatively

For the development of its various business areas, FCC Group relies on technology, including, among other aspects, communication systems, infrastructure management systems and systems for material and human resources control. In particular, for the development of certain activities FCC Group may rely on software or other custom-made technologies for which it may be difficult or even impossible to find an alternative supplier. As the number and scope of FCC Group's operations grow, it will be necessary to improve, update and integrate FCC Group's business areas, systems and infrastructures. Accordingly, FCC Group's future success will depend on its capacity to adapt its services and infrastructures to the rapidly evolving trends of its clients and to technology demands. On the other hand, the success that FCC Group has traditionally enjoyed in the development of technological platforms does not guarantee the continuation of that success. If FCC Group is not capable of continuing to develop the technologies it requires to compete and to execute its projects, it could lose market share and revenues compared to its competitors or to new market operators that are capable of implementing the necessary technologies.

Competitiveness in FCC Group's business areas is high and technology advances rapidly. If it is to succeed, FCC Group must develop and continuously improve its technology platforms. If FCC Group does not achieve this, any competitive advantages provided by its technology will most likely decrease in the short or medium term, leaving FCC Group at a disadvantage compared to competitors that are able to advance and improve their technology platforms. Furthermore, even if FCC Group's technological developments are superior to those of its competitors, this still doesn't ensure that it will maintain its competitive advantage.

FCC Group also faces the risk of technological developments arising that could dramatically alter the industry. If FCC Group is unable to adopt those new technologies or to adapt existing technologies to compete in an effective manner, it will be hard or impossible for FCC Group to maintain or improve its position in the markets in which it operates.

In this respect, FCC Group has an active presence in the field of technological research and innovation and dedicates substantial efforts to the continuous training of its staff. Additionally, it has outsourced the management of its IT and telecommunication infrastructures. Also, FCC Group has implemented a common reporting system, with which it seeks to cover the reporting needs of its individual financial statements, as well as standardising on a systematic basis the process of consolidating the Group's economic and financial reporting.

i) The entities in which FCC Group participates alongside third parties could expose it to risks

FCC Group may develop its business activities in joint ventures with public authorities or private entities through different forms of association (companies, consortia, economic interest groups, joint ventures or similar entities). These types of structures are sometimes a requirement stated in the bidding conditions. Participants in these entities share the operational, economic and financial risks associated to certain very large projects or activities. In some of these associations FCC Group does not have a controlling stake, although it tries to manage the situation through contracts. However, adverse effects for the project, the business, the underlying economic and political situation or in the economic situation of the partners could lead to conflict, and this could negatively affect the performance and, in some cases, could end up in a breakup of the association. Also, if any of the members of the Association files for bankruptcy or if its financial capacity is jeopardised or limited in any other way, FCC Group could be liable for the payments owed by the association or by another partner, on the basis of any related obligation nor guarantee, and it might not be able to obtain compensation from the other partner.

To mitigate these risks, the Group selects the partners with which it participates in the different business areas, applying the procedures included in the FCC Group General Rules Manual.

Regarding the risks arising from outsourcing, the outsourcing model established by FCC Group is applied homogeneously, according to that General Rules Manual, where an action protocol is established stating the minimum requirements for Group companies to be able to outsource work under public or private contracts.

Also, the Human Resources Manual defines the work liabilities assumed by FCC Group in cases where it outsources staff for works or services.

j) Some of FCC Group's subsidiaries are controlled by third parties over whom FCC Group exercises no control

FCC Group carries out operations in a number of jurisdictions in which the local regulations restrict or may restrict: (i) foreign shareholders from acquiring a majority stake in companies registered locally or in companies operating in certain sectors, for instance construction; or (ii) the possibility of foreign companies participating in public tenders.

In keeping with the strategy followed by many foreign companies operating in these jurisdictions, FCC Group in some cases has tackled this restriction to foreign ownership by using structures that are commonly used in practise, where the majority of the shares in FCC Group's local business are held by a company registered locally or nationally (depending on the requirements of each jurisdiction), by virtue of a management or similar agreement in the name or on behalf of FCC Group. The remaining minority stake in the capital of the local entity is held by FCC Group via one of its affiliates incorporated locally. Notwithstanding the foregoing, these management agreements may be less effective in terms of controlling and managing local businesses than in cases where FCC Group has a controlling stake.

Also, any ownership structure may be unilaterally questioned in Court in one or more jurisdictions. If such an objection is made regarding the ownership structure of any of the FCC Group affiliates in jurisdictions where restrictions to foreign ownership are applied, it cannot be ensured what criterion will be followed by the Courts when it comes to applying the local laws and policies to said ownership structure. A Court decision against the ownership structure in question could entail the nullity or non-enforceability of the contracts entered into, the amendment of the ownership structure of the businesses in that jurisdiction and penalties being imposed, which could negatively affect FCC Group's results and its financial situation.

k) FCC Group's order-book is subject to adjustments and cancellations of projects, therefore it is not an accurate indication of future revenues

In the Environmental Services and Construction business areas, FCC Group calculates that the order-book as of a given date, as the sum of the contractual values less the amounts of the contracts it has recognised as income. Also, FCC Group calculates the order-book in the Water area based on long-term estimates throughout the duration of the contract, which serve as a basis for contracts with clients and with the rates established in said contracts.

Certain events or unexpected circumstances may negatively affect the amount and calendar of future income generated by the projects, based upon which FCC Group's order-book is calculated. These factors may include project cancellations; reductions or other amendments of terms of projects; more time requirements to complete works; interruptions of the works; and termination of a contract by the client if FCC Group's performance is inadequate.

On the other hand, FCC Group cannot predict the impact that future economic conditions may have on its order-book. In this regard, negative economic conditions may hinder FCC Group's capacity to secure new orders once projects are completed; these circumstances may also lead to the termination, modification or suspension of projects currently included in said order-book. Last of all, in the Water area, the differences between the original estimates and actual billing of water consumption throughout long-term contracts could make the actual income differ from the amounts forecast in the order-book.

FCC Group cannot ensure that its order-book will generate the expected income or cash flows, or that it will generate them in future financial periods. As a consequence, the Group's order-book should be analysed cautiously and should not be taken as a true forecast of future income.

l) ***FCC Group participates in tender procedures and in regulatory authorisation procedures that may generate significant expenditure with no guarantee of success***

FCC Group is awarded a significant number of its contracts in competitive tenders. The tender or negotiation processes prior to the awards of these contracts are often lengthy, costly and complex, and the outcome is uncertain and hard to predict. FCC Group may invest significant resources in a project or tender in which it may not ultimately win the award, meaning that it misses growth opportunities.

The risks and opportunities that arise in the tender and contracting process constitute one of the major challenges that FCC Group must face. Accordingly, the Group is currently in the process of redefining the specific processes related to risk management in the bidding and contracting stages. The company has formally established policies and procedures that focus on technical quality, technological capacity, economic feasibility and competitiveness of the bids. The process of drawing up, submitting and monitoring bids is subject to different levels of authorisation within the organisation, and the main tasks in this field are allocated to specific departments made up by highly qualified technical staff.

Also, on some occasions FCC Group needs to obtain or renew various legal permits or authorisations. On the other hand, the authorisation processes for environmental activities come up against similar difficulties, and they are often, increasingly over recent years, preceded by complex studies and public consultation. FCC Group might have to abandon certain projects in which, having been awarded the works, it is not capable of generating enough compensation to cover the investment costs, if it does not manage to obtain the necessary permits to develop the activity or if it does not manage to obtain the necessary authorisation from the competition authorities.

All of these aspects may increase the cost of the Group's activities and in some cases it may lead to its abandoning certain projects, which may negatively affect FCC Group's results and financial situation.

m) FCC Group develops its activities in competitive markets

There is intense competition in many of the business areas developed by FCC Group. When seeking new business, FCC Group competes with a number of groups and companies, including large construction groups and engineering companies, which may have more experience or a stronger local presence in the corresponding market than FCC Group. Additionally, these groups and companies may have greater resources, both material and technical or financial resources, and they may require lower returns on their investment and be able to present better technical and economic offers compared to those of FCC Group.

In the Environmental Services, Water and Construction areas, FCC Group competes mainly in domestic and international markets in the areas of large, complex civil works, water infrastructures and distribution and municipal services for urban waste collection and street cleaning. Competition in these markets is based mainly on the price, technical experience, delivery time and local presence. In this respect, FCC Group faces the risk that, for certain public tenders related to these areas of activity, competitors may present prices that are technically and economically unrealistic, so that it is not feasible for FCC Group to compete in certain specific scenarios.

In the Cement area, FCC Group competes in the market with cement, concrete and other construction materials. Competition in these markets is based firstly on price and then, to a lesser extent, on quality and service. Also, local presence is an important factor because transport costs are significant. The prices that FCC Group can charge its clients are not substantially different from the prices charged by its competitors in the same markets.

As a consequence, returns in this business area general depend on the level of demand, which is subject to changes as a consequence of market conditions del market that are beyond the control of FCC Group and of its capacity to control efficiency and operating costs.

n) Public opinion may react negatively to certain FCC Group facilities

FCC Group may have to face adverse public opinion because of its business activities, the growth of existing facilities or the construction of new facilities near towns or inhabited areas. In response to public pressure, governments or the relevant authorities may restrict, amend or rescind FCC Group's current activities, or its future growth plans, reducing FCC Group's capacity to implement its growth strategy.

o) FCC Group uses large volumes of energy in its business, therefore it is exposed to the risk of fluctuations in energy prices

FCC Group, particularly in the Environmental Services, Water and Cement areas, consumes large volumes of energy. The main items of the Group's energy costs are electric power, fuel and the acquisition of raw materials. This means that FCC Group's results are significantly affected by fluctuations in energy prices.

In some of the jurisdictions in which the Group operates, energy prices have risen significantly over recent years and they could vary substantially in the future. Fluctuations in energy prices are mainly caused by market forces and other factors that are beyond the control of FCC Group.

FCC Group cannot ensure that the measures adopted to mitigate inflation risk in the price of energy, which include diversifying fuel sources, using alternative fuels, including provisions in contracts that pass cost increases on to clients and negotiating fixed prices for long-term supply contracts, will be effective to protect itself from variations in energy costs. High energy prices during prolonged periods could substantially increase FCC Group's costs and reduce its margins to the extent that it is not able to adjust the prices of its products to compensate increases in energy prices.

p) Key technical and management staff leaving the company could affect the success of business operations

The success of FCC Group business operations largely depends on key staff with technical and management expertise. Competition with other companies over qualified technical and management staff in the sectors where FCC Group operates is intense. Some of these companies may be able to dedicate greater financial and other resources to hire key staff.

If FCC Group loses part or all of its key staff it might be hard to replace them. If the Group cannot hire and maintain the key staff it needs, it will be more difficult, or maybe impossible, for it to successfully manage its business.

Also, some of the Group's employees have degrees, licences, special certificates and other professional expertise recognised by the public administration. FCC Group may need to employ staff with these qualifications and experience to be a candidate in certain public projects. If FCC Group does not manage to hire and maintain staff with the necessary professional experience and credentials, its capacity to successfully complete current projects and to compete for new ones would be negatively affected.

In relation to the human resources management carried out by FCC Group, it has implemented in Spain and in some of its affiliates training processes, consisting of training plans structured on the basis of programmed periodic training, whether basic or for updating knowledge, or specific training to address concrete needs at any given time. In particular, FCC Group develops training plans for all the staff involved in drawing up the Group's financial statements. This Plan includes permanent updating of the evolution of the business and regulatory environment of the activities developed by the different companies in the Group, as well as updating knowledge of the International Financial Reporting Standards and the regulations and evolution of the financial reporting internal control principles.

q) FCC Group increasingly depends on IT systems

FCC Group increasingly depends on highly sophisticated information technology or IT systems. These IT systems are vulnerable to several issues, such as software or hardware malfunction, piracy, physical damage to vital IT centres and computer viruses. IT systems require regular updates and the Group may not be able to implement the necessary updates at the right time, or said updates may not work as was planned. On the other hand, if FCC Group does not protect its operations from cyberattacks it could lose data on clients or projects or any other information that is important for its business development. Threats are increasingly more sophisticated and FCC Group cannot guarantee that it will be protected from all of them. FCC Group may have to incur significant expenses as a result of failures in its IT systems. FCC Group cannot guarantee that the backup systems to provide high service quality and ensure the continuation of business will be capable of preventing all the threats. If these systems fail or are inadequate, FCC Group might experience important business interruptions and might lose or jeopardise important data.

r) FCC Group is subject to litigation risk

FCC Group is, and may be in the future, a party in civil, criminal, arbitration, administrative, regulatory and other proceedings that may arise in the ordinary course of its business. These proceedings may have to do with claims because of defects in construction projects executed or in services provided, labour, environmental or tax claims. Unfavourable outcomes of such proceedings could represent significant liabilities for FCC Group, such as damages, the cost of cleaning and penalties in the event of spills, dumps or environmental pollution, non-compliance with comprehensive environmental authorisation requirements at its facilities or plants, and they could also interfere in the management of FCC Group's business. Even in the event of a favourable decision for FCC Group, said proceedings may be costly, time-consuming and require lots of attention from management. Also, the liability insurance taken out by FCC Group may not be sufficient, or it may not apply to the claims to which it is exposed. Notwithstanding the foregoing, FCC Group records contingent liability provisions, acting in conformity with applicable law.

In particular, the Group currently has certain ongoing litigation plus the formal announcement of claims that will be filed against FCC Group or against companies belonging thereto in relation with the bankruptcy proceedings of Alpine Bau GmbH ("Alpine Bau") and Alpine Holding GmbH ("Alpine Holding"). If the outcome of such litigation is unfavourable, the Group might have to face considerable liabilities. And there is also uncertainty regarding whether other claims will be filed directly against FCC Group, against Alpine Bau or against Alpine Holding, and, if they are filed and the outcome is unfavourable, whether they will negatively affect FCC Group.

s) The industries in which FCC Group operates are closely scrutinised by the competition authorities

In recent years, in various jurisdictions the competition authorities have submitted the business areas in which FCC Group operates, particularly the Cement and Environmental Services areas, to close scrutiny and they have imposed fines on companies because of their involvement in illegal cartels and other anti-competitive practices.

t) If FCC Group does not obtain government approval for its projects, or if it is delayed in obtaining them, its financial situation and results could be affected negatively

FCC Group operates in jurisdictions where its activities may be regulated and subject to authorisations by public authorities. Although FCC Group is subject to these requirements in many of its activities, they especially affect the Environmental Services and Construction areas and, in particular, the activities related to public services. With the purpose of developing and completing a project, the developer may need to obtain permits, licences, certificated and other approvals from the corresponding administrative authorities throughout several stages of the project. The process for obtaining these approvals is often long and complex. FCC Group cannot guarantee that it will obtain the necessary government approvals or the compliance with the conditions required to obtain the approvals or that it is adapted to the new laws, regulations and policies that may enter into force at any given time. If FCC Group does not manage to obtain the corresponding approvals or comply with the conditions for those approvals in certain projects, they could be delayed, FCC Group's reputation among its clients could suffer and its capacity to generate income would be in jeopardy.

u) FCC Group's activities are subject to laws and regulations against bribery and corruption, which affects where and how FCC Group carries out its activities

FCC Group's activities are subject to a number of laws and regulations, such as the Foreign Corrupt Practices Act of 1977 (FCPA) in USA, the Bribery Act 2010 in the UK, the rules enacted by the Office of Foreign Assets Control (OFAC) of the US Department of the

Treasury, the Spanish Criminal Code, which was amended in 2010 so as to include the criminal liability of legal persons, along with the anticorruption laws of other jurisdictions.

FCC Group has established systems to facilitate compliance with the applicable laws and regulations and has provided its employees with training programmes to facilitate compliance with those rules. As of the date of this Registry Document, FCC Group has not been sanctioned for any breaches of anti-corruption or anti-bribery laws. It cannot be assured, however, that FCC Group policies and procedures are followed at all times, or that they are able to effectively detect and prevent all breaches of the applicable laws and regulations, always identifying every instance of fraud, bribery or corruption in all the jurisdictions where one or more of its employees, advisors, agents, trade partners, contractors, subcontractors or joint venture partners are. As a consequence, FCC Group could suffer sanctions or reputational damage if its employees, consultants, agents, suppliers or partners do not comply with the corresponding anti-corruption or anti-bribery laws.

Regarding the recent reform of the Criminal Code in relation to the criminal liability of legal entities, FCC Group has drafted a Crime Prevention and Response Manual which has two clearly differentiated parts:

- The first part corresponds to the prevention stage and it consists of identifying and updating the behaviours entailing the risk of committing the offences that might occur in the Group, as well as planning and implementing the controls to mitigate them. To do so, the Group has set up certain oversight bodies and mandatory procedures.
- The second part deals with the bodies and procedures implemented to respond to behaviours which could constitute the commission of a violation within FCC Group, especially behaviour which could be interpreted as illegal.

v) FCC Group may be affected by accidents at its works

FCC Group may be affected in the event there are accidents at the worksites of FCC Group projects, particularly in the Construction Area. These accidents may interfere in the operations and cause delays in project completions, which might in turn entail subsequent delays in payments by clients, as well as potential client claims, who would seek compensation and possibly terminate the contracts. Besides this, FCC Group could be liable for the damages caused in the accidents and it cannot guarantee that its insurance policies will be sufficient to cover these claims.

w) Risks associated to the Environmental Services Area

(i) The landfill business in the UK has been and continues to be exposed to a highly adverse market situation, and things could worsen in the future, with a negative impact on FCC Group

The main cause of the impairment of FCC's landfill business in the UK is the application of the European regulations that drastically reduce the waste to be eliminated at landfills, with the introduction and subsequent gradual increase of the Landfill Tax, as well as the institutional support for alternative recycling, treatment and elimination means (mainly incineration) to the detriment of landfills. Also, there has been a reduction of the total volumes of waste generated as a result of the economic crisis.

If the circumstances that generated the current situation remain or worsen and the decline continues, there would be an additional negative impact on FCC's business and accounts.

(ii) Reductions in waste gathering volumes would cause a reduction of the fees collected

The fees collected by FCC Group under waste gathering service contracts are calculated based on the weight in tonnes of the waste that is gathered. As a consequence, a decrease in waste gathering would necessarily cause a reduction of those fees. The cause of the decrease in the production of waste is the reduction of consumption by individuals, which in turn is caused mainly by general macroeconomic developments.

x) Risks associated to the Water Area

(i) Activities in the Water business are sensitive to changes in consumption models.

There has been a decline in the volume of drinking water that is supplied in some developed countries, mainly due to the water saving programmes established by public authorities and the industry and due to the extended idea that water is a resource that must be preserved. In Spain, FCC Group estimates that the volume of water bills has declined by approximately 1% per year over the last 15 years. Thus far FCC Group has managed to offset the effect of these reduced volumes by means of production benefits and negotiating contracts where part of FCC Group's revenues are independent of volumes. If the volume reduction increases those efforts might not be sufficient to fully offset said reduction.

(ii) The Water business is sensitive to weather conditions

FCC Group's results in the water business may be affected by significant changes in weather conditions. Thus exceptional rainfall levels could have a negative impact on FCC Group's results. For instance, in Spain during the 2003-2005 three year period rainfall was lower than the average for the previous ten years, and 2005 was the driest year since 1947, leading, among other things, to water saving campaigns among consumers and plans to optimise water use in farming. Also, exceptional rainfall levels were the cause of the reduction of water consumption in France in 2007, whereas certain episodes of hot weather generated greater water consumption in 2003 in that country; in 2012, seven water authorities in southern and eastern England imposed the hose pipe ban due to severe drought, which affected 20 million consumers.

(iii) When supplying drinking water FCC Group must ensure that the water is fit for human consumption

The most significant risk associated to the management of drinking water facilities is the supply of water that might cause health issues among end consumers. For instance, if there are any errors in the water treatment process affecting water quality, or if there are any acts of sabotage altering the nature or quality of drinking water, FCC Group could suffer loss of business and revenues, reputational risk, and incur liability and have to pay damages or cleaning costs.

(iv) Contaminated water spills could have a negative impact on FCC Group

FCC Group manages waste water treatment plants and the main risk related to this activity is that of spilling contaminated water due to errors in the management of the facilities. Besides being caused by errors or negligence in facilities management, contaminated water spills may take place as a result of acts beyond the control of FCC Group, including third-party acts, such as those of industrial users of sewage systems. In the latter case, FCC Group might be liable for damages and have to bear cleaning costs and suffer reputational damage.

y) Risks related to the Construction Area

(i) FCC Group is subject to risks relate to construction

The time and the costs involved in the execution of FCC Group's construction projects may be affected negatively by several factors, including fluctuations in the costs of construction materials, equipment or labour, accidents, delays in obtaining approval by the relevant authorities, for project management, adverse weather conditions and land in poor condition, construction limitations and other unforeseen circumstances. Any of these factors might delay the complete execution of projects and lead to additional costs and subsequent losses. Delays in project completions could in turn lead to a loss of revenues or termination of contracts, as well as potential claims by clients, who would seek compensation or termination of contracts, and this could negatively affect the results and the financial situation of FCC Group.

(ii) The construction industry is highly cyclical

The construction industry is of a cyclical nature and is significantly dependent on public and private investment. Investment levels in the public and private sectors are in turn related to the general economic conditions. Investment generally increases in times of economic growth and it declines in times of recession. In Spain, in particular, the construction industry has been seriously affected by tough economic conditions over the last few years.

Current economic conditions have led to a sharp reduction in tenders for civil engineering works, including public sector projects in Spain and other OECD countries. Civil engineering investments included in the annual budget of countries where FCC Group is or intends to be present depend mainly on two factors: the budget policies of the corresponding governments and the existing economic conditions at the time.

(iii) FCC Group's construction projects may be delayed or the budget may be exceeded, generating lower profits than expected or even losses

Large-scale construction projects entail certain risks, for instance shortage of materials, machinery and labour or an increase of their costs. If contractors or subcontractors do not comply with the agreed deadlines and budgets and if there are any interruptions due to adverse weather conditions or unexpected technical or environmental difficulties, there could be delays and increases in the construction costs. The contractual liability clauses to which FCC Group might resort in these situations in respect of contractors and subcontractors might not fully or partially cover the losses, especially in cases of contractor or subcontractor insolvency. If there are delays in the construction, FCC Group may receive the income later than expected and may face penalties and even the termination of the corresponding contract. These factors could increase FCC Group's expenses and reduce its revenues, in particular if FCC Group does not manage to recover those expenses through the operation of its concessions. Delays and cost increases may cause the projects to be less profitable than what FCC Group expects and even generate losses that could be significant. Several factors may prevent FCC Group from withdrawing from those projects, for instance performance bonds or other financial guarantees it may have granted; long-term contracts with local suppliers; local clients and partners that are not willing to withdraw from the project or joint venture, or employment contracts with local personnel. In this regard, on certain occasions it could be more costly for FCC Group to abandon non-profitable projects or projects generating long-term losses than seeing them through to completion.

(iv) The construction materials market depends to a great extent on the cyclical nature of the construction industry

The construction material industry depends on the level of activity in the construction sector. The industry goes through cyclical trends and depends on the expenditure level in relation to construction in the residential, commercial premises and infrastructure sectors. Political instability or changes in government policies may also influence the construction industry, which is sensitive to factors such as GDP growth, population increase, interest rates and inflation. The worsening of the Economy could lead to recession in the construction industry.

z) Risks associated to the Cement Area

(i) Operations in the cement business are subject to emissions control rules

Cement production requires extremely high temperatures and it consumes important amounts of energy derived from fossil fuels, which in turn increase emissions of greenhouse gases. FCC Group's operations in the cement business in Spain are subject to the Kyoto Protocol. According to Kyoto, companies have a limited number of emission rights at their disposal and must acquire additional rights from other companies that do not use all of the ones they were granted. Considering that the emissions created by cement production cannot be reduced, emission rights must be managed carefully. If FCC Group does not properly monitor its emissions and emission rights it could face penalties and other liabilities.

FCC Group is exposed to the risks inherent to the emissions trading system (ETS) introduced by the European Union in 2005. Phase III of this system, which covers the period from 2013 to 2020, particularly stresses the elimination of the allocation free of charge of emission rights in respect of the generation of electricity, effective as from 1 January 2013, with exceptions for certain European countries, which significantly reduces the free allocation for heat generation. The overall goal is to achieve, by 2020, a 20% reduction of greenhouse gas emissions (compared to 1990 levels).

Regulations on emissions control and the obligation of operating within an ETS expose FCC Group to two risk categories. On the one hand, it might occur that FCC Group produces a higher level of emissions than expected, both for technical reasons and for business related reasons, and this might entail additional costs for the Group. On the other hand, FCC Group might not be able to adjust its price policies so as to pass on the overall impact of the extra cost of acquiring emission rights.

Regulatory and compliance risks

Regulatory or Compliance risks are those arising from the breach of requirements and limitations established by Law and by the specific regulations applying to each business sector, as well as the breach of professional obligations or codes of conduct and contractual obligations.

a) The industries in which FCC Group operates are subject to comprehensive regulations which are in turn susceptible of being amended

In the execution of its business operations, FCC Group must respect several laws and local, province, national and international regulations. The laws and regulations applicable to the Group's business vary from one jurisdiction to the next and even between different towns and they may be subject to amendments, which may or may not be favourable. A change in the legal framework could lead to different or more restrictive regulations, and this could be the cause of changes in FCC Group's operating conditions; this could increase FCC Group's capital expenditure (for instance, the requirements for amending the configuration of existing facilities) or its operating expenses (for instance, the implementation of additional inspections and monitoring procedures), affect its results and financial situation or in any other way hinder the Group's development plans. Among these possible new regulations, new tax regulations, such as the one applicable to waste dumping and treatment services, could affect FCC Group's revenues if it is not capable to passing on those increases to end users.

Also, and as an example of regulations that have required FCC Group to adapt its activities, the Landfill Tax in the UK imposes charges according to the type and amount of waste deposited at landfills in an attempt to promote recycling, composting and extraction of value from waste.

FCC Group has implemented procedures that guarantee compliance with the laws regulating each one of the different economic activities developed in the Group. The different specialised departments stay abreast of regulatory changes, advising the Group's units accordingly and issuing standards as needed to standardise the Group's criteria and guarantee compliance with the law.

For operations outside Spain, the FCC Group seeks legal advice from local professionals in relation to the specific laws and regulations that affect the Group's business in each country.

b) Past and present activities may expose FCC Group to cost increases and to liability risk, particularly regarding health and environmental risks

The increasingly comprehensive laws and regulations under which FCC Group operates expose it to higher liability risks, particularly in environmental matters. The local, regional, national and EU entities of the countries where the Group operates regulate their activities and establish the applicable environmental regulations. The technical requirements imposed by the environmental regulations are increasingly costly, complex and strict.

These laws may impose a strict liability in the event of damages to natural resources or threats to public health and safety. This means that FCC Group may even be liable for the assets it no longer owns and for activities it no longer carries out.

Besides this, FCC Group may be obliged to pay penalties, repair damages and perform improvement works even if has carried out its activities with due care and fully complying with operating permits. FCC Group may be considered jointly and severally liable together with other parties. The relevant authorities may impose sanctions and penalties or they may revoke and reject the grant of authorisations and permits based on non-compliance with current regulations.

Some of FCC Group's activities could cause disease, damages and even deaths, the interruption of the business or damages to the assets or to the environment. The measures established by FCC Group to mitigate these risks, including contractual limitations to the liability of FCC Group, the preventive and protective measures and the insurance policies covering what FCC Group considers its critical operational risks may be insufficient, which could lead to it incurring substantial costs. A stricter application of the existing regulations, the entry into force of new laws, the discovery of previously unknown sources of contamination or the imposition of new, more demanding requirements may increase costs or impose new liabilities on FCC Group, leading to lower revenues and reducing the liquidity available for their activities.

In addition, by means of contracts for the outsourcing of environmental services, FCC Group companies may develop activities in certain places that are environmentally sensitive and qualifying as 'Seveso sites' with a high or low threshold (or their equivalent abroad) operated by industrial clients, particularly petrochemical industrial facilities. In these cases, the dangerous natures of the products, waste, spillage and emissions treated by FCC Group, as well as the nearness of the facilities that are managed to other potentially dangerous sites require that FCC Group manage the performance of services with utmost care and expose it to significant potential costs and liabilities in the event of an accident. The regulatory regime governing 'Seveso sites' applies only in the European Union, but FCC Group can also operate at sites outside the EU, for instance USA, which are subject to comparably strict regulations.

In this respect, FCC Group has implemented environmental management systems in the different business areas, which underscore the following:

a) Compliance with the environmental regulations applicable to the activities of each area.

b) Establishment and attainment of continuous improvement targets beyond those required by prevailing legislation or contracts.

c) Minimising environmental impacts through proper operational control.

d) An ongoing analysis of risks and possible improvements.

These management systems have been implemented in the different business areas according to UNE-EN standards and the Group has obtained ISO 14001 certification for its Environmental Management System.

c) FCC Group is subject to significant environmental and hygiene regulations that may be potentially costly

FCC Group incurs, and shall continue to incur significant costs and other expenses in order to meet its obligations in the field of the environment, safety and healthcare and to manage its risks regarding hygiene. In particular, these risks are related to water spillages, drinking water quality, waste processing, the contamination of the soil and ground waters and the quality of smoke and gas emissions. FCC Group may be unable to recover this expenditure via higher prices. Environmental laws and regulations are frequently amended, often leaning towards greater strictness. These changes in the laws and regulations may oblige FCC Group to incur expenses or make investments in order to comply.

Legal requirements, including specific precaution and prevention measures, may oblige FCC Group to make investments and incur other expenses to guarantee that the facilities in which it operates comply with the applicable regulations. In cases where there is no investment obligation, FCC Group may have to notify its clients of their obligation to carry out the necessary works. If a client does not comply with these obligations it could be detrimental for FCC Group as operators and it could negatively affect its reputation and growth capacity. Furthermore, regulatory entities have the power of filing procedures that could lead to the suspension or cancellation of the permits or authorisations that FCC Group has, or to the adoption of preventive measures requiring it to suspend or discontinue certain activities. These measures may be accompanied by penalties and civil or criminal sanctions that could have a significant negative impact on FCC Group's results and on its financial situation.

d) Tax regulations

Within the context of the delegation of powers agreed by the Board of Directors and the Chairman and the business model established in the FCC General Guidelines and the Financial-Economic Manual, in addition to the specific powers vested in the person responsible for the Tax Division, the functions of this Division include: proposing criteria relative to the Group's tax policies as well as to advise on and coordinate their application, with fiscal efficiency, in corporate acquisitions and reorganisation operations and for those presented by the different business areas in connection with their activities.

Additionally, with the purpose of minimising and ensuring the reasonable control and adequate information on tax risks, FCC has adhered to the Code of Good Tax Practice (a body with the participation of big Spanish companies and the central tax administration), approved at the Big Companies Forum, and it complies with the contents thereof. In compliance with the terms of the Code, the Tax Division reports to the Audit and Control Committee on the Group's tax policies through the General Administration Management.

On the other hand, in September 2014 the Fiscal Code of Conduct was approved by FCC Group, which is applicable to all the employees of FCC Group and has the goal of establishing the policies, principles and values that should guide tax behaviour within FCC Group.

Said code shows the obligations that are to be met by employees with responsibilities in FCC Group's tax area:

a. Follow the applicable tax regulations in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently verified facts.

b. Respect FCC Group's "Framework Rule for the Control of the Tax Area", as well as the specific communication, action and revision procedures for the tax area.

c. Ensure that the relevant decisions in the field of taxation are supervised by the Group's senior management and are duly supported, based on a global, integrating approach that takes into account the various business variables and the possible risks that are assumed.

d. Develop and foster a relationship of transparency and mutual trust with the tax authorities of each country.

e. Participate actively in the tax forums of the employer associations and international organisations to which FCC Group belongs, in order to propose specific tax measures geared to attaining a fairer and more harmonised tax system, both for the interests of the Group and for those of society at large.

e) Code of Ethics

FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other stakeholders, and it is obligatory for all the individuals in the Group and for third parties that voluntary accept its application.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental and ethical issues of particular importance. The Group offers an online training tool for the Code of Ethics.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general communication procedure for matters related to the Code of Ethics.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, FCC Group, by creating a working group made up by the General Internal Auditing and Risk Management, the General Legal Consultancy Management and the General Administration Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, among others.

- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, punishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group prepared a Crime Prevention and Response Manual which defines the response protocols when an offence or crime is committed.

Additionally, in light of the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working, since the approval of the Criminal Code Reform Bill in September 2013, on strictly monitoring the evolution of the amendments contemplated in said Project and its repercussions for legal persons, with the purpose of adapting FCC Group's Prevention and Response System and its control environment.

Among others, the following aspects have been analysed:

- The changes it represents in respect of the liabilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.
- The growing importance of Crime Response Prevention Systems and the integration thereof in the Corporate Compliance programmes.
- Requirements on the monitoring of the functioning of those programmes by an independent body within the organisation, entrusted with the function of supervising the control environment.
- The new types of offence or crime from which liability arises for the legal person.
- The extraterritorial nature of some types of offence or crime.

Additionally, FCC Group's international nature has made it necessary to analyse the requirements in the field of corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Also, during 2014 a review commenced of the Crime Prevention and Response Manual, with a triple goal:

- The incorporation of the novelties considered in the draft Criminal Code Reform.
- The adaptation to the new organisational model and the redefinition of functions.
- The incorporation of the changes arising from the forthcoming implementation of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, which allows it to guarantee that the claims received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in said manual, guaranteeing the confidentiality and traceability of the information, as well as the documentation of all the actions performed, in turn guaranteeing the different legal requirements in terms of Data Protection (LOPD).

f) Internal Control over Financial Reporting (ICFR)

Listed companies have the obligation of including, in their Annual Corporate Governance Report (IACG), information on the description of its Financial Reporting Internal Control System (FRICS). Also, the Audit Committees of publicly listed companies have assumed new internal control responsibilities.

In this regard and in connection with the good practices proposed in the report published by the CNMV (Spanish securities market commission), FCC Group has prepared an ICFR Report for 2014 which is part of this Annual Corporate Governance Report and it has been subject to an external audit.

g) Personal data protection systems

The processing of personal data, mainly in order to comply with the Data Protection Law (LOPD), is specifically regulated in the environments where FCC operates. To manage the risk of non-compliance, there is a programme that measures the impact on each business area and then establishes the necessary controls. This programme defines the legal, organisational and technical controls in each case.

h) Quality assurance systems

FCC Group has, in all of its business areas, quality management systems that are formally implemented and deeply rooted in the organisation, which has allowed it to obtain the organisation's Certificate of the Quality Management System, according to the UNE-EN ISO 9001 standard, and successfully pass the auditing appraisals done from time to time by external professionals.

The quality control committees in the different areas of the Group are the supreme executive bodies with the authority to establish guidelines, oversee compliance and review systems

i) Information security systems

FCC Group has an operating unit entrusted with analysing and mitigating the factors that could lead to a security failure in its information systems.

For each new project implying decisive changes in FCC Group's reporting systems, an analysis is carried out of the existing risks in order to identify the specific threats and define the adequate countermeasures. With regard to information processing risk, FCC Group has established a Corporate Information Security Policy laying down common information management criteria to mitigate those risks which could affect the confidentiality, availability and integrity of information. These criteria are based on the internationals standards of the International Standardisation Organisation (ISO) set out in the ISO 27000 family standards.

As a consequence of the above-mentioned Policy, the Company has a Code on the use of technology means and different action protocols for the management of incidents related to the use thereof. Controls have been implemented to guarantee user access to the resources for which they are authorised based on their need to know and their assigned roles.

FCC Group has a monitoring system known as 'Data Leak Prevention' to detect and prevent the risk of classified data leaks through information systems.

FCC Group has a Security Operation Centre (SOC) that operates 24/7 to address the growing threat of attacks from the Internet and possible information leaks.

As stated above, FCC Group has outsourced the services for the management of its IT infrastructures. Furthermore, investments are being made to standardise the architecture of FCC's systems and to remove any differences between the environments managed by Group companies in terms of availability and integrity.

FCC has thus guaranteed the efficient use of its information systems while ensuring the most effective operation and management of such systems based on best practices model for information technology service management (ITSM).

j) Occupational risks

A priority goal for FCC Group is to carry out its activities with a high level of health and safety for its entire staff, as well as strictly complying with the legal regulations in the field, as shown by the Occupational Risk Prevention Policy approved by the Board of Directors. To achieve this, occupational risk prevention systems have been implemented in all business areas and the Group companies received OHSAS 18001 certification, successfully passing the periodic audits conducted by external professionals.

As a guarantee of homogeneity and as an instrument of global management and adaptation to the organisation's standards in this field, FCC Group has a Corporate Manual on Occupational Health and Safety that entered into force in 2012, the guidelines of which are being incorporated to the management systems that are implemented. This is aimed at permanently reducing occupational accidents with a horizon of 'Zero Accidents'.

The certification of the occupational risk prevention management systems has been incorporated as a global strategic objective in Human Resources.

Financial risks

The concept of financial risk refers to the variations, due to political, market and other factors, in the financial instruments contracted by FCC Group and their repercussion on the financial statements. FCC Group's risk management philosophy is consistent with its business strategy, seeking the maximum efficiency and solvency at all times, for which purpose it has established strict criteria for the control and management of financial risks, consisting of identifying, measuring, analysing and controlling the risks incurred in FCC Groups operations, and the risk policy is appropriately integrated within the Groups organisation.

Given the Group's activities and the operations through which it executes these activities, it is currently exposed to the following financial risks:

a) Capital risk

FCC Group manages its capital to ensure in a reasonable manner that FCC Group companies are able to continue as profitable businesses, while maximising shareholder returns.

FCC Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in OECD countries and selectively in emerging economies.

The Finance Management, which is responsible for managing financial risks, reviews from time to time the financial debt ratio and the compliance with the financing covenants, as well as the capital structure of the affiliates.

b) FCC Group is exposed to foreign exchange risk

A noteworthy consequence of FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency.

Although the basic currency in which FCC Group fundamentally operates is the euro, FCC Group also has financial assets and liabilities booked in other currencies besides the euro. Foreign exchange risk lies mainly in debt denominated in foreign currency, in investments in international markets and in collections taking place in currencies other than the euro.

FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

c) FCC Group is exposed to interest rate risk

FCC Group is exposed to the risk arising from variations in interest rates because the Group's financial policy seeks to guarantee that its current financial assets and its debt are partially linked to variable interest rates. The reference interest rate of FCC Group's debt with credit entities contracted in euros is basically the Euribor.

A hike in interest rates could cause an increase of FCC Group's finance costs linked to its borrowing associated to variable interest rates and it could also increase the cost of refinancing FCC Group's borrowing and the issuance of new debt.

With the purpose of being in the most suitable position for the interests of FCC Group, an active interest rate risk management policy is followed, continuously monitoring the market and taking different positions mainly according to the assets that are financed.

d) Solvency risk

The most representative ratio to measure the solvency and capacity to pay back debt is Net debt/EBITDA.

e) FCC Group is exposed to liquidity risk

FCC Group carries out its operations in industrial sectors requiring high levels of financing; to date it has obtained adequate financing to carry out its operations. However, FCC Group cannot guarantee that the circumstances regarding how it obtains financing will continue in the future.

FCC Group's capacity to obtain financing depends on many factors, many of which are beyond its reach, such as overall economic conditions, the availability of funds at financial institutions and the monetary policy of the markets where FCC Group operates. Adverse effects in debt and capital markets may hinder or prevent FCC Group from obtaining adequate financing to develop its activities.

Apart from looking for new sources of financing, FCC Group may need to refinance part of its existing debt via bank loans and debt issuances, due to the fact that a substantial part of FCC Group's financing falls due in 2018. Historically, FCC Group has always been able to renew its credit contracts and expects to continue doing so over the next 12 months. However, the capacity to renew credit contracts depends on a number of factors, many of which do not depend on FCC Group, such as overall economic conditions, the availability of funds among private investors and financial institutions and the monetary policy of the markets in which FCC Group operates. Negative conditions in debt markets could hinder or prevent FCC Group from renewing its financing. FCC Group therefore cannot guarantee that it will be able to renew its credit contracts in economically attractive terms. The inability to renew those credits or to ensure that is has adequate financing under acceptable terms could have a negative impact on the liquidity of FCC Group and on its capacity to cover its working capital needs.

To properly manage this risk, FCC monitors the maturity dates on the policies and financing agreements of all Group companies very closely in order to negotiate the renewals in a timely manner under the best conditions the market has to offer; as the case may be, it may study alternatives whenever conditions are not as favourable. FCC Group is present in various markets in order to facilitate obtaining financing and to mitigate liquidity risk.

In this respect, in June 2014 the Group's most important credit facility entered into force. It is a syndicated loan of 4,528 million euros, for four years, to which are added a number of agreements that significantly push back the maturity of the Group's debt. These include the obtainment and renewal of new working capital facilities (leasing, factoring, confirming…), international bond facilities, with 250 million euros extendable up to 450 million, and the renewal for six years (until October 2020) of the existing convertible bond totalling 450 million euros.

Both these operations are basic pillars for reaching the restructuring and profitability goals contemplated in the Strategic Plan.

f) Concentration risk

This risk arises from the concentration of financing transactions with common characteristics and is broken down as follows:

- Sources of financing: In order to diversify this risk, FCC Group works with a great number of domestic and international financial institutions to obtain financing.
- Markets/Territory (Spain, abroad): FCC Group operates in a wide variety of markets in Spain and other countries; the Group's debt is denominated primarily in euros and the remainder in different international markets with other currencies.
- Products: FCC Group uses diverse financial products: loans, credit facilities, obligations, syndicated operations, assignments, discounts, etc.
- Currency: FCC Group finances its operations using a number of different currencies depending on the country where the investment is being made.

FCC Group's strategic planning process identifies the goals for each of its business areas according to the improvements that are to be implemented, the market opportunities and the risk level considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

In order to mitigate the market risks inherent to each business line, the Group maintains a diversified position across activities related to construction and infrastructure management, provision of environmental services, energy and others. In the field of geographic diversification, in 2014 foreign activity accounted for 44% of total sales, and it was particularly important in the Group's most significant areas, infrastructure construction and environmental services.

g) Credit risk

Rendering services to or accepting orders from clients whose financial soundness is not guaranteed at the time of acceptance or which cannot be evaluated by FCC Group, as well as situations that may occur during the rendering of the service or fulfilment of the order that can affect a client's financial situation, can give rise to the risk of outstanding balances not being paid.

The Group takes care of re questing trade reports and evaluating the financial soundness of clients before entering into contracts with them; it also monitors them on a permanent basis, and has a procedure prepared for cases of insolvency. For public sector clients, FCC Group has a policy of not accepting work that does not have an assigned budget and prior economic approval. Proposals for work that exceed a particular payment deadline must be authorised by the Director of Finance. Defaults are also monitored continuously with specific bodies such as risk committees.

h) Risk-hedging financial derivatives

In general, the financial derivatives contracted by FCC Group are accounted for according to the regulations on accounting hedges established in the Notes to the annual financial statements. The main financial risk hedged by the FCC Group using derivatives is the variability of the floating interest rates to which the various FCC Group companies' borrowings are indexed. The valuation of the financial derivatives was carried out using generally accepted methods and techniques by experts in the field that are independent from the Group and from its financing entities.

Reporting risks

a) Organisational and corporate complexity

Given FCC Group's organisational and corporate complexity, there could be a risk of inadequate comprehensive information reporting within the organisation.

The fact of not reporting adequately on the achievement of strategic goals by identifying critical risks that have materialised, regarding which Management could still carry out specific action plans to correct negative deviations to achieve such goals could entail significant deviation in terms of compliance with the FCC Group strategy.

Also, the identification of key performance indicators for business, in relation to compliance with the goals of each business unit, would make it possible to make decisions before there are any deviations in relation to the quality of the financial information that is reported.

Accordingly, and as part of the implementation process of the Integrated Risk Management Model, the Group is working on improving the existing information flow in respect of Compliance with the Group's strategy according to the identification and evaluation of the risks hindering the achievement of the goals of each of the business units in FCC Group and the identification of the adequate KPIs for those goals.

b) Reputation management / Corporate governance

Reputation management is part of FCC Group's Code of Ethics and of the work developed in matters related to Corporate Responsibility and Ethics. Social responsibility policies are an inherent part of FCC Group, for which conducting business requires a comprehensive commitment to the society it is part of.

E.4 Identify whether the company has a risk tolerance level.

As the basis for the implementation process of the Integrated Risk Management Model that the Group is currently working on, the Accepted Risk levels shall be established for each Business Unit.

For risks exceeding the Accepted Risk for each sector of activity, the necessary action plans are established with corrective measures to keep their critical levels within the Accepted Risk area. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

E.5 State what risks materialised during the year:

- **Risk that materialised in the year:** Limitations on access and refinancing in financial markets.

Underlying circumstances:

The current financial and economic crisis has caused difficulties in terms of access to financing sources for the Group, as well as for refinancing existing loans in the best possible conditions, with the subsequent negative effect on the Group's financial statements.

How the control systems operated and response plans:

After presenting the new Strategic Plan on 20 March 2013, the company embarked on a global refinancing process involving all of the parent company's syndicated loans and a significant part of the bilateral financing, which contemplates obtaining liquidity lines and extending the current maturities.

Accordingly, there has been an intensive negotiation process throughout 2013 and 2014 with the major financial suppliers; it ended successfully in June 2014, reaching an agreement aligned with the fulfilment of the goals contemplated in FCC Group's Strategic Plan, which will start to have an important positive effect on the Group's accounts as from 2015.

- **Risk that materialised in the year:** Adaptation of FCC Group's personnel to planned operations/flexibility of personnel costs.

Underlying circumstances:

The current financial and economic crisis caused a decline in the Group's turnover, which has equally affected other operators in the market. This circumstance has led to a loss of efficiency per production unit, which has been shown on the Group's financial statements over the last few years.

How the control systems operated and response plans:

Over the last few years FCC Group has carried out adjustments of its structure to current demand in the market, via several staff restructuring measures, and it managed to effectively adjust the headcount to the expected production requirements, which has led to production efficiency improvements in 2014, and additional improvements are expected as from 2015.

- **Risk that materialised in the year:** Reprogramming of construction works.

Underlying circumstances:

The current financial and economic crisis has caused a delay in public-sector investment, leading to reprogramming of several construction works in Spain and abroad, with substantial effects on the outcome thereof due to clients' non-fulfilment of their commitments and FCC Group's continuous efforts to meet those commitments.

How the control systems operated and response plans:

In this situation, FCC Group carried out several actions to optimise the costs to a maximum at each of the facilities, in an effort to adapt to the new deadline commitments, claiming whatever was required from each one of the clients in every case. On the other hand, our trade relationship with our clients made it possible to reach an understanding.

- **Risk that materialised in the year:** Delayed payments by certain public-sector clients for the provision of urban environmental services and for construction works executed in Spain.

Underlying circumstances:

Both the entry into force of the Organic Law on the control of trade debts in the Public Sector, so that invoices are paid meeting the legal payment terms, and the new financing plan approved in 2013, effective in the first quarter of 2014, allowing to pay suppliers and cancel due liabilities yet to be paid, made it possible to bring down the effects of this risk.

How the control systems operated and response plans:

The permanent monitoring and control committees remain in place in order to minimise the volume of generated assets, thereby reducing the associated financial cost and consolidating the gradual reduction in the future. All of this has allowed a substantial reduction of the average payment period by those clients in Spain throughout 2014 that will continue in 2015.

- **Risk that materialised in the year:** Cut-backs in investments forecast by Public Administration bodies.

Underlying circumstances:

As a consequence of the current economic and financial crisis, there have been cuts and investment restrictions for the construction of infrastructures in Spain.

Budget adjustments required due to the implementation of the Budget Stability Act have led to reviews of services rendered to levels sustainable according to clients' budget availability.

This has led to a lower demand for cement, with a significant decline of sales and EBITDA.

How the control systems operated and response plans:

This situation has been mitigated by selective increased presence abroad and by incorporating new contracts, focusing on a few select territories and complex civil works with high added value, with a growth of the portfolio of works abroad.

The continuing sales relationship with clients involved has allowed for the modulation of the services rendered without losing orders and market share in Spain has been maintained.

Also, a new restructuring plan was implemented in 2014 in the cement area that is managing to adjust the operating and production capacity.

- **Risk that materialised in the year:** Country risk. Existence of certain unstable geographic markets.

Underlying circumstances:

The existence of certain unstable geographic markets in which FCC Group operated led to an ongoing re-planning of works abroad, with a negative impact on the Group's financial statements.

How the control systems operated and response plans:

During the last few years FCC Group has carried out a thorough strategic, operational and financial reorganisation in the markets where these risks materialised, aimed at mitigating those risks.

In this way and as part of the Group's strategy that started in 2013, a selective increase of the Group's presence abroad is being carried out, incorporating new contracts and focusing on a few select territories and in complex civil works with high added value.

- **Risk that materialised in the year:** General decline of activity.

Underlying circumstances:

The current financial and economic crisis has caused a widespread decline of economic activity, which has reduced the turnover but has not affected the market share in the sectors where the Group operates.

How the control systems operated and response plans:

In light of this situation, FCC Group took several measures to adapt its production capacity to the market situation, getting ahead of possible greater adverse effects on its financial statements. These measures had to do with personnel and with the restructuring of assets and divestments.

- **Risk that materialised in the year:** Impairment of intangible assets.

Underlying circumstances:

The current financial and economic crisis has caused a loss of value of some of FCC Group's investments.

How the control systems operated and response plans:

FCC Group recognised in the last few years significant impairments of certain goodwill, adapting the Group's assets to its true recovery capacity.

- **Risk that materialised in the year:** Loss of value of investments.

Underlying circumstances:

FCC Group in the United Kingdom carries out landfill management business through its subsidiary FCC Environment, and this investment was impaired in 2014. The main cause of the impairment is the application of the European regulation on the dramatic reduction of waste to be eliminated through landfills, with the introduction and gradual increase of a Landfill Tax, as well as institutional support for alternative recycling, processing and elimination means (mainly incineration) to the detriment of landfills. There has also been a reduction of the total volume of waste generated as a consequence of the economic crisis.

How the control systems operated and response plans:

FCC Group has reflected the impact of this situation on its financial statements, recording write-offs in the value of the assets affected in September 2014. Additionally, from time to time it appraises the assets that still have value, in order to be able to identify future fluctuations in their value, and consequently adopt measures to maximise the value of those assets.

E.6 Explain the response and monitoring plans for the Company's main risks.

One of the major risks for FCC Group over recent years is the inherent risk related to the construction business both in Spain and abroad. In this respect the response plans established by the Group are part of a global restructuring process for the construction business, and were as follows:

- Domestic construction: Adjustments of the production means to the actual needs of the market, preventing the impairment of returns:
  - Adaptation of headcount to the current market situation.
  - Reduction of the sales structure adapting it to the current market situation.
- International construction: Returns are boosted by focusing on specific territories, selecting the most profitable works and markets, as well as building up the industrial business in select territories. In addition to this, just like in Spain the sales structure is being reduced, adapting it to the current market situation.

Regarding the risks affecting the Environmental business unit:

- Headcount for the contracts have been fully adapted to the new service requirements.
- With the completion of the last supplier payment plan in the first quarter of 2014, low and stable trade debt levels have been attained and it is even expected that they may be improved with the entry into operation of the electronic invoice and the entry into force of Royal Decree RD 635/2014, developing the method for calculating the average payment term of public administrations and the conditions and procedure for retaining funds from financing systems.
- Local administration and town council budgets have stabilised, which will undoubtedly enhance the stability of the contracted services. Further cuts are no longer expected.
- Improvements are expected in terms of the decline in consumption due to the slight recovery of the economy, which will prevent loss of business in waste collection contracts where the fee is established according to the volume of waste that is generated—this is directly linked to consumption.
- In relation to the risk of delays in the approval of dossiers and successive regulatory changes in respect of price revisions, the Group is permanently monitoring the dossiers and contacting each client to solve any doubts that may arise.

In relation to the risks that have affected the Water business unit:

- In order to mitigate the potential stagnation of the domestic market, steps have been taken in order to intensify our presence in the international market, to which end the target markets have been identified and human resources have been restructured (support, sales development and production staff) according to the needs of the identified markets. The selected target markets try to mitigate the problems that have arisen in connection with social opposition to the privatisation of the management of municipal water services, aside from valuing the competitive advantages, basically as a result of FCC Aqualia's capacity to cover all the activities included in the integrated water cycle (design, construction, maintenance and operation).

In addition, technology development lines have been strengthened through the R&D+innovation Department in the areas of sustainability, quality and smart management, with the goal of improving the Company's competitiveness in the local and international markets.

At the same time, the presence in Spain of (domestic and international) employers' organisations and media has been strengthened in order to communicate the (technical and economic) advantages of having a private-sector company take part in water management.

- With the goal of not worsening the returns on our projects, in terms of sales, the new offer criteria require greater safety margins in terms of guaranteeing the project's IRR. In this respect, projections on annual demand, both in terms of provisions and population serviced are considered as having a flat growth rate.

  As far as costs are concerned, the following initiatives have been implemented, among others:

  - Cost-reduction programme in the supply of electric power, including a revision of contracting conditions, implementation of a new software application and of new developments generated by the R&D+i Department.
  - Programme to reduce absenteeism by implementing a software application and developing preventive culture projects and the workplace Health Charter. At the same time there will be a revision of hiring methods and of the production structure domestically.
  - Programme to optimise operations by establishing central warehouses, reducing materials left in deposit and costly parts with low turnover rates.
  - Programme to reduce the cost of managing the fleet of vehicles by implementing a software solution contemplating geolocation and control of the associated maintenance costs.

- With the goal of mitigating possible risks in the operation of water supplies for human consumption, work has commenced to identify critical infrastructures according to the criteria established by the Public Administration, in collaboration with the Spanish Water Operators Business Association.

  Programme to restructure the activity of accredited and certified laboratories in quality control of water, adapting their performance to the new demands of EU directives, optimising the equipment replacement investments and increasing the capacity to conduct analyses.

Additionally, and with a bearing on all the areas in FCC Group:

- Since early 2014, the Management Control Department prepares a monthly monitoring report detailing the major relevant events by business area and at Group level, explaining the most significant variations in the month. This monthly report is sent to the CEO and the members of the Management Committee. Also, twice a year the Management Control Department coordinates the update of the annual budget to anticipate any deviations in terms of returns, cash generation, debt and identified risks. This Department focuses on planning and control alike.

- FCC Group is in the midst of a process to improve the Integrated Risk Management Model that will allow it, once it is fully operative, to react in anticipation of the materialisation of major risks, mitigating their effect. This model will make it possible to establish specific response plans whenever there are foreseeable deviations in the compliance with the strategy, classified by risk materialised, studying the cause of the materialisation of each one of the risks and the existing control environment in each case. This process is being coordinated by the FCC Group's General Internal Auditing and Risk Management.

The remaining response plans carried out by FCC Group for each of the risks materialised in 2014 are set out in the preceding section E 5.

F – INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms in the control and risk management systems in relation to the financial reporting process (ICFR) at your company.

F.1 The Company's control environment

Indicate at least the following, specifying the main characteristics thereof:

F.1.1. The bodies and/or functions responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) the implementation thereof; and (iii) supervision thereof.

The bodies and functions that are responsible within FCC Group for the existence, maintenance, implementation and supervision of an adequate and effective ICFR, and the responsibilities attributed to these bodies, are the following:

Board of Directors

As set out in article 8 of the Rules of the Board of Directors of FCC, S.A., the Board is ultimately responsible for the approval of the Company's general policies and strategies and, in particular, for the risk management and control policy, identifying the main risks of the Company and implementing and monitoring the suitable internal control and reporting systems, with the purpose of ensuring its future feasibility and competitiveness by adopting the most relevant decisions for the better development thereof.

Executive Commission

As set out in article 40 of the Rules of the Board of Directors of FCC, S.A, the Board may permanently delegate to the Executive Commission all of the powers pertaining to the former, except those which are reserved to the Board by the Law, the Articles of Association or the Rules of the Board of Directors.

In addition, just like the Board, the Commission ensures that the organisational structure of FCC Group, the planning systems and the management processes of the operations are designed to face the various risks to which it is exposed in the course of business.

The Board of Directors shall designate the Directors who are to make up the Executive Commission, ensuring that the share structure of the different director categories is similar to that of the Board itself.

The functioning of the Executive Commission is determined in article 36 of the Articles of Association of FCC.

Audit and Control Committee

The Rules of the Board of Directors of FCC establish, in article 41, the incorporation of a permanent Audit and Control Committee, made up by a minimum of three Directors, appointed by the Board of Directors taking into account their knowledge and experience in the field of accounting, auditing or risk management. All members will be external non-executive Directors and the committee will name a Chairman among them who will hold the position for a maximum period of four years, and they may also choose a Vice-Chairman.

The fundamental function of the Audit and Control Committee is to support the Board of Directors in its monitoring tasks, by reviewing, from time to time, the process of preparing economic and financial reports, the internal controls and the independence of the external auditor.

In particular, by way of illustration only, and notwithstanding any other tasks with which it may be entrusted by the Board of Directors, the Audit and Control Committee will be responsible for:

- Supervising the Company's internal auditing services, which see to the proper functioning of the reporting and internal control systems, and the head of the internal auditing function is under the obligation to submit the annual work plan to the Committee and to directly report any incidents arising in the development thereof, as well as submitting a report on its activities at the end of each year.

- Analysing and submitting the risk management and control policy to the Board for approval, identifying at least:

    - The different types of risks that the Group faces, including, among others, financial and economic risks, contingent liabilities and other off-balance sheet risks;
    - Establishing the risk level that the Company deems acceptable;
    - The measures provided to mitigate the impact of the identified risks in the event they materialise;
    - And the reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities and off-balance sheet risks.

- Supervising the process of preparing the individual and consolidated financial statements and management reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, informing the Board of Directors prior to its adoption of the following decisions:

    - The financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate;
    - And the creation or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.

- In relation to the reporting and internal control systems:

    - Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
    - Reviewing from time to time the internal control and risk management systems, so that the main risks are identified, managed and adequately disclosed, following up on the Risk Maps and the action plans that are necessary to mitigate the most relevant risks that are identified, among which are those arising from the Internal Control over Financial Reporting.

Steering Committee

The Steering Committee in 2014 has been presided over by the Second Vice Chairman and CEO of FCC Group and it is made up by all of the members appointed by the Board of Directors in full session. Its functions related to the Internal Control over Financial Reporting include the monthly review of the financial reports of the consolidated FCC Group, most importantly in periods when said reports are to be filed with the Spanish Securities Exchange Commission (CNMV). As from 13 January 2015, the Group's Steering Committee was replaced by business area steering committees and by a Central Services Coordination Committee.

General Administration Management

The General Administration Management performs the following functions related to the Internal Control over Financial Reporting:

- Coordinating the administration of the different areas, establishing the administrative processes and procedures generally applied in the Group and promoting the uniform application of the accounting and tax policies.
- Defining and issuing the accounting standards applied in the Group.
- Drawing up and supervising the consolidated accounting and management reporting.
- Developing the accounting and tax management of FCC, S.A. and its subsidiaries not allocated to the operating areas.
- Drawing up the Group's consolidated financial statements.
- Defining and publishing the tax criteria that are generally applied to FCC Group, both individually and at the consolidated group level.
- Advising the different areas in tax matters and taking part in solving any matters brought up by them.
- Preparing the Tax Group's consolidated corporate income tax statement.
- Designing and publishing the procedures, documents and software applications generally used in FCC Group, for accounting and tax purposes.
- Advising the different areas in terms of procedures and taking part in solving any matters brought up by them.

General Finance Management

The General Finance Management is entrusted with the centralised management of FCC Group's finances. This entails the centralised financial management of the following aspects: financing the Group's activities, managing the Group's debt and financial risks, optimising the cash and financial asset management, the financial control and management of the Group, relations with investors, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of bonds, guarantees and insurance.

Management Control Department

As from June 2014, the Management Control Department, which until then depended on General Finance Management, reports directly to the CEO. This shift in terms of hierarchical dependence is due to the need to boost the Management Control systems.

This department includes the functions of Management Control, Budget and Financial Planning Control, which is in charge of the following functions: (i) coordination and preparation of the Annual Budget; (ii) definition and implementation of various scorecards and key indicators to support the Group Management in its decision making; and (iii) review and validation from time to time of the contract portfolio and the current offers to ensure that, in both cases, the criteria established by the Steering Committee in terms of margin, cash generation, return on investment and risks are fulfilled.

General Internal Auditing and Risk Management

The purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent supervision function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks attached to achieving FCC Group's objectives. (Additional information included in section F.5.1).

In June 2013, the General Internal Auditing Management incorporated Risk Management, which until then was part of the General Administration and Information Technology Management, to its functions, with the following responsibilities and functions in the field of corporate risk management:

- Identifying the risks that the Company faces, according to their status as potential threats to achieve the organisation's goals.
- Proposing the procedure that is considered adequate for monitoring and controlling those risks and especially, those with preferential monitoring.
- Establishing the mechanisms for communicating from time to time the evolution and monitoring of the identified risks.

The results of Continuous Risk Management are communicated to the Auditing Committee, the highest body responsible for supervising the Group's Risk management, as set down in the Regulations of the Group's Board of Directors.

In this respect, during 2014, in order to ensure compliance with the best practices in this area (COSO), FCC Group's General Internal Auditing and Risk Management supervised the work performed by the different business areas in the process of developing and evolving the Integrated Risk Management Model that FCC Group is currently working on. Special attention has been used to supervise improvements related to the identification and evaluation of risks, the adequate identification of the existing control activities and the identification of the most effective risk materialisation indicators.

During 2015, advancing in the improvement of that model, it is scheduled that, for risks exceeding the Accepted Risk [level] in each of the business areas, the General Internal Auditing and Risk Management shall supervise the establishment of the necessary action plans with possible corrective measures to ensure that critical risks are within the Accepted Risk thresholds. These action plans shall include the necessary measures to reinforce existing controls or to incorporate new controls.

One of the goals sought by incorporating these improvement measures is to ensure the establishment of specific response plans in anticipation of the materialisation of critical risks, thereby ensuring compliance with the accepted risk level established in FCC Group's strategy.

Additionally, work will also be done to prepare a high level Risk Management Policy, as well as to update the specific procedures to carry out Risk Management in each of the business areas, to ensue both compliance with the Model and active participation in any decision-making process within the organisation.

General Organisation Management

The General Organisation Management, established in June 2013, takes on the remit of the Human Resources (hereinafter HR), Information Systems and Technology Risks Management, and Aggregate Purchases Areas.

HR's mission in FCC seeks to favour and boost the development of individuals, communication and a good working environment climate, in line with the Company's strategic goals and policies, via the efficient management of HR specialised services, in a context of diversity and internationalisation. Its functions include establishing the policies, strategies, rules and general bases for selecting, hiring, training, employing, developing and empowering people in our organisation, all aligned with the company's general strategy and that of its different business areas. The basic goal of this function is to create the necessary environment to attract, manage, motivate and develop the best professionals, which requires:

- Developing and optimising key people management policies and processes.
- Achieving a high efficiency level in the HR function.
- Favouring and boosting the creation of a highly participative, attractive and competitive working environment.

The Information Technologies and Systems' Division, hereinafter the ITS, guarantees suitable technology support for the Group's management processes, optimising the management of the necessary resources and service level for users, ensuring the confidentiality and integrity of information systems. The action model is geared to FCC Group achieving its strategic goals via two lines:

- Operating efficiency in the performance of all of its activities.
- Support for FCC Group's internationalisation, deploying the necessary IT applications and services based on solid infrastructure, in the countries where FCC has a productive presence.

The main functions of ITS are:

- Managing the Group's technological resources and keeping them updated.
- Defining the business process information needs and setting priorities with users.
- Guaranteeing that systems are suited to the management information needs.
- Supporting projects for improving the business processes for which the division is responsible.
- Guaranteeing that users have adequate technology support.
- Implementing the proposed safety measures to guarantee the confidentiality, integrity and availability of information systems.
- Managing the area's suppliers.

Additionally Information Security and Technology Risk Management is responsible for Information security and for managing risks related to the processing of FCC Group's information assets.

The mission of this division, created in December 2005, is to foster Information Security, promoting corporate governance by means of adopting the most highly accredited international security standards. This goal will be sought by implementing an Information Security Management System (ISMS) according to ISO 27000. In this model, the Risk Analysis of the information assets administered by FCC Group assumes a relevant position, as an evaluation item prior to the deployment and management of risk mitigating measures.

Information Security and Technology Risks Management is integrated in the ITS organisation chart with the following functions:

- Preparing on a triennial basis FCC Group's Information Security Strategy Plan and to follow up on compliance thereof from time to time.
- Coordinating with the FCC Information Security Committee and supporting it in the performance of its functions, as well as setting the common strategies on the security of assets for all the Group's business division committees.
- Defining the Corporate Information Security Policies and checking from time to time that they are being met.
- Establishing the Risk Analysis and Management guidelines and defining the method to be applied.
- Coordinating with the different Business Areas to ensure Regulatory Compliance in the field of Personal Data Protection.
- Defining and implementing Internal Controls to verify the proper compliance with the corporate information security policies.
- Reviewing from time to time the efficacy of the Information Security Management System, as well as measuring the efficiency of the Internal Controls that are implemented.

- Performing internal audits of the Information Security Management System according to planned intervals.

The goal of Aggregate Purchases is to provide a purchase service satisfying internal customers and contributing to increase FCC's negotiating capacity, in keeping with principles of the Strategic Plan and the Group's general policies.

F.1.2. State whether any of the following elements exist, in particular in relation to the process of preparing financial reports:

- Departments and/or mechanisms entrusted with: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of authority and responsibility, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place for their proper dissemination in the company.

As defined in the Regulations of FCC's Board of Directors, the design and review of the organisational structure and the definition of the lines of authority and responsibility is done by the CEO supported by the Steering Committee, and it is ratified by the Board of Directors.

The Rules of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each commission.

The CEO and the Steering Committee determine the distribution of tasks and functions, ensuring that everyone's powers are adequately known, in order to ensure that there is a proper separation of functions and efficient communication between them, including those related to personnel involved in the drawing up of the Group's financial reports.

The Appointment and Remuneration Commission proposes the appointment of senior executives with the profile best suited to their tasks and functions. Additionally, it is in charge of overseeing the observance of the remuneration policy established by the Company and, in particular, it proposes the remuneration policy for Directors and senior executives to the Board of Directors.

The process to determine the organisational structure is regulated by the Group's General Standards Manual in section 10 "Organisational Structure," which regulates the Bodies directly reporting to the Board of Directors, the distribution of the Group's management functions and the Appointment of Senior Executives.

The Chairman/CEO is entrusted with defining the lines of responsibility and authority and each Corporate Department must define its organisational structure and its lines of responsibility.

On the other hand, the Human Resources area is in charge of updating and reviewing, with the support of the relevant departments, both the Group's organisational structure and its organisation chart. The detailed organisation chart of all the Group functions is published on the Company intranet.

In this respect, the Human Resources area is developing a project to modernise the reporting and human resources management system. The implementation at a domestic level was completed in 2014 and a study has commenced for the implementation of the HR management and information system internationally. Among other goals, this project is meant to clearly define the organisational structure and the lines of responsibility in order to optimise the distribution of tasks and functions.

In addition, the Communication and Corporate Responsibility Department, which directly reports to the vice-president and CEO, groups together all the functions related to the Group's external and internal communication, both in Spain and in its international companies, institutional relations, brand and corporate image management, advertising and CSR policies, and it is responsible for establishing the procedures for the proper dissemination of the organisational structure and the lines of responsibility.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the recording of operations and the preparation of financial reports), body in charge of analysing breaches and proposing corrective actions and penalties.

FCC Group has a Code of Ethics, the latest version of which was approved by the Board of Directors on the 27 February 2012, regulating the principles that must guide the Group's conduct and the relations between Group employees and the relations between employees and the rest of their stakeholders groups. Compliance with the Code of Ethics is compulsory for all Group personnel and third parties who voluntarily accept its implementation.

FCC Group has currently set up a working group to update the Code of Ethics, with the goal of improving it and adapting it to the best practices in the market in this field.

The FCC Group Code of Ethics is a tool to guide actions in corporate, environmental or ethical issues of particular importance. The guidelines for conduct set down in the Code of Ethics refer to basic behaviour principles, relations with and between employees, internal control and fraud prevention, commitment with the market, the company and the community.

The FCC Group Code of Ethics includes a chapter that is closely related to control over the preparation of financial reports called "Internal control and fraud prevention," which deals with the following topics: "Manipulation of information", "Use and protection of assets", "Protection of Intellectual and Industrial Property", "Bribery and Corruption" and "Money laundering and irregular payments".

FCC Group communicates and disseminates the Code in the Company, so that all of the employees are aware of it. As part of the update and review of the Code of Ethics, work is being done to get all the employees in the Group to accept and be committed to compliance with the Code of Ethics in the development of their functions, as well as extending it to suppliers and clients. The Code of Ethics is also published on the Group's corporate website so that anyone can access it.

The welcome course for new employees, prepared by Human Resources, includes specific training on the Code of Ethics, among other matters.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Counsel Management and Risk Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

As a result of this process, FCC Group has a Crime Prevention and Response Manual that defines the response protocols in the event of a criminal offence.

In addition, in light of the current reform of the Criminal Code in this same matter, the General Internal Auditing Management and Risk Management have been working during 2014 and since the approval in September 2013 of the Criminal Code Reform Bill, closely monitoring the evolution of the amendments contemplated in that Bill and the repercussions for legal persons, with the goal of adapting both FCC Group's Prevention and Response System and its control environment.

Among other aspects, the following has been analysed:

– The changes it represents in terms of the liability of senior executives, the administrators and directors, in keeping with the reform of the Capital Companies Act.

- The growing importance of the Crime Prevention and Response Systems and their integration in the Corporate Compliance programmes.
- Requirements regarding the supervision of the functioning of those programmes by an independent body within the organisation entrusted with overseeing the control environment.
- The new types of offence from which legal person liability arises.
- The extra-territorial nature of some types of offence.

In addition, the international nature of FCC Group has required the analysis of requirements regarding corruption, bribery and money laundering established by international bodies and by some of the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and update of the Crime Prevention and Response Manual is being studied, with a triple objective:

- The incorporation of the new developments in the draft Criminal Code Reform.
- Adapting it to the new organisation model and the redefinition of functions.
- The incorporation of the changes arising from the implementation in the near future of a tool to support the Whistleblowing System.

In respect of the last item, during 2014 progress has been made in the definition, development and implementation of a tool to support the Whistleblowing System, which makes it possible to guarantee that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is established in the manual, guaranteeing confidentiality and the traceability of information and that all actions carried out are documented, in turn guaranteeing that the legal requirements established in the Data Protection Act (LOPD) are met.

The Audit and Control Committee, pursuant to article 41 of the Rules of the Board of Directors, has the following remits, among others:

- Receiving information from time to time from the Response Committee and from the General Internal Auditing and Risk Management, respectively, on the development of their activities and the functioning of the internal controls.

- Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

The people in connection with the Code of Ethics are under the obligation to report any breaches thereof, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general reporting procedure for matters related to the Code of Ethics, which is described in the “Whistleblowing Channel” section. The body in charge of analysing possible breaches is the Response Committee, which also establishes the system to propose corrective measures and, if it considers it necessary, penalties. This Committee reports to the Chairman of the Audit and Control Committee.

On the other hand and in a supplementary manner, in September 2014 FCC Group’s Fiscal Code of Conduct was approved, with the goal of clarifying the policies, principles and values that must guide actions in the field of taxation within FCC Group.

This code states that employees with responsibilities in FCC Group’s tax area must comply with the following obligations:

f. Abide by the tax regulations applicable in each jurisdiction, based on sufficiently reasoned and reasonable interpretations and sufficiently proven facts.

g. Respect FCC Group's "Tax Area Control Framework rule", as well as the specific procedures for communication, action and review in the tax area.

h. Ensure that the relevant tax decisions are overseen by the Group's senior management and that they are duly supported, based on a global and integrating approach that takes into account the various business figures and the possible risks that are assumed.

i. Develop and foster a relationship of transparency and mutual trust with the tax authorities in each country.

j. Actively participate in the tax forums of employers' associations and international organisations of which FCC Group is a member, with a view to proposing specific tax measures focused on achieving a fairer and more harmonised tax system, both for the Group and for society at large.

- Whistleblowing Channel, which allows financial and accounting irregularities to be reported to the Auditing Committee, as well as possible breaches of the code of conduct and irregular activities within the organisation, stating, as the case may be, the confidential nature thereof.

FCC Group has a procedure in place which allows individuals to report, in a confidential manner, any actions which represent inappropriate behaviours or actions in the light of the Code of Ethics.

A specific Response Committee has been set up whose functions are to ensure the proper functioning of the communication channel that has been established, valuing possible improvements of the controls and systems established by the Company, processing communications so that they can be solved, promoting the awareness of the Code of Ethics, and regularly preparing reports on the level of compliance thereof.

The Code of Ethics allows individuals to communicate, confidentially and in good faith, and preferably in their own name, any observed actions that are contrary to the Code of Ethics. The communication routes forming the basis of the Whistleblowing Channel are:

– An html page in the Group's Intranet: internal communication channel.
– A postal address: Apdo. de Correos 19312, 28080-Madrid, managed by the Chairman of the Response Committee.
– Email addressed to comitederespuesta@fcc.es, managed by the Response Committee.

In order to guarantee the confidentiality of the whistleblowing channel, communications are received centrally by the General Manager of Internal Auditing and Risk Management, the General Manager of Organisation, the General Manager of Legal Consultancy and the Director of CSR, who are the members of the Response Committee, the body in charge of this procedure. As mentioned in the preceding paragraph, a tool is under development that will improve the Whistleblowing System.

The Response Committee values the admissibility of the communication that is received, according to a preliminary review of its contents, placing on record the reasoned decision it makes. In any case the documentation that is generated shall be filed, pursuant to both the internal regulations for its functioning and the Data Protection Act, and if the case is accepted, a file will be opened, the contents of which will be included in the Whistleblowing Management System.

- Training and periodical refresher programs for the personnel involved in the preparation and review of financial reports, and in the evaluation of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training at FCC is not a social benefit but rather it is a tool to help the Company grow, and enables employees to grow with it. The main goals of training at FCC are:

- To obtain better performance and efficiency from personnel in the performance of their functions and the functioning of the Company.
- To achieve the personnel's career development goals (improving their employability).

FCC's General Administration Management and the Human Resources area jointly develop training plans for all the personnel involved in the preparation of the Group's Financial Statements. This Plan includes the permanent updating of the regulations affecting financial reporting and internal control in order to guarantee the reliability of the financial reporting, providing professionals at FCC with the necessary know-how and tools to optimise financial decision-making at all levels and in all the departments, developing their analytic capacity and their understanding of the impact of business decisions on the Company's financial statements.

In 2014, as part of the Crosscutting Training Plan, the Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Business Law, Sales and Marketing Management, Financial Management, Analytical Accounting, Technology and Innovation, Human Resources Management, Operations Management, Planning and Control Management, Taxation, Business Strategy, International Management, Mergers and Acquisitions, Business Protocol for Senior Executives, International Business Protocol for Senior Executives, Senior Management Scorecards.

Also the Corporate Processes School includes training for middle managers, technical staff and qualified workers, mainly in Business Assessment, Valuation, monitoring and financial control of investment projects, Payment means for international trade and the accounting treatment, Foreign Trade Finance, Corporate Income Tax, Value Added Tax (VAT), International Taxation, Financial Derivatives, Accounting, Consolidation of Financial Statements, International Financial Reporting Standards (IFRS), Management Control, Risk Management, Scorecards as a Management Tool, Risk management in international engineering and construction projects, Law for non-legal personnel, Project Finance, Public Sector Contracts Management, Practical use of FIDIC contracts, Managing claims and resolving disputes in FIDIC contracts, International Contracting for Lawyers, International engineering and consultancy contracts, Handling claims in the private contracting of international engineering and construction projects, New technologies Law, Innovation manager, Communication and CSR Management, HR Management, Remuneration and benefits in Human Resources, Promotion and Management of Equality and Non-discrimination, Managing cultural change in relation to international diversity and integrating people, etc.

During the year 2014, 375,826 training hours were provided, the majority externally, of which 16,754 hours (4.45%) were for acquiring, updating and recycling economic and financial knowledge including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business aspects that must be known for the suitable preparation of the Group's financial reports, benefiting approximately 748 people.

F.2 Evaluation of financial information risks

Report, at least, on:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, in respect of:

- Whether the process exists and is documented.

The Group is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. The evolved model will enable the development of an integrated Risk Map using Enterprise Risk Management (Coso II) methodology, which when running at full capacity provides senior executives with valuable information and contributes to the definition of the Group's strategy.

For this purpose the risk maps of each business area have been prepared. Given the uniqueness of the different business areas, each one is responsible for its risk management, and then the Group's consolidated risk map is drawn up using the information that is reported, integrating the specific risks of financial information into the Group's corporate map.

FCC Group's risk model is described in the Risk Management procedure, as part of the Management Systems of the various business areas in the Group that are currently being adapted to the above-mentioned improvement processes.

These risk maps take stock of the identification of the main risks of the business areas, together with the controls established by Management to mitigate the effect of said risks and the assessment, in terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. Therefore, with support from the risk managers in the different business areas, acting as 'risk management coordinators', the Group's Management is being guided in a process of redefining and improving those risks, including the risks related to financial reporting and the preparation of those reports, both in terms of the definition and the allocation of responsibilities in risk management in the field of operations and in the preparation of procedures and methods, which include:

- Identifying the key risks for FCC Group according to the potential threat they represent for achieving the objectives of the organisation.
- Evaluating risks. The risk assessment scales are defined according to their potential impact in the event they are materialised and their probability of occurrence.
- From time to time, the management of each business area analyses, together with the General Internal Auditing and Risk Management, what risks have materialised in each of the Group areas, reporting it to the Audit and Control Committee.

Additionally, and once the model has been fully implemented, for risks exceeding the accepted risk level for each of the sectors of activity, the necessary action plans are established with the possible corrective measures to ensure their critical levels fall within the accepted risk level. These action plans include the necessary actions to reinforce existing controls and they may even incorporate new controls.

Likewise, specific procedures shall be implemented to document risk management in business decision-making and the identification and reporting of internal control risks procedure will be specifically documented.

From time to time, the identified risks are monitored in each business area. This process of identifying and monitoring risks is carried out for all the Group's risks, particularly including the risks arising from the reliability of high-level economic and financial reporting.

Regarding the risks arising from the Group's criminal responsibility, in particular the risks of error or fraud that are considered in the Criminal Code, a preventive identification of risks has been carried out with controls to mitigate them, as well as how to respond to those risks.

As a result of the incorporation of criminal liability of legal persons to the Spanish Criminal Code in 2010, the Board of Directors, by creating a working group made up by the General Internal Auditing Management, the General Legal Consultancy Management and Risk Management, with the collaboration of KPMG, decided to carry out a comprehensive study of the identification of the controls needed to mitigate the risk of employees committing any of the crimes incorporated following the reform.

The following work was carried out:

Study of the FCC Group internal control general framework: components of the control environment, risk management, control, reporting, communication and supervision activities; the working group especially focuses on all the existing protocols on the use of information technology at FCC and on its policy on the use of technological means and its IT security policies, including among others:

- Identification of the relevant crimes that may be applicable in FCC Group's business environment, especially in the fields of ethics and integrity, segregation of functions, and authorisations of payments, among others.
- Assessment of the risk of each of the identified behaviours materialising, in terms of impact and probability.
- Identification and setting priorities regarding the main controls and actions aimed at preventing, detecting, publishing and correcting said behaviours.
- Evaluation of the strength of the controls and key actions.
- Identification of areas of improvement for the management of the risk of crimes being committed and the establishment of specific action plans.

As a result of this process, FCC Group prepared a Crime Prevention and Response Manual, which also defined the response protocols in the event of offences or crimes.

In addition, considering the current reform of the Criminal Code in this matter, the General Internal Auditing and Risk Management has been working since the Code was approved in September 2013 and throughout 2014 on the Criminal Code Reform Bill, strictly monitoring the evolution of the amendments contemplated in that Bill and their amendments on legal persons, with the purpose of adapting the FCC Group's Prevention and Response System and its control environment.

The following aspects have been analysed, among others:

- The changes it represents in respect of the responsibilities of senior management, administrators and directors, in keeping with the reform of the Capital Companies Act.
- The growing importance of Crime Prevention and Response Systems and how they are integrated within Corporate Compliance programmes.
- Requirements for overseeing the functioning of these programmes by an independent body in the organisation entrusted with the function of supervising the control environment.
- The new types of offence leading to liability of legal persons.
- The extraterritorial nature of some types of offence.

In addition, FCC Group's international nature has made it necessary to analyse the requirements regarding corruption, bribery and money laundering of international bodies and of some to the main countries where FCC Group develops its activities.

Likewise, during 2014 the review and updating of the Crime Prevention and Response Manual was studied, with a triple goal:

- The incorporation of the new developments in the Criminal Code Reform Bill.
- Adapting it to the new organisation model and redefining functions.

- Incorporating the changes arising from the implementation in the near term of the Whistleblowing System.

During 2014 progress was made in the definition, development and implementation of a Whistleblowing System, guaranteeing that the reports received through the channels established in the Crime Prevention and Response Manual are managed according to what is provided in that manual, guaranteeing the confidentiality and traceability of information, as well as the documentation of all the actions carried out, in turn guaranteeing the various legal requirements under data protection (LOPD).

In summary, the main characteristics that will define the Integrated Risk Management Model in FCC Group, once it is fully implemented, will be the following:

– Preventing and controlling the risks that may affect achieving the goals set by the Group;

– Ensuring compliance with the legal regulations in force and with the Group's standards and internal procedures;

– Guaranteeing the reliability and integrity of the accounting and financial reports.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.

The operational risks identified in the risk map include the risk of reliability of the economic and financial reports affecting each one of the business areas. For the global assessment of this risk, the risk of errors in the financial reporting in each of the business areas analysed, to cover all the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered.

Given the singularity and importance for FCC Group to adequately control these types of risks, during the year 2015 reporting risks will be incorporated as an independent category in the risk maps, separately from operating risks, improving the documentation and traceability of the controls mitigating the risks associated to the reliability of the financial information generated in the different business areas, which is consolidated at the FCC Group parent. These include the risks related to the generation of information and those related to the management thereof throughout the organisation.

- The existence of a process to identify the consolidated group, taking into account, among other aspects, the possible existence of complex corporate structures, shell companies or special purpose companies.

The Group has a register of companies that is permanently updated, which includes all of the Group's holdings, whatever their nature, whether they are direct or indirect, as well as any companies that the Group is able to control regardless of the legal form of said control, therefore including both shell companies and special purpose companies. This companies' register is managed and updated according to the procedures regulated by the Group's Economic and Financial Manual.

The Corporate Intranet includes an individual file for each company with all the relevant information on each of the companies: shareholders, company purpose, governing body, etc.

Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation corresponding to its business area. The Consolidation and Accounting Standardisation Department keeps the database updated in the Corporate Intranet mentioned in the preceding paragraph, as well as the Economic and Financial Manual in relation to the list of the Group companies within the scope of consolidation, based on the data provided by the business areas. Additionally, controls are carried out from time to time on the proper accounting of the companies included in the scope of consolidation.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent they affect the financial statements.

The risks associated to achieving the financial reporting objectives are an integral part of FCC Group's risk map, and therefore they take into account the effects of other types of risks.

In this respect, FCC Group's global risk management system, following the best business practices in this field and applying the Coso II method, has categorised risks as follows:

– **Strategic risks**. These are key risks for the Group and managing them is a priority. They include the risks related to the markets/countries/sectors in which FCC Group operates. They also include risks related to reputation, innovation, economic planning, definition of the structure and the objectives and the effectiveness of communication and the information flow.

– **Operational risks.** These risks are related to operations management and the value chain of each one of the business areas where the FCC Group operates. They include the risks related to bidding and contracting processes, the selection of partners, subcontracting and suppliers, labour risks, collection processes and customer satisfaction, as well as the risks that have an impact on the reliability of the financial reporting.

– **Compliance risks.** These are risks affecting internal or external regulatory compliance. They include risks related to compliance with the applicable laws (since 2010 the Criminal Code is incorporated to the extent that the criminal liability of legal persons is included, and before that risks regarding quality, the environment, information security, occupational risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.

– **Financial risks**. Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, access to financial markets, exchange rates and interest rates.

Applying FCC Group's Risk Management method, a Risk Materialisation Report (RMR) is drawn up for each Business Area. This report identifies the different types of risks that have materialised that the business area must face, the measures planned to mitigate the materialisation of the identified risks and the possible effect that such materialisation could have on the Group's financial statements, as well as the reporting and internal control systems used to control and manage those risks.

Every four months, these reports gather the information on the materialisation of risks, the consequences and the cost that they may represent for the Organisation if Management is unable to mitigate its impact. Among other aspects, it will include the following:

- <u>Identification and Description of the risk that has materialised.</u>
- <u>Reason and cause of the materialisation of risks.</u>
- <u>Economic impact that has materialised, been incurred or accrued,</u> the effect of which has already been recorded on the organisation's financial statements and regarding which Management cannot do too much.
- <u>Economic impact that has materialised and is yet to be incurred or accrued,</u> the effect of which on the Group's financial statements may be mitigated by the business area Management or by establishing specific action plans. Said impacts are identified as deviations from the strategic plan in the planning tools of each one of the business areas.

- <u>Control activities.</u>
- <u>Identification of failed controls.</u>
- <u>Risk materialisation indicators.</u>
- <u>Risk holders or people responsible for risks.</u>

The Risk Materialisation Reports are received by the General Internal Auditing and Risk Management so that they may be analysed, and it issues the necessary guidelines in relation to the COSO II ERM method, so that Management may carry out the relevant actions.

At present, the Group's General Internal Auditing and Risk Management is guiding the business units to improve the process for the adequate identification of existing control activities under COSO, as well as to improve the most effective risk materialisation indicators.

- What company governance body supervises the process?

The financial reporting risk identification process is supervised by the Audit and Control Committee via the General Internal Auditing and Risk Management, as part of its function of supervising FCC Group's internal control and risk management systems, as provided in Article 41 of the Rules of the Board of Directors.

In the year 2014 the results of the overseeing of the Risk Materialisation Reports by the General Internal Auditing and Risk Management were reported to the Auditing and Control Committee.

F.3 **Control activities**

Disclose, identifying the main characteristics, whether you have at least:

F.3.1. Procedures for reviewing and authorising the financial reports and the description of the ICFR system, which are to be disclosed to securities markets, indicating who is responsible for these, as well as for the documentation describing all of the activities and controls (including those related to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgments, estimates, appraisals and projections.

As stated in the preceding section of this document, the Group is currently engaged in a process to improve the integrated risk management model, which allows it to appropriately face the financial risks as well as other risks to which its activities are subject.

This integrated risk management model is geared to the fulfilment of the four major categories of objectives established by said model:

- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Reliability of the financial reporting.
- Compliance with applicable laws and regulations.

This is how the objectives are related to the risks that could prevent the execution thereof and to the control activities necessary to ensure that the response to these risks is adequate and that the proposed objectives are reached:

OBJETIVES => RISKS => CONTROL ACTIVITIES

The control activities are documented in the policies and procedures that are meant to ensure that the guidelines set by the FCC Group management are complied with, and that the necessary steps are taken to face any risks jeopardising the achievement of the Group's objectives. The control activities are carried out in any part of the organisation, at all levels, in all of the functions, and they comprise a number of very different activities. The Company personnel use the application systems and other resources established to ensure that the control objectives are achieved and that the risk mitigation strategies are executed.

FCC Group has control activities implemented both centrally and in each of the business areas, such as to mitigate the risks included in the risk maps indicated under 2 above. These control activities can be grouped as follows:

- High level reviews: Reviews related to approvals, authorisations, checking and reconcilement. Senior executives review the evolution of actual data compared to the forecasts included in the Strategic Plans and the data from prior periods.

- Direct management of specific functions or operating activities: Reviews of the operating functions carried out in relation to the goals to be reached and the risks jeopardising them.

- Information processing and security: Controls related to checking the exactness, integrity and authorisation of the transactions.

- Physical controls: Reconcilements done from time to time of the inventory and security of assets.

- Performance indicators: These are applied when comparing operational and financial data.

- Separation of functions: Functions are divided between different people to reduce the risk of error or fraud.

However, documentation for the whole Group on the activity flows and controls, and the different business areas are responsible for defining in the procedures the controls they have considered necessary to cover the risks existing in each one of the areas.

With regard to reporting system controls, a distinction can be made between general controls such as IT management, IT infrastructures, security management, and software acquisition, maintenance and development, among others, and application controls such as control digits, reasonability tests, logical tests, and predefined data lists, among others.

The control weaknesses detected by the General Internal Auditing and Risk Management in the Internal Control System are notified to the Audit and Control Committee by means of a report listing the recommendations that are considered necessary for the weaknesses that were identified.

On the other hand, the specific review of the relevant judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the financial statements is carried out by the General Administration Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding business departments.

Additionally, a review is carried out by an external auditor, supervised by the Audit and Control Committee.

The main corporate procedures are included in the General Standards Manual and in the Group's Economic and Financial Manual. These procedures include the closing of accounts and the maintenance of the accounting plan. Also, the Group's accounting managers are given instructions on how to record operations that have not taken place previously in the Group, and these criteria are included in the next update of the Manual.

FCC Group furnishes financial reports to the securities market on a quarterly basis and from time to time whenever relevant facts that must be reported occur, in accordance with the law in force.

Financial reports are prepared by the Group's General Administration Management, which carries out certain control activities in the closing of the accounts to ensure the reliability of said information. Once a financial report is consolidated in a software application running in SAP environment, it is reviewed by the General Administration Management, the Steering Committee, the General Internal Auditing Management and the external auditor.

Last of all, the Audit and Control Committee informs the Board of Directors of its conclusions on the financial reports that are presented so that, once they are approved by the Board of Directors, they may be disclosed to the securities markets.

Article 10 of the Rules of the Board of Directors states the following with regard to the specific functions in relation to the Financial Statements and the Management Report:

- The Board of Directors shall draw up the separate and consolidated financial statements and the management report, so that they give a true and fair view of the net worth, the financial position and the results of FCC's operations, as provided by Law, following the favourable report of the Audit and Control Committee. The integrity and exactness of said accounts will be certified beforehand by the General Administration Management and the General Finance Management, with the approval of the Chairman, if he has executive powers, and otherwise of the CEO.
- The Board of Directors, after studying the reviews mentioned in the item above, may request any relevant clarifications from those who drafted them.
- The Board of Directors will particularly ensure that the above accounting documents are drafted in clear and precise terms enabling an adequate understanding of their contents. In particular, they shall include any remarks that are useful for said purpose.
- Each member of the Board of Directors shall place on record that, prior to undersigning the preparation of the financial statements required by Law, he/she has reviewed the report on same that must be drawn up by the Audit and Control Committee and, in general, the necessary information for this purpose, and such member may place on record any remarks that are considered relevant.
- On a quarterly basis, the Board will review FCC Group's accounts, following a report from the Audit and Control Committee.
- Likewise, article 11 of those same Regulations establishes the following with regard to the specific functions in relation to the Securities Market:
- In particular, the Board will perform the following specific functions in relation to the Securities Market, in the manner provided in these Regulations:
  - The performance of any actions and the adoption of any measures required to ensure the transparency of FCC for the financial markets.
  - The performance of any actions and the adoption of any measures required to foster the proper price formation of FCC shares, particularly avoiding manipulations and the abuse of insider information.
  - The approval and updating of the Internal Conduct Regulations in matters related to Securities Markets.

– The approval of the Annual Report on Corporate Governance stated in section 116 of the Spanish Securities Exchange Act.

– The approval of the Annual Report on Director Remunerations stated in article 61 ter of the Securities Market Act.

Last of all, article 14, "Market relations" states the following:

- The Board of Directors will adopt the necessary measures to ensure that the financial reports it discloses from time to time and any other information made available to markets is prepared according to the same principles, criteria and professional practices as the financial statements and is just as reliable as the latter.

On the other hand, the Group's Basic Standard for Internal Auditing establishes, among the functions and attributions of the General Internal Auditing Management, the "review of the (individual and consolidated) accounting information, the management reports, and the financial reports disclosed from time to time to the markets, evaluating that they are correct and reliable, their compliance with the law in force and the proper application of the generally accepted accounting principles" and "suggesting internal control measures enabling the compliance with the regulations in preparing and disclosing financial reports".

During 2014, with the purpose of ensuring compliance with the best practices existing in this field based on COSO, FCC Group's General Internal Auditing and Risk Management has supervised the work done by the different business areas in the adequate identification stage of the existing control activities.

When the improvements of the Integrated Risk Management Model are concluded, it will be possible to ensure the suitable development and allocation of all of the control activities to each of the critical risks affecting the business, with the goal of detecting internal control shortfalls in which specific action plans must be established for risks exceeding the Accepted Residual Risk. These action plans will include the measures needed to reinforce existing controls and even incorporate new controls thereto.

F.3.2. Internal control policies and procedures for IT systems (including among others, security of access, control of changes, operation thereof, continuing operations, separation of functions) supporting the company's relevant processes in relation to the preparation and disclosure of financial reports.

FCC Group's internal control model considers computer processes, which comprise the IT environment, architecture and infrastructures and the applications supporting business operations and the related financial accounting. The business processes are supported by automatic controls implemented in the applications and manuals.

FCC Group applies an internal control model to the Reporting Systems and in particular to the control of the systems supporting the Group's financial statements, focusing on guaranteeing the integrity, confidentiality, availability and reliability of the financial reporting in the closing of accounts process and therefore of the information disclosed to the markets.

With reference to these indicators, priority is given to the following areas:

- Access to programs and data.
- Change management.
- Managing developments.
- Operations management.

- Documentation management.

Within these five areas, the following controls of the applications supporting the financial environment are considered particularly relevant:

- User management in the applications (registration-removal and modification).
- Information management policy.
- Information security policy.
- User role matrixes in the applications.
- Managing the demand for developments and functional changes.
- Managing the demand for infrastructure changes.
- Specification and approval of tests and acceptance by users.
- Specification of technical and functional requirements
- Managing incidents.
- Job management
- Operations contingency plan.
- Infrastructure back-up policies.
- Service level agreements and management thereof with third parties.
- Physical security of the Data Processing Centres (DPC).

It should be noted that the Company has a certified information security management system, based on the ISO/IEC 27001 international standard, for the Construction, Water and FCC Industrial business areas. This standard defines and establishes the principles of functionality, security and responsibility, and it may be extrapolated to different areas within the organisation.

FCC Group, taking stock of the importance of the security of the information it processes, has developed a set of policies and standards allowing it to ensure the confidentiality, integrity and availability of its IT systems. The aspects related to the Internal Control over Financial Reporting are regulated in the Corporate Standard called "Information Security."

This document defines the functional principles and the bodies responsible in terms of Information Security and it directly involves the business, evidencing the support in the first paragraph of the Policy itself:

"The CEO and the Steering Committee will be responsible for:

Establishing the general criteria for classifying and managing information assets.

Approving:
The Organisation and Security Management Model.
The Classification and Information Assets Management Model.

One of the fundamental principles governing the application of said standard is the Principle of Information Integrity. Information management will be governed by policies, standards, procedures and guides ensuring the confidentiality, integrity and availability thereof.

FCC Group has a security model that requires an organisational structure and the allocation of roles and responsibilities in the field of security in order to function:

The Information Technology Committee is the highest body coordinating the information security in the Group.

Information Security defines the security requirements of the projects developing new applications and it successively validates the functionality of the mechanisms and controls implemented in the applications before they go on to the production stage.

Information Security is integrated within the Change Management Committee with the purpose of checking that the changes proposed for the IT infrastructure are compatible with the security requirements established in FCC Group's Information Security Policy.

Information Security uses a number of monitoring tools that analyse the operation of FCC Group's information systems, which are able to generate alerts in real time whenever they detect possible security incidents.

Information security is evaluated from time to time. In this respect, Information Security carries out the following audits:

Regulatory compliance in the field of Personal Data Protection, every two years.

Analysis of IT systems vulnerabilities.

IT systems intrusion tests.

Since 2011, FCC Group outsources the management of the technological infrastructures of its information systems. The contract with the external firm incorporates a clause ensuring the performance of services according to best market practices regarding IT. This contract was amended in 2014 and a new supplier provides the service.

F.3.3. Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, together with evaluations, calculations or assessments entrusted to independent experts, which may materially affect the financial statements.

FCC Group has not outsourced any relevant activities destined to execute or process transactions that are recorded in the Group's financial statements, with the exception of the assessment of financial derivatives, the performance of actuarial calculations, the performance of certain property appraisals from time to time, and technological infrastructure management.

There is an internal procedure for the hiring of external advisors which require certain levels of approval according to the sum involved, including, as the case may be, approval by the Company's CEO. The results or reports commissioned in the accounting, tax or legal areas are supervised by the heads of the General Administration Management, the General Legal Consultancy Management and the General Internal Auditing and Risk Management, or of other Departments if it is considered necessary.

As indicated under the preceding item, FCC Group has outsourced the management services for its IT and telecommunication infrastructures. As part of the contract, investments will be made with a view to standardising the architecture of FCC systems, so that there are not any differences in terms of availability and integrity in the environments managed by the companies making up the Group.

FCC Group has two Data Processing Centres in Madrid configured with high availability. It also has implemented a Service Desk through which any incidents involving the Information Systems are channelled.

The following stand out among the projects carried out:

- Full renewal of workstations where key personnel will have an automatic backup to guarantee the availability of the information.
- Consolidation of global centres for operation services with standard tools.
- Implementation of a single telecommunications network (WAN) allowing the homogenisation of user access capacity to the Group's IT systems.

As an internal control procedure to supervise the management of these outsourced activities, a catalogue of services has been launched managed with unified service quality and measures according to pre-arranged Service Level Agreements (SLAs).

Last of all, it should be noted that FCC Group has procedures in place for the supervision of businesses in which it operated via corporate structures in which either it does not have a controlling interest or they are not directly administrated by the Group, for instance Joint Ventures (UTEs).

F.4 Reporting and communication

Disclose, identifying the main characteristics, whether you have at least:

F.4.1. A specific function to define and update the accounting policies (accounting policies area or department) and to solve any doubts or disputes arising from the interpretation thereof, maintaining fluid communications with the operations managers in the organisation, together with an updated accounting policy manual that is communicated to all the units through which the Company operates.

The responsibility to apply the Accounting Policies of FCC Group is centralised in the General Administration Management, to which the Group's Consolidation and Accounting Standards Department belongs, and its functions, among others, are the following:

- Defining the Group's accounting policies.
- Issuing the accounting standards applied in the Group.
- Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- Analysing the individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- Monitoring the new draft regulations being considered by the IASB, and the new standards approved by said body, as well as the process of validation thereof by the European Union, determining the impact they will have on the Group's Consolidated Financial Statements.

The Group's Consolidation and Accounting Standards Department regularly informs all those in charge of preparing the financial statements at the various levels in the Group of the amendments in the regulations, clarifying any doubts that may arise, and it in turn gathers the information required from the Group companies to ensure the consistent application of the Group's Accounting Policies and to determine the impact of the application of new accounting regulations.

FCC Group's General Internal Auditing and Risk Management details in its Internal Auditing Plan, among the various functions included within its responsibilities, that of providing, from an accounting regulation perspective, solutions to the technical enquiries received from any of the business areas in which the Group operates.

In cases where the application of accounting regulations is subject to different interpretations, the General Internal Auditing and Risk Management and/or the General Administration Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

FCC Group is made up by a large number of companies operating in different countries and it is obliged to prepare its consolidated financial statements according to the International

Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union, as detailed in the Group's Economic and Financial Manual.

The Group's Economic and Financial Manual establishes, in its first chapter, the accounting basis that should apply for FCC Group, enabling the preparation of the Group's annual consolidated financial statements, together with any other financial statements and reports that are to be disclosed from time to time.

In FCC Group's subsidiaries, joint ventures and associated companies, wherever what has been established cannot be applied the necessary information must be available in order to homogenise the reporting by introducing the relevant adjustments, so that the resulting information complies with the established criteria.

In order to homogenise FCC Group's economic and financial reporting according to international standards, financial statement models and a corporate accounting table have been developed, and these are also included in the Economic and Financial Manual.

This Manual is updated by the Administrative Coordination Division, according to the evolution of accounting standards, and it is available on the Group Intranet (FCCnet) in the chapter called "Regulations" and may be consulted by Group employees. Also, there is the possibility for users to create alerts that inform them of any updates of the manual.

The regulations are updated in a unified manner by the departments that are aware of, have experienced and are involved in the matter, and they are ultimately approved by the General Administration Manager. Throughout 2014 several updates have been performed according to the needs identified by the Group.

F.4.2. Mechanisms for gathering and preparing financial reports with standardised formats, to be applied and used by all of the units in the Company or the Group, supporting the main financial statements and the notes to the financial statements, as well as any financial reports on ICFR.

FCC Group has implemented a shared reporting system based on the application in a SAP environment, which is meant, on the one hand, to meet the reporting needs for the separate financial statements and, on the other hand, to standardise and systematise the consolidation process of economic and financial reporting in the Group. This application gathers, by reporting units, at a 'company-sector' level or as legal persons, according to what is required, the information needed to put together economic and financial reports, whatever their nature, whether internal or external, the latter involving disclosures to public bodies and institutions.

This tool manages to centralise in a single system most of the information corresponding to the accounting for the separate financial statements of the subsidiaries making up the Group. The system is centrally managed and it uses a single accounting plan, and the information is automatically loaded into this consolidation system from SAP.

The procedures for gathering and preparing financial reports are documented in the Economic and Financial Manual, which establishes the dates when the following will be available from the Administration Area: the economic and financial information to be furnished by the Administration and Finance Departments of the business areas; the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A., on the other hand, which is to be furnished to the Administration Area by the Administration and Finance Departments of the business areas. These procedures do not specifically consider information on the Internal Control over Financial Reporting System, said information having been obtained via specific requests to the areas involved.

Additionally, for the annual closing of accounts and with the objective of disclosing the annual financial report within the two months following the end of the financial year, pursuant to Royal Decree 1362/2007, of 19 October, in relation to the transparency requirements related to the information on issuers whose securities are listed on an official secondary market or on any other regulated market in the European Union, the General Manager of Administration sends out the financial year closing plan by e-mail, which includes a number of instructions for those in charge of providing the relevant financial reports. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Financial Manual, which also details the information that must be furnished for consolidation purposes and defines the basic documents / forms to be used for that purpose.

Another procedure for gathering the financial reports is the implementation of a tool in a SAP environment which allows the Corporate Finance Division of FCC Group to obtain all the banking information for each of the companies and with all the financial institutions with which they operate.

Regarding the description of the Internal Control over Financial Reporting Systems (ICFRS), FCC Group has identified the controls it has available to respond to the indicators proposed in CNMV circular 5/013 of 12 June 2013. As part of the improvement process of the Integrated Risk Management Model, there are plans to develop a system providing traceability of goals, risks, controls, action plans and compliance officers in relation to financial information reporting risks. This system will contribute a report by the owners of the controls regarding the efficient functioning of those controls and it will also provide a report of the risk owner in relation to maintaining the risk within the threshold accepted beforehand by the Board of Directors.

F.5 **Supervision of the system's functioning**

Disclose, identifying the main characteristics, whether you have:

F.5.1. ICFRS supervision activities performed by the Auditing Committee, and whether the company has an Internal Auditing function authorised to support the Committee in its task of supervising the Internal Control System, including ICFRS. Information will also be given on the scope of the ICFR system evaluation carried out during the year and on the procedure whereby the person in charge of performing the evaluation communicates the results, whether the company has an action plan detailing any corrective measures, and whether the impact on the financial reporting has been considered.

The FCC Group's Internal Auditing Basic Standards, in their third section, state that "The purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control System, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks in achieving the objectives of FCC Group."

The General Internal Auditing and Risk Management, by delegation of the Audit and Control Committee, has as its objective, as stated in the Group's Internal Auditing Basic Standards, under sections 4 and 5, that of evaluating the adequacy and effectiveness of the Internal Control Systems. To this end, the Internal Auditing function applies to the entire FCC Group everything referring to:

- The reliability and integrity of the economic and financial reports, both internal (management information) and for external disclosure.
- Review of the systems and operations to check the compliance with the policies, procedures and regulations approved by Senior Executives, and with the laws in force.

Also, section 9 of these standards establishes the functions and powers of the General Internal Auditing and Risk Management:

- "The General Internal Auditing and Risk Management has the fundamental mission of assisting the Audit and Control Committee in the compliance with the powers and responsibilities conferred to said Committee by article 41 of the Rules of the Board of Directors in force."
- "The functions of the General Internal Auditing and Risk Management are to supervise the efficiency of the internal controls, ensuring the compliance with legal requirements, the evaluation and enhancement of the risk management processes, and also to ensure that the financial reports that are prepared are correct and suitable for FCC Group. These functions are specifically the following:

  – Examining and evaluating the systems, ensuring the compliance with the policies, procedures, standards, regulations and plans. The sufficiency and effectiveness of the internal control systems, making suggestions for the enhancement thereof.
  – Reviewing the application and effectiveness of the risk management procedures and of the systems for assessing them.
  – Watching over compliance with the standards and guidelines established by Management, especially the Code of Conduct and the General Standards Manual.
  – Reviewing the (separate and consolidated) accounting information, the Management Reports and the financial information disseminated to the markets from time to time, evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied correctly. Suggesting internal control measures to enable compliance with standards for the preparation and disclosure of financial reports.
  – Checking that assets really exist and the systems guaranteeing the integrity and safeguarding thereof.
  – Supporting the different areas in their technical relations, control and monitoring with external auditors.
  – Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Senior Management and recommending corrective measures.
  – Complying with the Annual Auditing Plan, reporting from time to time on the evolution thereof.
  – Supervising the work of the external auditors, asking for and receiving information on any aspects related to the progress of the audits, acting as a communication channel between the external auditors and the Audit and Control Committee, submitting the conclusions of the review by the external auditors and, especially, any circumstances that might jeopardise their independence. They shall also make proposals on the appointment of the external auditors to enable the Audit and Control Committee to meet its obligations with the Board of Directors.
  – Coordinating and managing the implementation process of the Integrated Risk Management Model in FCC Group, which will contribute to a significant improvement of the Group's internal control, aiming to comply with the strategy it defines from time to time. To reach this goal, work will focus on identifying goals, risks, control activities, indicators, defective control environments, and establishing specific action plans allowing the Group to ensure the accepted risk level. Because of this, the risk and control holders must be identified, allowing adequate assumption of responsibilities and the incorporation of specific procedures for Integrated Risk Management in the internal processes of each of the business units.

    This model entails creating a scorecard, based on a reporting structure submitted by those responsible for each area to the General Internal Auditing and Risk

Management, where they shall report both specific non-compliances and the relevant response plans.

At the same time, the General Internal Auditing and Risk Management will oversee the process, adequately informing the Board about the risk levels assumed by the Group from time to time.

– Any other functions entrusted by the Audit and Control Committee.

The General Internal Auditing and Risk Management will act independently of the management areas. A resolution of the Board of Directors, passed on 26 October 2004, establishes that the General Internal Auditing and Risk Management is functionally dependent upon the Audit and Control Committee and organically dependent upon the Chairman of FCC Group. The members of the General Internal Auditing and Risk Management perform their functions independently, without sharing their responsibilities with other management areas.

As commented in F.2.1 above, the Group is currently in the process of improving and evolving its Integrated Risk Management Model, in order to face the financial reporting and other risks to which its activities are exposed in the most effective manner. To this end, in June 2013 the General Internal Auditing Management incorporated Risk Management among its functions; until then it was part of the General Administration and Information Technology Management. One of the goals sought by the Model in relation to this topic is to define specific actions plans when there is an early identification of possible materialisations of reporting risks in relation to the preparation of financial reports.

The worsening of the economic environment over recent years has increased the exposure of companies to a number of different risks. In this respect, the Group's General Internal Auditing and Risk Management, according to the provisions in the Auditing Plan prepared in compliance with the Basic Auditing Standards, considers that it is necessary to analyse and evaluate, via a number of different indicators, the impact on the business areas, with the purpose of advising the Audit and Control Committee and preparing the relevant recommendations to allow it to minimise the impact of risks related to the financial reporting that may affect the Group.

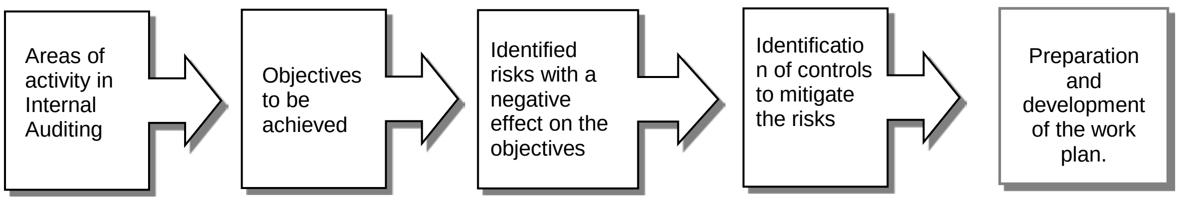
The scope of the auditing tasks is defined according to these variables, in order to provide the Audit and Control Committee and Management in general with reasonable security on the proper functioning of the internal control systems, on the compliance with the policies for managing the main risks of the Group and on the reliability of the economic and financial reports prepared by Management and submitted to the Board of Directors for approval.

The fundamental role of the Audit and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time the process of preparing the economic and financial reports, its internal controls and the independence of the external Auditor.

The Audit and Control Committee holds meetings with the external auditor and listens to the explanations given by the General Manager of Finance and the General Manager of Administration.

The auditing plan does not include the tasks that may be carried out by the Internal Auditing Departments of the FCC Group listed companies Cementos Portland Valderrivas and Realia, notwithstanding the coordination tasks performed by the different Internal Auditing Departments, with the purpose of reporting to the FCC Group Audit and Control Committee the effect that the risks of said Groups may have on the consolidated financial statements of FCC Group.

The Auditing Plan (prepared pursuant to the Basic Auditing Standards) follows the plan given below:



According to the 2014 Auditing Plan communicated to the Audit and Control Committee, the General Internal Auditing and Risk Management has carried out the following tasks in relation to the review of the Group's internal control over financial reporting system in a number of different areas:

- IT auditing: There have been reviews of the security model defined in SAP/Integra (the Group's financial application) and Incorpora (the Payroll application), reviews of the General IT Controls in the Construction areas, work to validate the effectiveness of automatic controls in the FCC Construcción Machinery SAP, Auditing according to ISO 27001 in the FCC CO and Aqualia areas, half-yearly reviews of SAP Integra (the FCC Group financial system) and reviews of the sick-leave process implemented in the Employee and Identity Management Master Program.
- Environmental auditing: review of the FCC Environment models for estimating environmental provisions.
- Work to review the financial reporting in the different business areas: Construction, Environment, Water, Energy, Waste, and Versia, mainly the reporting that refers to provisions, judgments and estimates.
- Analysis of the audit opinions on the companies audited: Systematic analysis of the audit opinions on companies in FCC Group, with the objective of monitoring any companies that are not given a favourable report from the auditor.
- Monitoring of the reporting obligations in respect of financial entities (covenants): coordination of the work between the external auditors and the business areas, analysing and reviewing the information prepared by said areas, which must be certified by the auditor. Involvement in the process of certifying financial ratios determined regarding statutory financial statements that were already audited.
- Criminal liability of the Legal Entity: Evaluation of the design of the controls implemented in FCC in relation to the modification of the Spanish Criminal Code, verification of the measures and controls established in the Group in order to prevent and detect any such offences (currently undergoing modification, assessing the implications of the regulatory changes).
- Internal communication channel: Review of the compliance with the communication obligations established in the FCC Group Internal Conduct Regulations and the Code of Ethics.
- Monitoring of the internal control recommendations issued in prior years.
- Risk Management in the business areas: review of the reports prepared on a four-monthly basis by each business area on the materialisation of risks. The results of the analyses are reported to the Auditing and Control Committee.
- Other functions of the review of financial reports: Supervision of the quarterly, half-yearly and annual financial statements and notes to the financial statements. Internal Auditing reviews the consolidated and separate financial statements, in order to identify whether the sums and the information broken down in these statements are in compliance with the IFRS or PGC (Spanish General Chart of Accounts) standards. In addition, the reports sent from time to time to the CNMV are reviewed.
- Technical queries: Internal Auditing collaborates in responding to queries related to the accounting treatment of certain transactions owing to their complexity.

The results of the reviews carried out by the General Internal Auditing and Risk Management, together with any incidents that were detected, have been communicated to the Audit and Control Committee during the year.

F.5.2. Discussion procedure whereby the auditor (in accordance with what is provided in the NTA), the Internal Auditing function and other experts may communicate to senior management and to the Auditing Committee or directors of the company, any significant internal control weaknesses identified during the process of reviewing the financial statements or any others entrusted to them In addition whether there is an action plan to correct or mitigate the observed weaknesses

The FCC Group Internal Auditing Basic Standards, in section seven, paragraph i), states that "The Audit and Control Committee will be informed, via the General Internal Auditing and Risk Management and its relations with the external auditors, of the preparation process of the financial reports, of the proper application of generally accepted accounting principles, and of compliance with legal requirements and on the functioning of the internal control systems."

As stated in the preceding paragraph, the purpose of the General Internal Auditing and Risk Management is to provide the Board of Directors, via the Audit and Control Committee, and the Senior Executives of FCC Group, with the effective supervision of the Internal Control Systems.

This objective consists of furnishing the Management of FCC Group with an independent opinion on the Organisation's ability to achieve its objectives, by means of a systematic and methodological approach towards the evaluation, management and enhancement of the effectiveness of these processes:

- Risk Management: Processes used by Management to identify, evaluate and respond to the potential risks that may affect whether the organisation achieves its business objectives set out in the Strategic Plan.
- Internal Control: The policies, standards, procedures and activities making up the control system established by FCC Group to ensure the proper management and risk reductions.

As stated under the preceding item, section 9 of the Group's Internal Auditing Basic Standards establishes, among the functions and remits of Internal Auditing, that of: "Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to the Management and recommending corrective measures." This same section explains the implementation process of the Integrated Risk Management Model and what it will represent in terms of improving FCC Group's internal control.

At present, FCC Group's General Internal Auditing and Risk Management reports to the Audit and Control Committee from time to time any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to adequately correct them. In 2014, it attended all the meetings of the Audit and Control Committee.

With the purpose of ensuring that the financial reports submitted to the Audit and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of the state of affairs of FCC Group, the General Internal Auditing and Risk Management performs a number of processes for the review of the accounting information (both separate and consolidated), the management reports and the financial reports disclosed to the markets from time to time.

Additionally, the Group's auditor has direct access to the Group's Senior Executives, and has meetings with them from time to time, both to obtain the information needed to perform his work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Audit and Control Committee at least three times a year, detailing the internal control weaknesses that have come up while reviewing the

Group's financial statements, including any aspects they consider relevant. In 2014, the external auditor attended three meetings of the Audit and Control Committee.

F.6 **Other relevant information**

N/A

F.7 **Report by the external auditor**

Report on:

F.7.1. If the ICFRS information disclosed to the markets has been reviewed by the external auditor, the Company must include the relevant report as an Appendix. Otherwise, the reason why said report is not available must be explained.

The information included here on the Internal Control over Financial Reporting System was reviewed by the External Auditor, and the report thereof is attached as an Appendix to this document.

G – DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the Company’s degree of compliance with the recommendations of the Unified Code of Corporate Governance.

In the event of not complying with some recommendations or only partial compliance, include a detailed explanation of the reasons so that the shareholders, investors and the market at large may have sufficient information to assess the Company’s procedures. General explanations will not be acceptable.

1. **The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.**

   See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

   Compliant

2. **When a parent and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

   a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**

   b) **The mechanisms in place to resolve possible conflicts of interest.**

   See sections: D.4 and D.7.

   Explain

   Article 7.2.i of the Rules of the Board of Directors entrusts the Board with “Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the CEO, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the Group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise.”

3. **Even when not expressly required under Commercial Law, any decisions involving a structural corporate change should be submitted to the General Meeting of Shareholders for approval or ratification, especially the following:**

   a) **The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the original company, even though the latter retains full control of the former;**

   b) **Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**

   c) **Operations that are equivalent to winding-up the Company.**

See section: B.6.

Compliant

4. **Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in Recommendation 27 should be made available at the same time as the publication of the Meeting notice.**

Compliant

5. **Separate votes should be taken at the General Meeting of Shareholders on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**

    a) **The appointment or ratification of Directors, with separate voting on each candidate;**

    b) **Amendments to the Bylaws, with votes taken on all articles or groups of articles that are materially different.**

Compliant

6. **Companies should allow split votes, so that financial intermediaries representing different clients may issue their votes according to instructions.**

Compliant

7. **The Board of Directors should perform its duties with unity of purpose and independent judgement, affording all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time in a sustained manner.**

    It should likewise ensure that the Company abides by the laws and rules in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

8. **The Board should seek, as core components of its mission, to approve the Company's strategy and the organisation required to carry it forward, and supervise and control that the management meets the objectives set while pursuing the Company's interests and corporate purpose. For such purpose, the Board in full should reserve the right to approve:**

    a) **The Company's general policies and strategies, and, in particular:**

        i) **The strategic or business plan, management targets and annual budgets;**

ii) The investment and financing policy;

iii) The definition of the corporate Group structure;

iv) The corporate governance policy;

v) The corporate social responsibility policy;

vi) The remuneration and evaluation of senior officers performance policy;

vii) The risk control and management policy, and the regular monitoring of internal information and control systems.

viii) The dividend policy, as well as the policies and limits applying to treasury stock.

See sections: C.1.14, C.1.16 and E.2.

b) The following decisions:

i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their severance clauses.

ii) Directors' remuneration and, in the case of executive directors, the additional remuneration for their management duties and other contract conditions.

iii) The financial information that all listed companies must disclose from time to time.

iv) All types of investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting.

v) The creation or acquisition of holdings in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.

c) Transactions which the Company performs with Directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

However, Board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2. They are arranged at market rates, generally set by the person supplying the goods or services;

3. The amount is not more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other Committee entrusted with the function in question; and that the

Directors involved should neither exercise nor delegate their votes, and should leave the meeting room while the Board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Steering Committee in urgent cases and later ratified by the full Board.

See sections: D.1 and D.6.

Compliant

9. **In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and not more than fifteen members.**

See section: C.1.2.

Compliant

10. **External Directors, both nominee and independent, should occupy an ample majority of Board places, while the number of executive Directors should be the minimum practical, bearing in mind the complexity of the corporate Group and the ownership interests they control.**

See sections: A.3 and C.1.3.

Compliant

11. **Among external Directors, the ratio between nominee and independent members should match the proportion between the capital represented on the Board by nominee Directors and the remainder of the Company's capital.**

    This proportional criterion can be relaxed so the weight of nominee directors is greater than would strictly correspond to the total percentage of capital they represent:

    1) In large capitalization companies where few or no equity stakes attain the legal threshold for significant shareholdings, but where there are shareholders with blocks of shares with high absolute value.

    2) In companies with a plurality of shareholders represented on the Board that are not otherwise related.

See sections: A.2, A.3 and C.1.3.

Compliant

12. **The number of independent Directors should represent at least one third of all Board members.**

See section: C.1.3.

Explain

During 2014 three independent directors left the Board of Directors of FCC: Gonzalo Anes y Álvarez de Castrillón owing to death and Henri Proglio and César Ortega for personal reasons. Thus, as of 31 December 2014 the number of independent directors represented 21.4% of the total members.

13. **The nature of each Director should be explained to the General Meeting of Shareholders, which will make effective or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. This Report should also disclose the reasons for the appointment of Nominee Directors at the request of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a Nominee Directorship.**

See sections: C.1.3 and C.1.8.

Compliant

14. **When there are few or no women directors the Appointments Committee should take steps to ensure that:**

    a) **The process of filling Board vacancies has no implicit bias against women candidates;**

    b) **The Company makes a conscious effort to include women with the professional profile among the candidates for Board places.**

    See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Compliant

15. **The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members during board meetings, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board Committees.**

See sections: C.1.19 and C.1.14.

Compliant

16. **When the Chairman of the Board is also the Company's chief executive, an independent director should be empowered to request the calling of Board**

meetings or the inclusion of new items on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: C.1.22.

Not applicable

17. The Secretary of the Board should take care to ensure that the Board's actions:

a) Adhere to the spirit and letter of laws and their regulations, including those issued by regulatory agencies;

b) Comply with the Company Bylaws and the Rules of the General Meeting of Shareholders, the Board of Directors and others;

c) Are informed by the governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full Board meeting; the relevant appointment and removal procedures being those determined in the Rules of the Board of Directors.

See section: C.1.34.

Compliant

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each Director may propose the addition of other items not considered initially.

See section: C.1.29.

Compliant

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30.

Compliant

20. When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the Board meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

21. **The Board in full should evaluate the following items on a yearly basis:**

    a) **The quality and efficiency of the Board's operation;**

    b) **Based on the report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;**

    c) **The performance of its Committees on the basis of the reports furnished by them.**

    See sections: C.1.19 and C.1.20.

Compliant

22. **All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Bylaws or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary of the Board.**

    See section: C.1.41.

Compliant

23. **All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide suitable channels for the exercise of this right, extending it in special circumstances to external assistance at the Company's expense.**

    See section: C.1.40.

Compliant

24. **Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Compliant

25. **Companies should require their Directors to devote sufficient time and effort to perform their duties effectively, and, as a consequence:**

    a) **Directors should inform the Appointments Committee of any other professional obligations, in case they might interfere with the necessary dedication;**

b) **The Company must establish rules on the number of Directorships its Board members can hold.**

   See sections: C.1.12, C.1.13 and C.1.17.

Compliant

26. **The proposal for the appointment or re-appointment of Directors which the Board submits to the General Meeting of Shareholders, as well as provisional appointments by the method of co-optation, should be approved by the Board:**

    a) **When proposed by the Appointments Committee, in the case of independent Directors.**

    b) **Subject to a report from the Appointments Committee, in the case of all other Directors.**

    See section: C.1.13.

Compliant

27. **Companies should post the following particulars on the Directors on their websites, and keep them permanently updated:**

    a) **Professional experience and background;**

    b) **Directorships held in other companies, listed or otherwise;**

    c) **An indication of the director's classification as executive, nominee or independent; in the case of nominee directors, stating the shareholder they represent or have links with;**

    d) **The date of their first and subsequent appointments as a Company Director, and;**

    e) **Shares held in the Company and any options thereon.**

Compliant

28. **Nominee Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to appoint Nominee Directors, the latter's number should be reduced accordingly.**

    See sections: A.2, A.3 and C.1.2.

Compliant

29. **The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the**

Appointments Committee. In particular, just cause will be presumed when a Director is in breach of his or her duties or comes under circumstances leading to the loss of independent status, according to the provisions in Order ECC/461/2013.

The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction leads to changes in the Company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27.

Compliant

30. **Companies should establish rules obliging Directors to inform the Board of any circumstance that might harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.**

    The moment a Director is indicted or tried for any of the crimes stated in Article 213 of the Capital Companies Act, the Board should examine the matter as soon as possible and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

    See sections: C.1.42 and C.1.43.

Compliant

31. **All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other Directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.**

    When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions, and if he or she decides to resign, the reasons must be explained in a letter as regards the following recommendation.

    The terms of this Recommendation should also apply to the Secretary of the Board, regardless of whether he or she has director status.

Compliant

32. **Directors who resign from office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all the members of the Board. Irrespective of whether such resignation is filed as a**

relevant event, the reason for the same must be explained in the Annual Corporate Governance Report.

See section: C.1.19.

Compliant

33. **Remuneration comprising the granting of shares in the Company or other companies in the Group, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to Executive Directors.**

    The granting of shares is excluded from this limitation when Directors are obliged to retain them until the end of their tenure.

Compliant

34. **External Directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.**

Compliant

35. **In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce said earnings should be considered.**

Compliant

36. **In the case of variable remuneration, the remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or other circumstances of this kind.**

Compliant

37. **When there is a Delegated or Steering Committee (hereinafter, "Delegated Committee"), the representation structure of the different director categories should be similar to that of the Board, and the Secretary of the Board should be the Secretary of that Committee.**

See sections: C.2.1 and C.2.6.

Complies partially

The Steering Committee is made up by 75% of External Directors and 25% of Executive Directors, whereas the Board of Directors has 85.7% of External Directors and 14.3% of Executive Directors.

The Secretary of the Board is the secretary of the Steering Committee.

38. The Board must always be informed of the matters discussed and the decisions adopted by the Delegated Committee, and all the Board members must receive a Copy of the minutes of Delegated Committee meetings.

Compliant

39. In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, for Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration Committee or Committees should be set forth in the Rules of the Board, and include the following:

a) The Board of Directors shall designate the members of the Committees, taking into account the Directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and at the first Board meeting following each Committee meeting, should inform on the business and activities performed, and respond to the work carried out.

b) These Committees should be formed exclusively by external directors and have a minimum of three members. Executive Directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.

c) Committee Chairmen must be independent directors.

d) These Committees may engage external advisors when they feel this is necessary to carry out their duties.

e) Committee meetings should draw up minutes and a copy must be sent to all Board members.

See sections: C.2.1 and C.2.4.

Complies partially

The Board of Directors has taken into account the knowledge, skills and experience of the Directors and the mission of each Committee when appointing Committee members. Committees are also expressly given the power to obtain external advice and the Board has debated the proposals and reports presented by the Committees, which reported on their activities and performance at the first full Board meeting after each of their meetings.

When appointing the Committee members and chairs, the Board has given priority to the skills, experience and qualifications that will enable Directors to contribute to better performance by the Committees of the duties entrusted to them, rather than to the Directors' categories.

The Audit and Control Committee is chaired by Mr Gustavo Villapalos Salas, an independent Director of FCC.

40. The task of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance Committees.

See sections: C.2.3 and C.2.4.

Compliant

41. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

42. Listed companies should have an internal auditing function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems

See section: C.2.3.

Compliant

43. The head of internal auditing should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

44. The Control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;

b) The determination of the risk level the Company considers as acceptable;

c) Measures in place to mitigate the impact of identified risks should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: E.

Compliant

45. The Audit Committee's role should be:

1) With respect to internal control and reporting systems:

a) The major risks identified as a consequence of the monitoring of the efficacy of the Company's internal control and its internal auditing, as the case may be, must be adequately managed and disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal auditing; propose the department's budget; receive regular report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

2) With respect to the external auditor:

a) Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior executives act on the recommendations of the external auditor.

b) Ensure the independence of the external auditor, to which end:

i) The Company should notify any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor, should there be any, and the reasons for same.

ii) Investigate the issues giving rise to the resignation of any external auditor, in the case thereof.

See sections: C.1.36, C.2.3, C.2.4 and E.2.

Compliant

46. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

a) The financial information that all listed companies must disclose periodically. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements

and, to this end, may ask the external auditor to conduct a limited review.

b) **The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.**

c) **Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control Committee.**

See sections: C.2.3 and C.2.4.

Compliant

48. **The Board of Directors should seek to present the annual accounts to the General Meeting of Shareholders without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

See section: C.1.38.

Compliant

49. **The majority of Appointments Committee members, or Appointments and Remuneration Committee members, as the case may be, should be Independent Directors.**

See section: C.2.1

Explain

As mentioned under recommendation 44, when appointing the Appointments and Remuneration Committee members, the Board has given priority to the skills, experience and qualifications that will enable Directors to contribute to better performance by the Committees of the duties entrusted to them.

All members of the Appointments and Remuneration Committee are External Directors and 37.5% of the members are Independent Directors.

50. **The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:**

a) **Evaluate the balance of skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**

b) **Examine or organise, in appropriate form, the succession of the Chairman and Chief Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.**

c) **Report on the senior officer appointments and removals which the Chief Executive proposes to the Board.**

d) **Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See section: C.2.4

Compliant

51. **The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to Executive Directors.**

Any Board member may suggest Directorship candidates to the Appointments Committee for its consideration to fill vacancies.

Compliant

52. **The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:**

a) **Make proposals to the Board of Directors regarding:**

i) **The remuneration policy for Directors and senior officers;**

ii) **The individual remuneration and other contractual conditions of Executive Directors.**

iii) **The standard conditions for senior officer employment contracts.**

b) **Oversee compliance with the remuneration policy set by the Company.**

See sections: C.2.4

Compliant

53. **The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to Executive Directors and Senior Officers.**

Compliant

H. OTHER INFORMATION OF INTEREST

1. If you consider that there are any relevant principles or aspects of corporate governance applied by your Company which have not been assessed in this report but which are necessary to include in order to provide more complete and reasoned information on the structure or governance practices of the company or group, state and explain the contents thereof below.

2. This section may include any other information, clarifications or nuances related to the previous sections of the report, insofar as they are relevant and not repetitive.

   Specifically, indicate whether the company is subject to laws other than those of Spain in the field of corporate governance and, as the case may be, include any information that it is obliged to furnish other than that required in the report herein.

3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or governance, or international, industry or other codes. If applicable, identify the relevant code and the date of adherence.

   FCC has its own Code of Ethics, approved by the Board of Directors on 10 June 2008, subsequently reviewed in 2010 and 2012. The Group has provided employees with a Whistleblowing Channel in respect of that Code.

   FCC adhered to the United Nations Global Pact on 7 May 2007.

This Annual Corporate Governance report was approved by the Board of Directors of the Company at its meeting held on 27 February 2014.

State whether any of the Directors voted against or abstained from voting the approval of the report herein.

No

Name or company name of the Director who has not voted in favour of this report.	Reasons (against, abstention, not attended)	Explain the reasons