

# Corporate **Governance**

A. Shareholding structure	319
B. Administrative structure of the Company	326
C. Transactions with related parties	353
D. Risk management systems	355
E. General Shareholders' Meeting	362
F. Degree of compliance with Corporate Governance recommendations	369

ANNEX I

# Annual Corporate Governance Report

## Listed Companies

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Issuer's Identification Number | 2008

Tax ID Number A28037224

**Name**

Fomento de Construcciones y Contratas, S.A.

**Registered office**

Balmes, 36

08007 Barcelona

Spain

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**Note**

*The present document replicates the information set out in the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) model Annual Corporate Governance Report as completed by Fomento de Construcciones y Contratas, S.A. for 2008 and approved at the Board of Directors meeting of 25 February 2009. The information contained herein is identical to that set out in the approved Report and has only been modified for formatting purposes. Additional comments included under Section G ("Other information") in the official Annex model have been incorporated under the corresponding section of this document.*

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## A. Shareholding structure

### A.1. Complete the following table regarding the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30-06-2008	127,303,296	127,303,296	127,303,296

Are there different classes of shares carrying different rights?

Yes  No

Class	Number of shares	Par value per share	Number of voting rights per share	Other rights
-	-	-	-	-

### A.2. List the direct and indirect owners of significant shareholdings in the company at the year end, and the amount thereof, excluding members of the board of directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Inmobiliaria Colonial, S.A.	11,024,608	-	8.660
Commerzbank A.G.	3,137	4,323,896	3.399

(\*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
Eurohypo Ag, Spanish Branch	4,323,896	3.397

Indicate the most significant variations in the shareholding structure during the year:

Name of shareholder	Transaction date	Description of the transaction
Inmobiliaria Colonial, S.A.	17-12-08	Interest reduced to below 10%
Commerzbank A.G.	23-12-08	Interest exceeds 3%
Credit Agricole	02-12-08	Option to purchase shares exceeding 3%
Royal Bank of Scotland	27-11-08	Option to purchase shares exceeding 3%
Goldman Sachs	15-12-08	Interest exceeds 3%
Goldman Sachs	17-12-08	Interest below 3%

**A.3. Complete the following table regarding members of the board of directors that hold voting rights through shares in the company:**

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Gonzalo Anes y Álvarez De Castrillón	11,350	0	0.009
B 1998, S.L.	59,871,785	8,653,815	53.829
Miguel Blesa de la Parra	4,950	0	0.004
Cartera Deva, S.A.	100	0	0
Juan Castells Masana	17,509	8,100	0.020
Dominum Desga, S.A.	4,132	0	0.003
Dominum Dirección y Gestión, S.A.	10	0	0
EAC Inversiones Corporativas, S.L.	32	0	0
Fernando Falcó Fernández de Córdova	8,390	0	0.007
Baldomero Falcones Jaquotot	0	85,150	0.067
Felipe Bernabé García Pérez	7,098	0	0.006
Larranza XXI, S.L.	10	0	0
Manuel Menéndez López	10	0	0
Rafael Montes Sánchez	47,403	22,310	0.055
Marcelino Oreja Aguirre	12,862	0	0.010
Antonio Pérez Colmenero	11,087	0	0.009
Robert Peugeot	10	0	0
José María Sagardoy Llonis	25	0	0.000

(\*) Through:

Name of direct shareholder	Number of direct voting rights	% of total voting rights
Azate, S.A.	8,653,815	6.798
Heather M. Randall Snell	8,100	0.006
Oravla Inversiones, S.L.	73,650	0.057
Amolap Inversiones Sícav, S.A.	11,500	0.010
Josefa Fernández Mayo	22,310	0.018

% of total voting rights held by members of the board of directors 54.019

**Complete the following table regarding members of the board of directors that hold rights over shares in the company:**

Name of director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	% of total share capital
Baldomero Falcones Jaquotot	80,000	0	80,000	0.063
Felipe Bernabé García Pérez	60,000	0	60,000	0.047
Antonio Pérez Colmenero	60,000	0	60,000	0.047

**NOTE**

B 1998, S.L. holds a controlling interest in Fomento de Construcciones y Contratas, S.A. (hereinafter, FCC) (53.829%). Of this interest, • 59,871,785 shares are held directly and 8,653,815 shares are held indirectly through its subsidiary Azate, S.A.

Fomento de Construcciones y Contratas, S.A. is controlled by B 1998, S.L., which in turn is controlled by Esther Koplowitz Romero de Juseu (hereinafter, EK). Her 83.927% interest in B 1998, S.L. is held as follows:

- direct interest of 54.610%
- indirect interest of 29.317% through Dominum Desga, S.A. (0.0001%) and Dominum Dirección y Gestión, S.A. (29.316%), both of which are solely owned by EK.

Esther Koplowitz also holds 123,313 FCC shares directly and 39,172 FCC shares indirectly through her solely-owned subsidiaries Dominum Desga, S.A. (4,132 shares) and Ejecución y Organización de Recursos, S.L. (35,040 shares).

Various investors (hereinafter, the Investors) hold a 16.07% interest in B 1998, S.L., as follows:

- Cartera Deva, S.A.: 5.01%
- Simante, S.L.: 5.73%
- Larranza XXI, S.L.: 5.33%

#### NOTE

On 1 February 2008 Esther Koplowitz acquired Ibersuizas Holdings, S.L.'s interest in B 1998, S.L.

#### A.4. Indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as they are known to the company, except where they are insignificant or where they arise from the ordinary course of business of the company:

Name of related party	Type of relationship	Brief description
-	-	-

#### A.5. Indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or the group, except where they are insignificant or where they arise from the ordinary course of business of the company:

Name of related party	Type of relationship	Brief description
-	-	-

#### A.6. Has the company been notified of any shareholders' agreements which affect the company as set out in article 112 of the Spanish Securities Market Law? If so, briefly describe these agreements and list the shareholders that are party thereto:

Yes  No

Parties to the shareholders' agreement	% of share capital affected	Brief description of the agreement
Esther Koplowitz Romero de Juseu	52.483	Significant event dated 30/07/2004 www.cnmv.es (see note)
Esther Koplowitz Romero de Juseu	52.483	Significant event dated 13/01/2005 www.cnmv.es (see note)
Esther Koplowitz Romero de Juseu	52.483	Significant event dated 13/01/2005 www.cnmv.es (see note)
Esther Koplowitz Romero de Juseu	52.483	Significant event dated 19/07/2007 www.cnmv.es (see note)
Esther Koplowitz Romero de Juseu	52.483	Significant event dated 26/12/2007 www.cnmv.es (see note)
Esther Koplowitz Romero de Juseu	53.829	Significant event dated 04/02/2008 www.cnmv.es (see note)

#### NOTE

On 30 July 2004 a significant event was published on the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV) website of the disclosing the acquisition of part of EK's interest in B 1998, S.L. by Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A., and the French Peugeot family, through Simante, S.L.

On 13 January 2005 a significant event was submitted disclosing that Dominum Dirección y Gestión, S.A. Solely-Owned Company (100% owned by Esther Koplowitz Romero de Juseu) and Larranza XXI, S.L. (a Bodegas Faustino group company) agreed to the transfer to the latter of the former's minority interest in B 1998, S.L., which directly and indirectly holds 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

On 13 January 2005 a significant event was submitted disclosing that Dominum Dirección y Gestión, S.A. Solely-Owned Company (100% owned by Esther Koplowitz Romero de Juseu) and Ibersuizas, S.A., Inversiones San Felipe, S.L., Ibersuizas Holdings, S.L., Cartera Deva, S.A., Arzubi Inversiones, S.A. and EBN Banco de Negocios, S.A. agreed to the transfer to the latter companies of Dominum Dirección y Gestión, S.A.'s minority interest in B 1998, S.L., which directly and indirectly holds 52.483% of the share capital of Fomento de Construcciones y Contratas, S.A.

On 19 July 2007 a significant event was submitted regarding the novation and modification of the equityholders' agreements of B 1998, S.L., which did not alter the total direct and indirect interest held by Esther Koplowitz Romero de Juseu in that company or any agreements between the parties regarding the governance of B 1998 S.L. and, indirectly, of Fomento de Construcciones y Contratas, S.A., or any provisions regarding control of either company.

On 26 December 2007 a significant event was submitted regarding the reorganisation of the ownership structure of B 1998, S.L. whereby Esther Koplowitz Romero de Juseu, through her solely-owned company Dominum Dirección y Gestión, S.A., reached an agreement with Ibersuizas Holdings, S.L. for the purchase, as of 30 January 2008, of 10.55% of the equity capital of B 1998, S.L., which in turn holds a 52.483% interest in Fomento de Construcciones y Contratas, S.A.

The transaction called for a disbursement of €381.5 million, valuing FCC shares at €55.94 per share. The sale and purchase, which was carried out at the initiative of Esther Koplowitz, equalled the divestment of the Ibersuizas Group in the equity capital of B 1998, S.L. and therefore from the FCC Group. In contrast, EK's interest in FCC increased as a result of the transaction. Ibersuizas Holdings, S.L. ceased being party to the equityholders' agreement regulating the relationships between equityholders of B 1998, S.L., and, on the effective date of the above-mentioned agreement, 30 January 2008, resigned from the board of directors of that company. Likewise, Ibersuizas Alfa, S.L. left the board of Fomento de Construcciones y Contratas, S.A.

On 4 February 2008 a significant event was submitted regarding the effective purchase by Esther Koplowitz of Ibersuizas Holding's interest in B 1998, S.L., the main shareholder (53.829%) of Fomento de Construcciones y Contratas, S.A. The agreement to sell this interest had been reached on 24 December 2007.

Following the restructuring, the ownership interests in B 1998, S.L. are held as follows:

- Esther Koplowitz (directly or indirectly): 83.92%
- Eurocis, S.A.: 5.01%
- Simante, S.L.: 5.73%
- Larranza XXI, S.L.: 5.33%
- Total: 100.00%

The above-mentioned significant events disclose the main agreements EK and the Investors have reached regarding control of FCC and B 1998, S.L. since the respective acquisitions. These agreements can be summarised as follows:

- EK will continue to control B 1998, S.L. and therefore Azate, S.A. and FCC.
- The Board of Directors of B 1998 S.L. will comprise twelve directors. As a group, the Investors are entitled to appoint up to four directors, although under no circumstances may those directors appoint more than one third of the members of the Board of B 1998, S.L.
- EK shall be entitled to appoint the majority of the members of the boards of directors of FCC and its subsidiaries. As a group, the Investors may appoint up to three members, although never more than one-third of the members of the Board of Directors of FCC.
- EK shall be entitled to appoint the Chairman of the Board of Directors of FCC, the Managing Director of FCC and at least two-thirds of the members of the Board's Executive Committee.
- FCC's pay-out will be at least 50%.
- EK and the Investors have entered into the following agreements to protect the latter's minority interest investment in B 1998, S.L.:

#### REGARDING B 1998, S.L.:

As a general rule, both those resolutions reached by the equityholders of B 1998, S.L. at their general meeting and those taken by the Board of Directors require approval by equityholders representing a simple majority of the company's equity. However, a consensus is required for the following cases:

- Amendments to the Articles of Association that entail moving the registered offices abroad, changing the corporate purpose or increasing or reducing capital, except where such operations are required by law or, in the case of capital reductions, when they occur through the acquisition by B 1998 S.L. of its own equity interests held directly or indirectly by EK or by Dominum Dirección y Gestión, S.A. for subsequent redemption, or when the capital reduction is carried out through redemption of equity interests of B 1998, S.L. held directly or indirectly by EK or by Dominum Dirección y Gestión, SA, with a charge to reserves to which, under the Articles of Association or other regulations, are only accessible by EK

- Any type of transformation, merger or spin-off or the global transfer of assets and liabilities
- The winding up or liquidation of B 1998 S.L.
- Revocation of preferential rights in capital increases and the exclusion of equityholders
- Modification of the governance system of B 1998 S.L.
- Establishment or modification of the dividend policy agreed by the Investors in connection with rights attached to their equity interests, as set out in the articles of association or other regulations
- Any use or encumbrance of any relevant assets of B 1998, S.L., specifically shares of FCC or shares or equity interests of any other companies in which B 1998 S.L. currently holds an interest or may hold an interest in the future
- An increase in overheads calculated for the year exceeding the overheads reported on the balance sheet at 31 December 2003 plus the annual rise in CPI, plus two percentage points. This calculation shall exclude remuneration received by B 1998 S.L. for membership on the FCC Board of Directors (hereinafter FCC Board Remuneration) as well as remuneration of members of the Board of Directors of B 1998 S.L., up to the amount of the remuneration of the Board of Directors of FCC
- The grant or confirmation of authorisations for making any use of FCC shares
- Contracting debt on behalf of B 1998 S.L. and extending or receiving guarantees totalling over 500,000 euros
- The creation or acquisition of direct subsidiaries (excluding any FCC subsidiaries) or the acquisition of interests in entities other than those in which B 1998 S.L. holds an interest at the date of this report

#### WITH RESPECT TO FCC:

As a general rule, both those resolutions at the General Shareholders' Meeting and those of the Board of Directors require the approval of shareholders representing a simple majority of the Company's capital. However, a consensus is required for the following cases:

- Amendments to the Articles of Association that entail moving the registered offices abroad or increasing or reducing capital, except where such operations are required by law
- Modification of the corporate purpose to include activities that are not related to construction, services, cement and real-estate
- Any type of transformation, merger or spin-off
- A merger of FCC Construcción, S.A., Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. whereby B 1998, S.L. would no longer indirectly hold 50% of the voting rights in the post-merger company
- Revocation of preferential subscription rights in share capital increases
- Modification of the governance system
- Any use, encumbrance or acquisition of any relevant FCC assets unrelated to the Company's corporate purpose, or of relevant assets related to the corporate purpose when the overall value is equal to or exceeds 700,000,000 euros (plus the annual rise in the CPI), when it entails a fundamental change in the current FCC Group structure or when the assets represent more than 10% of the FCC Group's consolidated assets.
- Any transactions that could entail or represent over a 20% variation in FCC equity or over a 10% change in the FCC Group's consolidated assets
- The grant of powers which would allow the use, encumbrance or acquisitions referred to above. However, this in no way limits EK's right to appoint or remove the Managing Director of FCC.
- Contracting of debt on behalf of FCC and the grant or receipt by FCC of guarantees totalling over 2.5 times the gross operating profit reported on FCC's latest consolidated balance sheet. This calculation shall exclude guarantees extended and received as part of the ordinary course of business and debt without recourse/project finance

Where EK and the Investors are unable to reach a consensus to adopt resolutions in the special cases listed above, the parties will take the necessary measures to maintain the pre-existing situation.

The full contents of the equityholders' and shareholders' agreements are available on the CNMV website as significant events submitted on 30 July 2004, 13 January 2005, 19 July 2007, 26 December 2007 and 4 February 2008.



Has the company been notified of any concerted actions between shareholders? If so, briefly describe these actions:

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Parties to the concerted action	% of share capital affected	Brief description of the concerted action
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— The Company has no knowledge of any concerted actions.

Expressly indicate any changes in or termination of shareholders' agreements or concerted actions during the year:

On 1 February 2008 Esther Koplowitz acquired the interest Ibersuizas Holdings held in B 1998, S.L., the majority shareholder of Fomento de Construcciones y Contratas (with 53.829%). The agreement had been reached on 24 December 2007.

The capital of B 1998, S.L. is currently held by Esther Koplowitz (83.92%), Simante, represented by Robert Peugeot (5.73%), Larranza XXI (Bodegas Faustino), represented by Lourdes Martínez (5.33%) and Eurocis, represented by José Aguinaga (5.01%).

**A.7. Do any individuals or legal entities exercise, or have the power to exercise, control over the company as defined in article 4 of the Spanish Securities Market Law? If so, identify that party:**

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Name
Esther Koplowitz Romero de Juseu

**A.8. Complete the following table regarding the company's treasury shares:**

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	2,557,080	2.009

(\*) Through:

Name of direct shareholder	Number of shares held directly
Asesoría Financiera y de Gestión, S.A.	2,557,080
Total:	2,557,080

List any significant changes during the year, as defined in Royal Decree 1362/2007:

Date reported	Total shares acquired directly	Total shares acquired indirectly	% of total share capital
20-06-2008	2,888,201	1,207,224	3.136
28-07-2008	0	50,000	0.039
07-10-2008	0	313,115	0.245
29-12-2008	0	919,306	0.723
Gains / (losses) on treasury shares disposed of during the year			(2,692,776)

**A.9. List the conditions and the term of any authorisation the shareholders have granted to the board of directors at their general meeting for acquiring or transferring treasury shares:**

**Resolution taken at the General Meeting of 18 June 2008:**

Fomento de Construcciones y Contratas, S.A. and the Group companies meeting any of the criteria set out in article 42, paragraphs 1 and 2 of the Code of Commerce are authorised to purchase treasury shares on any stock market on which they are traded, at the market price on the day of acquisition, providing that the price falls between the following minimum and maximum values:

- Maximum: the highest market quotation in the three months immediately prior to the acquisition, plus ten percent
- Minimum: the lowest market quotation in the three months immediately prior to the acquisition, less ten percent

By virtue of this authorisation, the Board of Directors, the Executive Committee and/or the Managing Director may acquire treasury shares providing that at the time of the purchase the total treasury stock, including that purchased, does not exceed 5% of share capital, as set out in article 75.2 of the revised Spanish Companies Act.

In addition, the Board of Directors, the Executive Committee and/or the Managing Director may earmark all or part of the treasury shares acquired for share-based remuneration programmes (shares or share options), in accordance with article 75.1 of the Spanish Companies Act.

The authorisation shall be valid for 18 months from the date granted.

The acquisition of shares, which must be fully paid, should allow the Company to create the reserve required under article 79, rule 3 of the Spanish Companies Act, without reducing capital, legal reserves or any other non-distributable reserves.

The authorisation for the derivative acquisition of treasury shares that was granted to the Board of Directors by the shareholders at the General Meeting held on 28 June 2007 was revoked at that time.

**A.10. State any restrictions on the exercise of voting rights established by law or the company's articles of association, as well as any legal restrictions on the acquisition or transfer of shares:**

Are there any legal restrictions on the exercise of voting rights?

Yes  No

Maximum percentage of voting rights a shareholder may exercise (legal restriction)

Do the articles of association establish any restrictions on the exercise of voting rights?

Yes  No

Maximum percentage of voting rights a shareholder may exercise (as per the articles of association)

Description of restrictions on the exercise of voting rights, established by law or in the articles of association

Are there any legal restrictions on the acquisition or transfer of shares?

Yes  No

Description of any legal restrictions on the acquisition or transfer of shares

**A.11. Have the shareholders, at their general meeting, authorised preventative anti-takeover defences ("poison pills") in accordance with Law 6/2007?**

Yes  No

If so, describe the measures approved and the terms in which restrictions become ineffective:

## B. Administrative structure of the Company

### B.1. Board of directors

B.1.1. State the maximum and minimum number of directors established in the articles of association:

Maximum number of directors	Minimum number of directors
22	5

B.1.2. Complete the following table identifying the members of the board of directors:

Name of director	Representative	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Gonzalo Anes y Álvarez De Castrillón B 1998, S.L.	Esther Koplowitz Romero de Juseu	Board Member	30-06-1991	18-06-2008	General Meeting
Miguel Blesa de la Parra		1St Vice-Chairman	17-12-1996	28-06-2007	General Meeting
Cartera Deva, S.A.	José Aguinaga Cárdenas	Board Member	29-06-2006	29-06-2006	General Meeting
Juan Castells Masana		Board Member	15-09-2004	21-06-2005	General Meeting
Dominum Desga, S.A.	Esther Alcocer Koplowitz	2Nd Vice-Chairman	21-06-2000	21-06-2005	General Meeting
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Board Member	27-09-2000	29-06-2006	General Meeting
EAC Inversiones Corporativas, S.L.	Alicia Alcocer Koplowitz	Board Member	26-10-2004	21-06-2005	General Meeting
Fernando Falcó y Fernández de Córdova		Board Member	30-03-1999	23-06-2004	General Meeting
Felipe Bernabé García Pérez		Board Member / Vice-Secretary	18-12-2003	21-06-2005	General Meeting
Baldomero Falcones Jaquotot		Chairman - Managing Director	30-03-1999	21-06-2005	General Meeting
Larranza XXI, S.L.	Lourdes Martínez Zabala	18-12-2007	18-12-2007	18-06-2008	General Meeting
Max Mazin Brodovka		Board Member	13-01-2005	21-06-2005	General Meeting
Manuel Menéndez López		Board Member	29-06-2006	29-06-2006	General Meeting
Rafael Montes Sánchez		Board Member	10-06-2008	18-06-2008	General Meeting
Marcelino Oreja Aguirre		Board Member	06-03-1992	23-06-2004	General Meeting
Cesar Ortega Gómez		Board Member	21-12-1999	21-06-2005	General Meeting
Antonio Pérez Colmenero		Board Member	28-06-2007	28-06-2007	General Meeting
Robert Peugeot		Board Member	30-03-2005	21-06-2005	General Meeting
Nicolás Redondo Terreros		Board Member	15-09-2004	21-06-2005	General Meeting
José María Sagardoy Llonis		Board Member	18-06-2008	18-06-2008	General Meeting
José María Sagardoy Llonis		Board Member	10-06-2008	18-06-2008	General Meeting
<b>Total number of directors</b>					<b>21</b>

#### NOTE

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

List any directors who have left the board during the period:

Name of director	Date
Ibersuizas Alfa, S.L.	31/01/2008
Luis Manuel Portillo Muñoz	10/06/2008
Mariano Miguel Velasco	10/06/2008

B.1.3. In the following tables, classify the members of the board of directors by type:

#### Executive directors

Name of director	Committee proposing appointment	Position within the company
Baldomero Falcones Jaquotot	Appointments and Remuneration Committee	Chairman and Managing Director
Felipe Bernabé García Pérez	Appointments and Remuneration Committee	General Secretary
Antonio Pérez Colmenero	Appointments and Remuneration Committee	Corporate Manager Of Human And Other Resources
Total number of executive directors		3
% of total directors		14.28

#### External nominee directors

Name of director	Committee proposing appointment	Name of significant shareholder represented or who proposed appointment
B 1998, S.L.	Appointments and Remuneration Committee	B 1998, S.L.
Dominum Desga, S.A.	Appointments and Remuneration Committee	B 1998, S.L.
Dominum Dirección y Gestión, S.A.	Appointments and Remuneration Committee	B 1998, S.L.
EAC Inversiones Corporativas, S.L.	-	B 1998, S.L.
Fernando Falcó Fernández de Córdova	Appointments and Remuneration Committee	B 1998, S.L.
Marcelino Oreja Aguirre	Appointments and Remuneration Committee	B 1998, S.L.
Manuel Menéndez López	Appointments and Remuneration Committee	Inmobiliaria Colonial, S.A.
José María Sagardoy Llonis	Appointments and Remuneration Committee	Inmobiliaria Colonial, S.A.
Cartera Deva, S.A.	Appointments and Remuneration Committee	B 1998, S.L.
Robert Peugeot	Appointments and Remuneration Committee	B 1998, S.L.
Larranza XXI, S.L.	Appointments and Remuneration Committee	B 1998, S.L.
Juan Castells Masana	Appointments and Remuneration Committee	B 1998, S.L.
Miguel Blesa de la Parra	Appointments and Remuneration Committee	B 1998, S.L.
Rafael Montes Sánchez	-	B 1998, S.L.
Total number of nominee directors		14
% of total directors		66.67

**EXTERNAL INDEPENDENT DIRECTORS**

Name of director	Profile
César Ortega Gómez	General manager of Banco Santander; degree in Economics and Business and a Masters in Tax Consulting from ICADE; courses in Law and Philosophy; 12 year's experience as partner at Arthur Andersen Tax and Legal Advisory and Garrigues law firm; board member of the Santander, S.L., Bancos Latinoamericanos Santander, S.L., Santusa Holding, S.L., Santander Holding Gestión, S.L. and Santander Investment, S.A. Business Group
Gonzalo Anes y Álvarez De Castrillón	Doctorate in Economics; professor of History and Economic Institutions at the Universidad Complutense de Madrid School of Economics; director of the Spanish Royal Academy of History; member of the Repsol YPF, S.A. Board of directors; former board member of the Bank of Spain (1980-1988); former director of the magazine "Moneda y Crédito"
Max Mazin Brodovka	Planning and statistics studies (economics); former chairman of the CEOE (Confederation of Spanish Employers) international relations committee; founder and national chairman of AEI (Independent Business Association); co-founder and vice-chairman of the CEOE; honorary chairman of the CEIM (Madrid Business Association); chairman of the CEIM Foundation; member of the Universidad Complutense de Madrid board; founder of Hoteles Tryp, S.A., Founder of the World Trade Centre of Spain and president for seven years
Nicolás Redondo Terreros	Law degree from the Universidad de Deusto; chairman of the Fundación para la Libertad; member of the editorial board of the el Economista newspaper; member of the editorial board of the Official Gazette of the Spanish Property Registrars and Economists Professional Association; member of the advisory board of the Middle East Information Agency; recipient of the 2003 constitutional merit award from the Spanish Government; first lieutenant of the General Deputy of the Vizcaya Regional Council; member of the Basque Country Parliament; general secretary of the Basque Socialist Party Parliamentary Group in the Victoria Chamber; spokesman for the Socialist Group Party At The Vizcaya General Meetings; parliamentary representative for Vizcaya and chairman of the Basque Socialist Party Parliamentary Group
Total number of independent directors	4
% of total directors	19.05

**OTHER EXTERNAL DIRECTORS**

Name of director	Committee proposing appointment
-	-
Total number of other external directors	-
% of total directors	-

Explain why these directors cannot be considered nominee or independent directors and their relationships with the company, other directors and/or shareholders:

Name of director	Reasons	Related company, director or shareholder
-	-	-

Indicate any changes in the classification of directors during the period:

Name of director	Date	Previous classification	Current classification
-	-	-	-

B.1.4. Explain why any nominee directors have been appointed at the request of shareholders owning less than 5% of capital:

Name of shareholder	Reason
-	-

Has the board denied requests for representation submitted by shareholders with an equal or higher holding than other shareholders who had requested and were granted representation through nominee directors? If so, explain why such requests were not granted:

Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Name of shareholder	Explanation
-	-

B.1.5. Indicate whether any directors have resigned from the board prior to completion of their appointed term, whether any explanation was given to the board and through what means. In the event the director submitted a written resignation to the entire board, explain at least the reasons provided in this notice:

Name of the director	Reason
Ibersuizas Alfa, S.L.	Voluntary resignation
Luis Manuel Portillo Muñoz	Voluntary resignation
Mariano Miguel Velasco	Voluntary resignation

B.1.6. List any powers vested in the managing director(s):

Name of director	Brief description
Baldomero Falcones Jaquotot	See note

#### NOTE

Article 35.2 of the Board of Directors Regulations establishes the following:

*The Board of Directors may permanently delegate the powers vested in the Board to one or more members, except those powers that are non-delegable under prevailing legislation, the Articles of Association or these Regulations.*

*A favourable vote of at least two-thirds of the members of the Board of Directors shall be required in order to permanently delegate Board of Directors' authorities and to vest a Board member or members with delegable authorisations, regardless of their position on the Board.*

*The Managing Director shall be responsible for representing and managing the Company's businesses, always in keeping with the decisions and criteria set by Board of Directors and the shareholders at the General Meetings, within the scope of their respective authority.*

*The effective representation and management of the Company's business includes but is not limited to the following:*

- *Supporting the Board of Directors in defining the Group's strategy*
- *Preparing the business plan and annual budgets for submission to the Board of Directors*
- *Preparing and submitting proposals for investments, divestments, credit facilities, loans, guarantees, bonds or any other type of financial facilities, to the Board of Directors (if the individual amount exceeds eighteen million euros) or to the Executive Committee (if the individual amount does not exceed eighteen million euros).*
- *Appointing and dismissing all Company personnel, except those individuals named by the Board of Directors in accordance with these Regulations*
- *At the first Board meeting of each year, the Managing Director shall inform the members of the Executive Committee of the degree to which projections made in investment proposals submitted to the Executive Committee and the Board of Directors have been met."*

Article 7.2 of the Board of Directors Regulations establishes the following:

*In any event, the Board of Directors, through the adoption of resolutions passed and approved as required by law or the Articles of Association, shall be solely and exclusively responsible for the following, which under no circumstances may be delegated to other parties:*

- a. *Appointing and removing the Chairman, Vice-Chairman, Managing Directors, Secretary and Vice-Secretary of the Board of Directors, as well as, at the proposal of the Managing Director, appointing and removing and, where applicable, establishing any indemnity causes relating to the senior managers of the Company's operating areas (Administration, Finance, Human Resources and General Secretariat), the members of the Steering Committee and, in general, the Company's senior executives*
- b. *Proposing to the respective boards of directors, at the initiative of the Managing Director and through the Company's representatives in the subsidiaries, the appointment and possible removal and any indemnity clauses in connection with the chairmen and general managers of the top-tier FCC Group companies (FCC Construcción, S.A., FCC Medio Ambiente, S.A., Aqualia Gestión Integral del Agua, S.A., FCC Versia, S.A., Cementos Portland Valderrivas, S.A. and Realía Business, S.A.), acting in the best interest of each subsidiary*
- c. *Delegating powers to and revoking powers from any member of the Board of Directors, as permitted by prevailing legislation and the Articles of Association*
- d. *Appointing and removing directors to and from the various committees established in these Regulations*
- e. *Supervising the Board of Directors committees*
- f. *Provisionally appointing directors to fill any vacancies through co-optation, until the next General Shareholders' Meeting is held*
- g. *Accepting the resignation of Board members*
- h. *Preparing the annual financial statements and determining the dividend policy for submission to the shareholders at their General Meeting and establishing, where applicable, any interim dividend payments*
- i. *Defining the Group's structure and coordinating, within legally-established limits, the Group's general strategy, in the best interest of the Company and subsidiaries, with the support of the Strategy Committee and the Managing Director, disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relationships between the Company and its listed subsidiaries, as well as any business relationships between the listed subsidiaries and other Group companies, and the mechanisms in place to resolve any conflicts of interest that may arise.*
- j. *Determining the investment and financing policies, and, in particular, approving investments, divestments, credit facilities, loans, guarantees, bonds and any other type of financing facilities within the limits established by the Board itself, as well as any strategic investments or transactions.*
- k. *In general, determining the organisation of the Board and, specifically, making any amendments to the present Regulations*
- l. *Carrying out the powers vested in the Board of Directors by the shareholders at the General Meeting, which the Board may only delegate if expressly agreed at a General Meeting*

Article 8.1 ("General duties – Equilibrium in the performance of duties") establishes that, "The Board of Directors is responsible for taking all actions necessary for carrying out the corporate purpose cited in the Articles of Association, in accordance with applicable legislation." Section 2 of the same article stipulates that "The delegation of powers or authorities by the Board to any members of that body does not divest the Board of those powers."

At the meeting held on 18 December 2007, the Board of Directors vested Baldomero Falcones Jaquotot with a number of powers effective 1 January 2008, including the following: financial powers, powers with respect to relations with customers, suppliers, and labour issues, administrative and disposition powers in connection with companies and associations, legal powers and internal authorisations. The extension of these powers to Mr. Falcones Jaquotot facilitates Group management and enables the Company's intentions to be acted upon in a time-effective manner.

B.1.7. List any members of the board of directors that are directors or executives in companies forming part of the same group as the company subject to this report:

Name of director	Name of the group company	Position
Cartera Deva, S.A.	Cementos Portland Valderrivas, S.A.	Board Member
EAC Inversiones Corporativas, S.L.	Cementos Portland Valderrivas, S.A.	Board Member
EAC Inversiones Corporativas, S.L.	FCC Construcción, S.A.	Board Member
EAC Inversiones Corporativas, S.L.	Global Via Infraestructuras, S.A.	Board Member
Fernando Falcó Fernández de Córdoba	FCC Construcción, S.A.	Board Member
Fernando Falcó Fernández de Córdoba	Cementos Portland Valderrivas, S.A.	Board Member
Fernando Falcó Fernández de Córdoba	Giant Cement Holding Inc.	Board Member
Fernando Falcó Fernández de Córdoba	Waste Recycling Group Limited	Board Member
Rafael Montes Sánchez	FCC Construcción, S.A.	Board Member
Rafael Montes Sánchez	Cementos Portland Valderrivas, S.A.	Board Member
Juan Castells Masana	Waste Recycling Group Limited	Board Member
Robert Peugeot	FCC Construcción, S.A.	Board Member
Robert Peugeot	Alpine Holding GmbH	Supervisory Board Member
Robert Peugeot	Waste Recycling Group Limited	Board Member
Baldomero Falcones Jaquotot	FCC Energía, S.A.	Chairman
Felipe B. García Pérez	FCC Energía, S.A.	Secretary

B.1.8. List any members of the board of directors that also serve on the board of any non-group companies listed on a Spanish stock exchange, of which the company has been notified:

Name of director	Name of listed company	Position
Miguel Blesa de la Parra	Iberia L.A.E., S.A.	Vice-Chairman
Miguel Blesa de la Parra	Mapfre, S.A.	Board Member
Manuel Menéndez López	Inmobiliaria Colonial, S.A.	Board Member
José María Sagardoy Llonis	Inmobiliaria Colonial, S.A.	Board Member

B.1.9. Has the company established a limit to the number of boards on which directors of the company may serve? If so, provide further information:

Yes  No

#### NOTE

Article 24.3 of the Board of Directors Regulations stipulates that “Directors must consult the Appointments and Remuneration Committee prior to accepting any executive position or membership in a governing body of another company or entity.”

Article 22.3 establishes that “Directors must inform the Appointment and Remuneration committee of their other professional obligations, lest they interfere with the director’s duties to the Board. Based on a proposal from the Appointments and Remuneration Committee, the Board of Directors shall establish a limit to the number of boards on which directors of the Company may serve.”



B.1.10. With respect to recommendation number 8 of the Unified Good Governance Code, indicate the general company policies and strategies that the board, in plenary session, reserves the right to approve:

	Yes	No
Investment and financing policy	X	
Design of the group structure		
Corporate governance policy	X	
Corporate social responsibility policy		
Strategic or business plan, management targets and annual budgets	X	
Remuneration and evaluation of senior officers	X	
Risk control and management policies and the periodic monitoring of internal information and control systems	X	
Dividend policy, as well as the policies and limits applicable to treasury shares	X	

B.1.11. Complete the following tables regarding aggregate remuneration accrued by directors during the year:

a) In the company to which this report refers:

Remuneration	Thousands of euros
Fixed remuneration	4,189
Variable remuneration	289
Per diem allowances	
Other directors' fees	2,059
Share options and/or other financial instruments	
Other	
<b>TOTAL</b>	<b>6,537</b>

  

Other benefits	Thousands of euros
Advances	0
Loans	0
Pension plans and funds: Contributions	0
Pension plans and funds: Commitments	0
Life insurance premiums	0
Guarantees extended on behalf of directors	0

b) For serving on the board(s) of directors and/or in senior management positions of other group companies:

Remuneration	Thousands of euros
Fixed remuneration	
Variable remuneration	
Per diem allowances	
Other directors' fees	982
Share options and/or other financial instruments	
Other	
<b>TOTAL</b>	<b>982</b>

  

Other benefits	Thousands of euros
Advances	
Loans	
Pension plans and funds: Contributions	
Pension plans and funds: Commitments	
Life insurance premiums	
Guarantees extended on behalf of directors	

## c) Total remuneration by type of director:

Type of director	By the company	By group companies
Executive	4,756	
External nominee	1,445	922
External independent	336	60
Other external		
<b>TOTAL</b>	<b>6,537</b>	<b>982</b>

## d) As a percentage of profits attributable to the parent company:

Total remuneration of directors (thousands of euros)	7,519
Total remuneration of directors as a % of profit attributable to the parent company	2.23

## NOTE

The increase in the ratio of remuneration of directors to profit attributable to the parent company is due to the combination of two factors: the rise in remuneration of executive directors coupled with a drop in profit attributable to the parent company.

## B.1.12. List the members of senior management that are not executive directors, and indicate the total remuneration accrued by these employees during the year:

Name	Position
José Luis de la Torre Sánchez	Chairman Of FCC Services
Antonio Gómez Ciria	Corporate Manager Of Internal Auditing
Dieter Kiefer	Chairman Of Cementos Portland Valderrivas, S.A.
José Ignacio Martínez Ynzenga	Chairman Of Cementos Portland Valderrivas, S.A.
José Mayor Oreja	Chairman Of FCC Construcción, S.A.
Victor Pastor Fernández	Corporate Finance Manager
José Luis Vasco Hernando	Corporate Administration Manager
Gérard Ries	Assistant Corporate Manager Of International Corporate Strategy And Development
Eduardo González Gómez	Corporate Energy Manager
José Ramón Ruiz Carrero	Deputy Corporate Manager Of Cost Optimisation

## NOTE

On 10 June 2008 the Board of Directors of Cementos Portland Valderrivas, S.A. appointed Dieter Kiefer as Managing Director of that company, replacing José Ignacio Martínez Ynzenga. At the Board meeting held on 22 December 2008, Dieter Kiefer was named Chairman of the company, replacing José Ignacio Martínez Ynzenga.

Total remuneration of senior management (thousands of euros)	5,859
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## B.1.13. State, on an aggregate basis, whether any golden parachute clauses exist for members of senior management of the company or the group, including executive directors, with respect to dismissal or changes in control. Indicate whether these contracts must be reported to and/or approved by governing bodies of the company or the group:

Number of beneficiaries	7	
	<b>Board of directors</b>	<b>General shareholders' meeting</b>
Body authorising the clauses	X	
	<b>YES</b>	<b>NO</b>
Are the shareholders informed of these clauses at the general meeting?	X	

**NOTE**

The Executive Committee is entrusted with authorising golden parachute clauses.

As indicated in the notes to the financial statements for each year, prepared by the Board of Directors and submitted for approval by the shareholders at their General Meeting, an insurance policy was contracted and paid in order to provide benefits in the case of death or permanent disability, as well as retirement bonuses and other benefits extended to certain executive directors and members of senior management, as disclosed in sections B.1.3. and B.1.12., respectively.

In particular, indemnities are payable if the labour relationship is terminated in any of the following cases:

- 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) Voluntary resignation at age 60, agreed between the executive and the Company
- g) Voluntary resignation at age 65, by unilateral decision of the executive

The consolidated income statement of the FCC Group reflects a 571 thousand euros payment for the above-mentioned insurance premium, as well as income of 3,972 thousand euros from rebates on insurance premiums paid.

In 2008 the insurance company paid beneficiaries a total of 5,952 thousand euros for contingencies covered by the aforementioned policy.

**B.1.14. Describe the procedure for determining remuneration of members of the board of directors and the relevant sections of the articles of association:**

Procedure for determining the remuneration of members of the board of directors and the relevant sections of the articles of association

**Article 37 of the Articles of Association establishes the following:**

*"The post of Board member is a paid position. Remuneration shall consist of a share of up to two per cent (2%) of the liquid profit for the year attributable to Fomento de Construcciones y Contratas, S.A. as shown in the consolidated financial statements of the Group of which it is parent company, for the Board of Directors as a whole. This remuneration shall be paid once the required amount has been distributed to the legal reserve and a minimum dividend of at least four percent (4%) has been paid to shareholders. Remuneration for each year shall be determined by the shareholders at their General Meeting.*

*The Board will distribute the remuneration agreed at the General Shareholders' Meeting among the Board members, taking into account the positions and responsibilities of each member within the Board and the Board committees and other criteria set out in the Board of Directors Regulations. Remuneration referred to in the preceding paragraph may include fixed remuneration as well as per diem allowances, variable remuneration and benefit schemes.*

*In accordance with the particular resolution taken at the General Meeting, Board member remuneration may also comprise shares or share options or be referenced to the market value of Company shares, notwithstanding any provisions of previous sections.*

*Remuneration established in the preceding sections for membership on the Board of Directors shall be compatible with other wages, service or professional fees paid to Board members for carrying out executive, senior management or advisory duties or any duties of any other nature other than supervision and collective decision-making as a Board member. Such activities shall be subject to labour, service provision and any other legally applicable structures."*

*Article 42.3 f) of the Board of Directors Regulations establishes that, among other duties, the Appointments and Remuneration Committee is entrusted with "Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of executive directors and other conditions of their contracts, and the basic conditions for the contracts of senior executives, and advising on and proposing multi-year incentive plans for the Company's senior management, particularly those referenced to the market value of Company shares."*

Indicate whether the board of directors reserves the right to approve the following decisions in plenary session:

	Yes	No
On the proposal of the company's chief executive, the appointment and removal of senior officers and their compensation clauses	x	
Directors' remuneration and, in the case of executive directors, the additional consideration payable for their management duties and other contract conditions	x	

B.1.15. Indicate whether the board of directors approves a detailed remuneration policy, specifying the following issues:

	Yes	No
Amount of fixed remuneration, with a breakdown, where appropriate, of per-diem allowances for attendance at board and board committee meetings and the total estimated fixed annual payment they give rise to	x	
Variable remuneration items	x	
Main characteristics of employee welfare systems, with an estimate of the amount or equivalent yearly cost	x	
The contractual conditions of executive directors who perform senior management functions	x	

B.1.16. Does the board of directors submit a report on the directors' remuneration policy to the advisory vote of the shareholders at their general meeting, as a separate agenda point? If so, describe the portions of the report relating to the remuneration policy approved by the board of directors for future years, the most significant changes in these policies compared to the policy applied in the current year, and a global summary of how the remuneration policy was applied over the period in question. Provide details on the role of the remuneration committee and identify any external advisors that have been engaged:

Yes  No

#### Details of the report on the remuneration policy

As of the call to the ordinary General Shareholders' Meeting of 18 June 2008, all shareholders were provided with a report on the Board of Directors remuneration policy. This report was approved by the Board on 12 May 2008.

The report addresses the following points:

- a) procedures for preparing the report
- b) the objective and structure of the remuneration policy
- c) remuneration of directors for their membership on the Board
- d) remuneration of executive directors for performing their senior management and executive duties
  - structure of the remuneration
  - basic conditions of executive director contracts

At the General Meeting, the shareholders resolved that executive directors and Company executives could receive share-based remuneration (shares, share options, and/or remuneration referenced to the market value of shares). The shareholders entrusted the Board of Directors with designing and executing such a remuneration scheme.

#### Role of the remuneration committee

The Appointment and Remuneration Committee assists and advises the Board. In accordance with article 42.3 f) of the Board of Directors Regulations, this committee is entrusted with the following:

- overseeing compliance with the Company's remuneration policy
- proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of executive directors and other conditions of their contracts, and the basic conditions for the contracts of senior executives, and advising on and proposing multi-year incentive plans for the Company's senior management, particularly those referenced to the market value of Company shares.

	Yes	No
Have external advisors been used?		x
Name(s) of the external advisor(s)		

B.1.17. List any members of the board of directors that are also members of the board of directors, executives or employees of companies that hold a significant interest in the company subject to this report and/or in group entities:

Name of director	Significant shareholder	Position
Cartera Deva, S.A.	B 1998, S.L.	Board Member
Juan Castells Masana	B 1998, S.L.	Board Member
Dominum Desga, S.A.	B 1998, S.L.	Board Member
Dominum Dirección y Gestión, S.A.	B 1998, S.L.	Board Member
EAC Inversiones Corporativas, S.L.	B 1998, S.L.	Board Member
Fernando Falcó Fernández de Córdova	B 1998, S.L.	Board Member
Larranza XXI, S.L.	B 1998, S.L.	Board Member
Rafael Montes Sánchez	B 1998, S.L.	Board Member
Robert Peugeot	B 1998, S.L.	Board Member
Manuel Fernando Menéndez López	Inmobiliaria Colonial, S.A.	Board Member
José María Sagardoy Llonis	Inmobiliaria Colonial, S.A.	Board Member

Provide details of any relevant relationships between the members of the board of directors and significant shareholders of the company and/or of group entities, other than those disclosed above:

Name of director	Name of related significant shareholder	Description of the relationship
Cartera Deva, S.A.	B 1998, S.L.	Equityholders' agreement, B 1998, S.L.
Larranza XXI, S.L.	B 1998, S.L.	Equityholders' agreement, B 1998, S.L.
Robert Peugeot	B 1998, S.L.	Equityholders' agreement, B 1998, S.L. (Indirectly through Simante, S.L.)

B.1.18. Have the regulations governing the board of directors been modified during the year?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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#### Description of the modifications

At the meeting held on 12 May 2008, the Board of Directors amended certain articles of the Board of Directors Regulations. The purpose of these amendments was to adapt the Regulations to recent regulatory changes and to introduce certain modifications necessary for practical reasons. Both systematic changes and changes to the wording of the Regulations were made.

In particular, these amendments relate to articles 2, 6, 7, 8, 25, 32, 40, 41 and 42 of the Board of Directors Regulations.

#### I. Amendments to comply with regulatory changes

In article 6.4, the phrase "5% of share capital" was replaced with "the percentage legally considered significant" in order to reflect the new definition of a significant interest (3% of voting rights) introduced by Royal Decree 1362/2007 on disclosure transparency.

#### II. Amendments relating to new regulations, implemented for practical reasons

The following modifications were made:

- Article 2.2 was amended to enable the Board, on the basis of a favourable report from the Appointments and Remuneration Committee, to consider certain persons as senior executives, even if they do not yet meet the requirements set out in article 2, thereby bringing this power of the Board into line with the Appointments and Remuneration Committee's power to propose such a designation, already vested in that committee by article 42.3 d).

- Article 7.2 a) has been divided into two sub-sections (2 a and 2 b) to separately establish the responsibilities discussed in each subsection and to extend these responsibilities with respect to the senior officers of the Company's operating areas, members of the Steering Committee and the Company's senior executives in general.
- The content of article 25.2 has been included as a second paragraph of section 1 of the same article, in order to replace the list of related parties with the definition set out in article 127 ter. 5 of the Spanish Companies Act. To that end, article 25.6 now includes an express reference to article 127 ter. 5 of the Spanish Companies Act.
- Article 25.4 a) has become article 25.3 a) in order to expressly classify the rendering of services to FCC Group companies by parties related to the members of the Board of Directors as a related transaction. Furthermore, a new paragraph has been added to section 3 in order to establish that requests for authorisation of transactions with related parties should be made through the Corporate Social Responsibility Department, which will consult with the business area in question and request a report on the matter from the Appointments and Remuneration Committee.
- Article 32.2 has been modified to establish that a report on the directors' remuneration policy should be made available to shareholders from the date of notice of the General Meeting. It is no longer necessary to submit this policy to an advisory vote at the General Meeting.
- In article 40.1 the reference to the figure of 18 million euros established as the upper limit for matters be reviewed by the Executive Committee in respect of investments, divestments, credit facilities, loans, guarantees, bonds or any other type of financial facilities has been removed in order to bring the text into line with article 8 regarding the responsibilities of the Board, in which the figure had also been deleted. As part of this amendment, express reference to article 7.2 i) has been added to article 40.1.
- In accordance with the other modifications, article 42.3 d) has become 42.3 e), setting out the duties of the Appointments and Remuneration Committee, substituting the figure of 120,000 euros with that established in each case by the Appointments and Remuneration Committee and reported to the Board of Directors. As a result of this amendment, it will no longer be necessary to revise the Board of Directors Regulations on a regular basis merely to update the specific figure agreed by the Appointments and Remuneration Committee.
- In accordance with the other modifications, article 42.3 e) has become article 42.3 f), in order to eliminate reference to individual remuneration of executive directors that was included as one of the proposals the Appointments and Remuneration Committee had to submit to the Board, leaving only the text "remuneration," understood in the broadest sense of the term.

### *III. Amendments resulting from systematic changes and rewordings*

The following modifications were made:

- In article 8.3 b) regarding the policies to be approved by the Board of Directors, express mention has been made of the directors' remuneration policy. In addition, in article 8.3 e) the reference to the appointment, removal and indemnity clauses of senior executives was moved to article 7.2 a). An amendment was also made to grant the Board of Directors the power to approve the remuneration policy of the Steering Committee as well.
- In article 40.1, a new paragraph was included to establish that in urgent cases the Executive Committee may exercise the powers set out in the last paragraph of Article 8.3, regarding the appointment and removal of senior executives and the indemnity clauses applicable thereto, periodic financial reporting, strategic investments and transactions which could affect the transparency of the Group.
- In article 41.3 b) express mention has been added of the requirement to adopt measures to ensure independence of the external auditor.

Lastly, a number of modifications have been made to article 42:

- i. section 3 c), proposing the appointment and re-appointment of independent directors, set out in article 16;
- ii. new section 3 d), setting out the Appointments and Remuneration Committee's duties with respect to independent directors, as established in article 17.2 and article 20.3 (report prior to confirming the post of an independent director after 12 years and a report prior to removing independent directors)
- iii. new section 3 j), setting out the duties established in article 36.1 (report prior to appointment and removal of the Secretary to the Board of Directors)
- iv. new section 3 k), setting out the duties established in article 6.4 (prior verification of classification of directors)

**B.1.19. Describe the procedures for appointing, re-appointing, evaluating and removing directors. Indicate the bodies entrusted with these actions, the processes to be followed and the standards to be applied in each procedure:**

The shareholders, at their General Meeting, are entrusted with appointing and removing directors. Directors may be re-appointed one or more times, for five-year periods.

Under the equityholders' and shareholders' agreements disclosed in section A.6. of this report, the Investors may appoint four (4) of the FCC Board members to which B 1998, S.L. is entitled.

EK or EK's designated representative is entitled to appoint the remaining members of the Board of Directors of FCC that correspond to B 1998, S.L.

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

**Article 16: Appointment, ratification and re-appointment of directors**

*Board of Director appointment and re-appointment proposals submitted for ratification at the General Shareholders' Meeting and provisional co-optation appointments made by the Board itself, as provided for by law, must fall upon individuals of recognised integrity, solvency technical ability and experience. Selection by the Board must be based on a proposal from the Appointments and Remuneration Committee, in the case of independent directors, and on a prior report prepared by that committee, in the case of other directors.*

**Article 18: Term of office**

- 1. The term of office of directors shall be that established in the Articles of Association and may not exceed six years. Directors may be re-appointed for subsequent terms.*
- 2. Directors appointed by co-optation shall remain in office until the next General Meeting is held. This period of time shall not be counted 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 a two-year period.*
- 4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors.*

**Article 19: Re-appointment of directors**

*Prior to proposing the re-appointment of any director at the General Meeting, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate.*

**Article 20: Removal of directors**

- 1. Directors must step down from the Board upon expiry of their mandates or when so decided by the shareholders at the General Meeting, in accordance with the powers vested in the shareholders by law and by the Articles of Association.*

**Article 21: Nature of the Board of Directors resolutions on this matter**

*Pursuant to the provisions of article 25 of these Regulations, directors being proposed for appointment, re-appointment or removal may not participate in the debates or vote on these issues.*

**B.1.20. Indicate under what circumstances directors are required to resign:**

Article 20 of the Board of Directors Regulations establishes the following:

- 1. Directors must step down from the Board upon expiry of their mandates or when so decided by the shareholders at the General Meeting, in accordance with the powers vested in the shareholders by law and by the Articles of Association.*
- 2. Directors shall be required to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases:*
  - a. In the case of executive directors, when they no longer occupy the positions or perform the duties 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 are involved in any of the cases of conflict of interest or disqualification stipulated by law*

d. When the Board, by a two-thirds majority, asks the director to resign in the following cases:

-if the director receives a severe reprimand from the Board for having failed to comply with his or her duties as director, based on a proposal or report by the Appointments and Remuneration Committee, or

-when their presence on the Board could jeopardise the Company's credibility and reputation. In that regard, directors must inform the Board of any criminal charges against them and any subsequent events occurring during legal proceedings. In any event, if any director is tried for any of the corporate crimes described in article 124 of the Spanish 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, providing clear justification of the decision in the Annual Corporate Governance Report."

B.1.21. Do the duties of the chief executive fall upon the chairman of the board of directors? If so, indicate the measures that have been taken to limit the risk of accumulation of powers in a single person:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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#### Measures to limit risk

The FCC, S.A. Board of Directors Regulations control these risks by vesting the powers set out in the following section in an independent director.

Has an independent director been empowered to request the calling of board meetings or the inclusion of new business on the agenda in order to coordinate or give voice to the concerns of external directors and to lead the board's evaluation of the chairman? If so, explain these regulations.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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#### Regulations

Article 34.3 of the Board of Directors Regulations establishes the following:

*When the Chairman of the Board of Directors is also the Managing Director or chief executive of the Company, an independent director designated by the Board may request the calling of Board meetings or the inclusion of new business on the agenda in order to coordinate and give voice to the concerns of external directors, and to lead the Board's evaluation of the Chairman.*

B.1.22. Are qualified majorities required for certain resolutions, other than those established by law?

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
-----	--------------------------	----	-------------------------------------

Describe how resolutions are adopted by the board of directors, indicating the minimum attendance quorums and the type of majority needed to pass resolutions:

#### Adoption of resolutions

Description of the resolution	Quorum	Type of majority
Permanent delegation of powers to the Executive Committee, the Chairman or the Managing Directors and the appointment of the directors who will hold such posts. OTHER RESOLUTIONS (SEE NOTE)	Two-thirds of the Board members must be present or represented at the meeting	Two-thirds of the Board members

#### NOTE

All other resolutions of the Board of Directors require the favourable vote of an absolute majority of the members.



B.1.23. Are there specific requirements, other than those related to directors, for being appointed chairman of the board?

Yes  No

**Requirements**

-

B.1.24. Does the chairman have the casting vote?

Yes  No

**Issues on which the chairman has the casting vote**

-

B.1.25. Do the articles of association or the board of directors regulations establish an age limit for directors?

Yes  No

B.1.26. Do the articles of association or the board of directors regulations limit the term for independent directors?

Yes  No

Maximum term (years)

12

B.1.27. In the event there are no or very few female directors, explain the reasons therefor and the measures taken to remedy the situation:

**Explanation of the reasons and the initiatives taken**

-

Has the nomination and remuneration committee established selection procedures that are free of any implicit bias against female candidates, and does the committee actively search for female candidates with the target profile?

Yes  No

**Describe the main procedures**

Article 42.3 h) of the Board of Directors Regulations establishes that, among other duties, the Appointments and Remuneration Committee is entrusted with "ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against female candidates, so as to make certain that the Company deliberately seeks and short-lists women with the target professional profile. Where necessary, in the Annual Corporate Governance Report the Company should explain why there are few or no female directors and the measures taken to remedy such a situation."

B.1.28. Describe any formal procedures for proxy voting in the board of directors:

There are no formal procedures for proxy voting in the Board of Directors.

B.1.29. State the number of board meetings held during the year, as well as the number of times the board met in the absence of the chairman:

Number of board meetings	11
Number of board meetings held in the absence of the chairman	0

Indicate the number of meetings held by the different board committees during the year:

Number of executive committee meetings	9
Number of audit committee meetings	8
Number of nomination and remuneration committee meetings	7
Number of strategy and investment committee meetings	0

B.1.30. State the number of board meetings held at which not all members were present, including any meetings at which proxies were present but lacked specific instructions:

Number of absences during the year	30
Number of absences as a % of total votes during the year	13.22

B.1.31. Are the individual and consolidated financial statements certified prior to their submission for approval by the board?

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

Indicate the person(s) certifying the individual and consolidated financial statements prior to board authorisation:

Name	Position
Baldomero Falcones Jaquotot	Chairman and Managing Director
José Luis Vasco Hernando	Corporate Administration Manager
Víctor Pastor Fernández	Corporate Finance Manager

B.1.32. Describe any mechanisms established by the board of directors to ensure that the auditors' reports on the individual and consolidated financial statements contain no qualifications upon submission the shareholders at their general meeting:

Among other responsibilities, the Audit and Control Committee reviews the procedures applied in the preparation of the periodic financial and economic information reported by the FCC Group. Since such a review is particularly important with respect to annual reporting, prior to the preparation by the Board of Directors of the 2008 financial statements, the Audit and Control Committee thoroughly examined the statements and requested that the external auditors explain the conclusions of their review work so that, once the statements were approved by the Board, the external auditor's report would contain no qualifications thereon.

B.1.33. Is the secretary of the board of directors also a director?

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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B.1.34. Describe the procedures for appointing and removing the secretary of the board of directors, indicating whether appointment and removal require a report from the nomination committee and approval by the board in plenary session:

#### Appointment and removal procedure

Article 36 of the Board of Directors Regulations establishes that the appointment and removal of the Secretary shall be approved in a plenary Board meeting on the basis of a report issued by the Appointments and Remuneration Committee.

#### NOTE

The current Secretary was named before the Appointments and Remuneration Committee was created.

	Yes	No
Does the nomination committee issue a report on appointment of the Secretary?	X	
Does the nomination committee issue a report on removal of the Secretary?	X	
Does the board of directors approve the appointment in plenary session?	X	
Does the board of directors approve the removal in plenary session?	X	

Is the secretary of the board of directors especially entrusted with overseeing compliance with recommendations for good governance?

Yes  No

#### Notes

-

B.1.35. Describe any mechanisms for ensuring the independence of auditors, financial analysts, investment banks and rating agencies:

*These mechanisms are stipulated in article 41 of the Board of Directors Regulations, "Audit and Control Committee", as follows:*

...

*3. The basic role of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the preparation of financial information, internal controls and the independence of the external auditor. In particular, and without prejudice to the other matters the Board of Directors may entrust to the committee, the Audit and Control Committee shall be responsible for the following:*

*a) Responding to any requires for information made by the shareholders at the General Meeting, insofar as this information falls within the scope of the committee*

*b) Liaising between the Board of Directors and the external auditor and evaluating the results of each audit, as well as the following additional duties with respect to the external auditor: (i) making recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of the engagement; (ii) receiving regular information from the external auditor on the progress and findings of the audit plan, and verifying that senior management is acting on the external auditor's recommendations; (iii) ensuring the independence of the external auditor and, in particular, establishing appropriate measures to make sure that: 1) engaging advisory services from the external auditor or a company within its group does not jeopardise the independence of the auditor; and 2) the Company submits a significant event report to the CNMV upon any change in auditor, accompanied by a statement of any disagreements with the outgoing auditor and the nature thereof, and, if the external auditor resigns, thoroughly examines the reasons therefor; and (iv) encouraging the Company's auditor to take on the audits of all Group companies.*

*c) Supervising the Company's internal audit department responsible for the proper operation of internal control and reporting systems; receiving from the head of internal audit the mandatory annual work plan, direct information on any incidents arising during the implementation of the plan, and a year-end activities report.*

*d) Analysing the risk management and control policy and submitting it to the Board of Directors for approval. The risk management and control policy should identify at least: (i) the different types of risk to which the Company is exposed, with contingent liabilities and other off-balance-sheet risks included under the financial and economic risks facing the Company; (ii) the*

risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events, should they occur; and (iv) the internal control and reporting systems for controlling and managing the above risks, including contingent liabilities and off-balance-sheet risks.

e) Supervising the preparation of the financial statements and directors' reports of the Company and the consolidated Group, and of the information released periodically to markets, verifying compliance with legal provisions and the correct application of generally accepted accounting principles, and providing information to the Board for decisions on: (i) the financial information that the Company must report periodically as a listed company, ensuring that the interim financial statements are drawn up using the same accounting principles as in the annual financial statements and, to this end, considering the advisability of a limited review by the Company's external auditor; and (ii) the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered tax havens, as well as any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC Group.

f) With respect to internal control and reporting systems: (i) monitoring the preparation and the integrity of the financial information prepared on the Company and, where applicable, the Group, verifying compliance with legal provisions, the appropriate definition of the scope of consolidation, 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 effectiveness of the internal audit department; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing that department's budget, receiving regular reports on its activities, and verifying that senior management is acting on the findings and recommendations of the internal audit department's reports; (iv) receiving confidential (though not anonymous) written communiqués from employees regarding any potentially significant irregularities, particularly of a financial or accounting nature, that they observe in any FCC Group company; and (v) ensuring that the internal codes of conduct and the rules of corporate governance comply with legally-stipulated requirements and are appropriate for the Company, and reviewing compliance with disclosure obligations by the persons governed by those codes and regulations.

g) Issuing the reports and proposals requested by the Board of Directors or the Chairman of the Board, as well as any reports or proposals the committee deems appropriate for the best performance of its duties, particularly reports on proposed amendments to these Regulations, as provided for in article 4.3.

h) Responding to requests for information submitted by directors in accordance with article 30.3 of these Regulations 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 Regulations.

...

4. The Audit and Control Committee shall have access to all documentation and information needed to perform its duties and it may seek the advice of external professionals, subject to the provisions of articles 31.3 and 39.3 of these Regulations. These advisers may speak at committee meetings but may not vote.

6. Any member of the FCC Group's management team or personnel, as well as the Company's external auditors, shall be required to attend meetings of the Audit and Control Committee when so requested, and must collaborate and provide the information at their disposal, subject to article 39.3 of these Regulations.

7. The Audit and Control Committee itself will decide on any matter not expressly regulated in this article with regard to its operation. Supplementarily, the portions of the Articles of Association and these Regulations governing the Board of Directors shall apply insofar as the nature and duties of the committee allow.

B.1.36. Has the company changed its external auditor during the year? If so, identify both the outgoing and incoming auditor:

Yes  No

Outgoing auditor	Incoming auditor
-	-

Were there any disagreements with the outgoing auditor? If so, explain:

Yes  No

Details of the disagreements

-

B.1.37. Does the audit firm perform work for the company and/or the group other than audit work? If so, indicate the fees received for such work and the percentage these fees represent of the total amount invoiced to the company and/or the group:

Yes  No

	Company	Group	Total
Fees for work other than audit (thousands of euros)	53	280	333
Fees for work other than audit as a % of total fees invoiced by the audit firm	11.7%	7.2%	7.6%

B.1.38. Does the auditors' report on the financial statements for the previous year contain any reservations or qualifications? If so, indicate the explanations given by the chairman of the audit committee for the content and scope of such reservations or qualifications:

Yes  No

Explanation

-

B.1.39. State the number of consecutive years that the current audit firm has audited the financial statements of the company and/or group. Also, indicate the number of years the current firm has audited the financial statements as a percentage of the total years that the financial statements have been audited:

	Company	Group
Number of consecutive years	19	19

	Company	Group
Number of years audited by the current firm as a % of the number of years the annual accounts have been audited	100 %	100 %

B.1.40. List the interests held by the members of the board of directors in the share capital of entities whose corporate purpose is identical, similar or complementary to that of the company or the group, as notified to the company. Indicate the positions held or duties performed by directors in these companies:

Name of director	Name of the company	% interest	Position or duties
-	-	-	-

**B.1.41. Is there a procedure to provide directors with external advisory services?**

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

**Details of the procedure**

Article 31 of the Board of Directors Regulations, "Expert assistance," establishes the following:

1. *FCC shall provide external directors with the advice and guidance needed to carry out their duties and, where necessary, shall bear the cost of advisory services rendered to these directors by legal, accounting and financial consultants and other experts.*
2. *Requests to engage external consultants or experts must be submitted to the Chairman of FCC. These requests will be approved by the Board of Directors if it considers that:*
  - a. *such engagements are necessary for the proper performance by independent directors of their assigned duties*
  - b. *the cost is reasonable, in view of the magnitude of the issue and the assets and revenues of FCC, and*
  - c. *the technical assistance required cannot be properly provided by internal FCC experts or technical personnel.*
3. *Requests for expert assistance by any of the Board committees may not be denied except when a majority of the Board members considers that the conditions required in paragraph 2 of this article are not met.*

**B.1.42. Is there a procedure to provide directors with the information necessary to prepare for board of directors meetings sufficiently in advance? If so, describe this procedure:**

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

**Details of the procedure**

Article 38 of the Board of Directors Regulations, "Meetings of the Board of Directors" establishes the following:

1. *The Board of Directors shall meet with the frequency necessary to properly perform its duties, and whenever the interests of FCC require, in accordance with the calendar and agendas set at the beginning of the year. Directors and Board committees may propose the addition of other items not initially envisaged in the agenda, providing the proposal is made at least thirteen days prior to the scheduled meeting date. The calendar of the ordinary meetings shall be set by the Board at the beginning of each year. The calendar may be modified at the decision of the Board itself or of the Chairman, who shall notify the directors of the change at least ten days in advance of the earlier of the original or modified meeting date.*
2. *The announcement of ordinary meetings shall be sent by post, fax, e-mail or telegram and shall be authorised with the signature of the Chairman or the Secretary or Vice-Secretary, by order of the Chairman.*  
*Notwithstanding the provisions of article 30 of the Articles of Association, every effort shall be made to announce meetings at least ten days in advance. Along with the announcement of each meeting, the directors shall be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on any issues submitted to them for their consideration.*  
*In urgent 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 shall draft the meeting agenda. The Chairman shall be required to include any items on the agenda required by the directors and the Board committees, as provided for in section 1 of this article.*  
*When a specific item is included on the meeting agenda at the request of the directors, those directors must either submit the pertinent documentation with their request or identify that documentation so that it can be forwarded to the rest of the Board members.*  
*In view of the directors' duty of confidentiality, every effort shall 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 and at the Chairman's discretion.*

4. Board meetings may be held via conference call, video-conference or any other similar system so that one or more directors can attend the meeting remotely. In that regard, in addition to stating the location where the meeting is physically held, which is where the Board Secretary must attend, the announcement must state that directors can attend via conference call, video-conference or an equivalent system, indicating and making available the technical means for this purpose, which in all cases must enable direct and simultaneous communication among attendees. The Secretary of the Board of Directors must enter, in the minutes to meetings held in this way, the names of the directors physically in attendance or represented by another director and the names of those who attended via conference call, videoconference or an equivalent system.

**B.1.43. Has the company established rules to require directors to report and, if necessary, resign in those cases which jeopardise the company's name or reputation?**

Yes  No

#### Description of the rules

Article 29 of the Board of Directors Regulations, "Directors' duty of disclosure," establishes that "Directors must disclose the following to the FCC Appointments and Remuneration Committee through the Corporate Responsibility Department or any unit that takes its place: [...] d. Legal, governmental, or any other type of claim which, due to its magnitude, could have a serious effect on the reputation of FCC."

Likewise, article 20.2 d), "Removal of directors," stipulates that "Directors shall be required to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: [...] when their presence on the Board could jeopardise the Company's credibility and reputation. In that regard, directors must inform the Board of any criminal charges against them and any subsequent events occurring during legal proceedings. In any event, if any director is tried for any of the corporate crimes described in article 124 of the Spanish Companies Act, the Board shall examine the case as soon as possible and, based on the specific circumstances, shall decide whether or not the director must resign, providing clear justification of the decision in the Annual Corporate Governance Report."

**B.1.44. Has any member of the board of directors informed the company that he or she has been tried for any of the crimes listed in article 124 of the Spanish Companies Act?**

Yes  No

## B.2. Board of directors' committees

**B.2.1. List the board of directors' committees and the respective members:**

#### Executive or delegate committee

Name	Position	Type
Baldomero Falcones Jaquotot	Chairman	Executive
Fernando Falcó y Fernández de Córdoba	Member	Nominee
Esther Alcocer Koplowitz, representing Dominum Desga, S.A.	Member	Nominee
Alicia Alcocer Koplowitz, representing EAC Inversiones Corporativas, S.L.	Member	Nominee
Juan Castells Masana	Member	Nominee
José Aguinaga Cárdenas, representing Cartera Deva, S.A.	Member	Nominee
Francisco Vicent Chuliá	Secretary	Not a Director
Felipe B. García Pérez	Vice-Secretary	Non-Member

#### NOTE

On 31 January 2008, Rafael Montes Sánchez stepped down as Chairman of the Executive Committee and was replaced by Baldomero Falcones Jaquotot.

*Audit and control committee*

Name	Position	Type
Fernando Falcó y Fernández de Córdova	Chairman	Nominee
Esther Alcocer Koplowitz, representing Dominum Desga, S.A.	Member	Nominee
Alicia Alcocer Koplowitz, Representing EAC Inversiones Corporativas, S.L.	Member	Nominee
Gonzalo Anes Y Alvarez De Castrillón	Member	Independent
Juan Castells Masana	Member	Nominee
José María Verdú Ramos	Secretary, Non-Member	---

**NOTE**

On 6 February 2008, the CNMV was notified that Dominum Dirección y Gestión, S.A., formerly represented by Alicia Alcocer Koplowitz, would henceforth be represented by Carmen Alcocer Koplowitz, while EAC Inversiones Corporativas, SL, formerly represented by Carmen Alcocer Koplowitz, would henceforth be represented by Alicia Alcocer Koplowitz.

*Appointments and remuneration committee*

Name	Position	Type
Esther Alcocer Koplowitz, Representing Dominum Desga, S.A.	Chairman	Nominee
Fernando Falcó y Fernández de Córdova	Member	Nominee
Alicia Alcocer Koplowitz, representing EAC Inversiones Corporativas, S.L.	Member	Nominee
Carmen Alcocer Koplowitz, representing Dominum Dirección y Gestión, S.A.	Member	Nominee
Rafael Montes Sánchez	Member	Nominee
Antonio Pérez Colmenero	Member	Executive
José Aguinaga Cárdenas, representing Cartera Deva, S.A.	Member	Nominee
Robert Peugeot	Member	Nominee
Gonzalo Anes Y Alvarez De Castrillón	Member	Independent
Max Mazin Brodovka	Member	Independent
José María Verdú Ramos	Secretary, Non-Member	----

*Strategy committee*

Name	Position	Type
Esther Koplowitz Romero de Juseu, representing B 1998, S.L.	Chairman	Nominee
Esther Alcocer Koplowitz, representing Dominum Desga, S.A.	Member	Nominee
Fernando Falcó y Fernández de Córdova	Member	Nominee
Lourdes Martínez Zabala, representing Larranza XXI, S.L.	Member	Nominee
Robert Peugeot	Member	Nominee
José Aguinaga Cárdenas, representing Cartera Deva, S.A.	Member	Nominee



### B.2.2. Is the audit and control committee entrusted with the following functions?

	Yes	No
Monitoring the preparation and integrity of the financial information of the company and, where applicable, of the group, verifying compliance with obligatory standards, the correct scope of consolidation and the correct application of accounting criteria	x	
Reviewing internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	x	
Monitoring the independence and efficiency of the internal audit department; proposing the selection, appointment, re-appointment and removal of the head of the internal audit department; proposing the budget for this department; receiving regular information on the activities of the internal audit department; and ensuring that senior officers take in account the consultations and recommendations made by the internal auditors	x	
Establishing and supervising a mechanism to enable employees to confidentially and, if necessary, anonymously report any potentially significant irregularities they detect in the course of their duties, especially in terms of accounting and financial matters	x	
Making recommendations to the board for the selection, appointment, re-appointment and substitution of the external auditor and the terms and conditions of this engagement	x	
Receiving regular information from the external auditor regarding the audit plan and the results thereof, and verifying that senior officers act on the recommendations of the external auditor	x	
Monitoring the independence of the external auditor	x	
In the case of groups, encouraging the group auditor to take on the audits of all group companies	x	

### B.2.3. Describe the organisational and operational rules applicable and the responsibilities attributed to each committee:

#### *Executive committee*

This committee is governed by article 36 of the FCC Articles of Association, which are partially transcribed below:

*[...] The Executive Committee shall be convened by the Chairman of that committee, the committee itself, or upon the request of two committee members. Announcement of committee meetings shall be sent to each committee member by post, telegram, e-mail or fax at least 48 hours in advance of the meeting time. The Executive Committee may be convened immediately for reasons of urgency, in which case the meeting agenda shall be limited to the urgent matters.*

*The meetings shall be held at the Company's registered offices or other location designated by the Chairman and indicated in the announcement.*

*In order for the Executive Committee to be validly convened, the majority of members must be present or represented by proxy.*

*Absent members may be represented by another member of the Executive Committee by providing written notification to the Chairman.*

*Debates on matters shall be directed by the Chairman. If the Chairman is absent, the meeting shall be chaired by the committee member chosen by majority vote of those in attendance.*

*The Chairman shall give the floor to those attendees who wish to speak.*

*Resolutions shall be passed by absolute majority of the Committee members.*

*In the event of a tie, the matter shall be submitted to the Board of Directors. In this case, the members of the Executive Committee shall request that a Board meeting be convened as provided for in article 30 of these Articles of Association..."*

Article 40 of the Board of Directors Regulations establishes the following:

2. *[...]The Board of Directors shall appoint certain directors to the Executive Committee, ensuring as far as possible that the proportion of the various directorship categories on the committee is similar to that of the Board itself. The Secretary of the Board shall also be the Secretary of the Executive Committee.*
3. *The Executive Committee shall comprise a minimum of five and a maximum of ten members.*
4. *The members of the Executive Committee shall step down from the committee when they cease to be directors or when so decided by the Board.*
5. *Any vacancies arising shall be filled as quickly as possible by the Board of Directors.*

6. *In the absence of the Chairman of the Executive Committee, a committee member shall be chosen to perform his or her functions.*
7. *The Executive Committee shall hold ordinary meetings in the months no Board of Directors meetings are scheduled, except in August. The committee may meet on an extraordinary basis when required to safeguard the Company's interests. Along with the announcement of each meeting, the members of the Executive Committee shall be provided with the pertinent information needed to form an opinion and vote.*
8. *The Executive Committee shall be convened as per the provisions of article 35 of the Articles of Association, although, except in the event of a justified emergency, every effort shall be made to ensure at least ten days' advance notice. Along with the announcement of each meeting, the members of the Executive Committee shall be provided with the pertinent information needed to form an opinion and vote.*
9. *The Executive Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting.*
10. *The Executive Committee, through its Chairman, shall inform the Board of the matters discussed and the resolutions adopted at its meeting, and a copy of the minutes to each meeting shall be given to each director.*
11. *In all other matters, the Executive Committee shall be governed firstly by the pertinent provisions of the Articles of Association and, secondly, by the provisions relating to the Board of Directors contained in the Articles of Association and these Regulations.*

#### **Audit and control committee:**

The rules of operation of the Audit and Control Committee are established in article 41 of the Board of Directors Regulations. The committee shall comprise at least three members appointed by the Board of Directors on the basis of their knowledge and experience in the fields of accounting, auditing or risk management. All committee members shall be external directors. A Chairman shall be chosen from among the committee members for a term of office not to exceed four years. A Vice-Chairman may also be elected from among the members. The term of office of Audit and Control Committee members may not exceed their terms of office as directors, although they may be re-appointed indefinitely as long as they continue to serve on the Board.

The committee shall designate a Secretary and, at its discretion, an Assistant Secretary. These individuals need not be Board members.

The committee members may seek the advice of external professionals. These advisers may speak at the meetings but may not vote.

The basic role of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the preparation of financial information, internal controls and the independence of the external auditor.

The main responsibilities of the Audit and Control Committee include:

- Responding to any requires for information made by shareholders at their General Meeting insofar as this information falls within the scope of the committee's authority
- Liaising between the Board of Directors and the external auditor, and evaluating the results of each audit
- Supervising the Company's internal audit department
- Analysing the risk management and control policy
- Supervising the preparation of the financial statements and directors' reports of the Company and the consolidated Group, and of the information released periodically to markets

#### **Appointments and remuneration committee**

The organisation and operation of the Appointments and Remuneration Committee is governed by article 42 of the Board of Directors Regulations, as follows:

1. *The Appointments and Remuneration Committee shall comprise at least three (3) directors designated by the Board of Directors, the majority of which shall be external directors. The committee shall appoint a Chairman from among its non-executive members. The term of office of Appointments and Remuneration Committee members may not exceed their terms as directors, although they may be re-appointed indefinitely as long as they continue to serve on the Board.*
2. *The Appointments and Remuneration Committee shall 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. The Secretary shall set down the minutes to the committee meetings, duly reflecting the matters considered and the resolutions adopted. The minutes*

*must be signed by the members of the committee in attendance. The members of the Appointments and Remuneration Committee shall step down from the committee when they cease to be directors or when so decided by the Board.*

5. *The Appointments and Remuneration Committee shall be provided with all documentation and information needed to perform its duties. The members of the Appointments and Remuneration Committee may be assisted during their meetings by up to two advisers per committee member, as required. These advisers may speak at meetings but may not vote, and shall be subject to the provisions of article 31 of these Regulations.*
4. *The Appointments and Remuneration Committee itself shall decide on any matter with regard to its operation not expressly laid out in the Articles of Association and the present Regulations. Supplementarily, the provisions governing the Board of Directors shall apply insofar as the nature and duties of the committee allow.*
6. *The Committee shall meet with the frequency determined, at least once per quarter, and when convened by the Chairman or at the request of two committee members. Each year, the committee shall draft an action plan for the coming year for submission to the Board.*
3. *The Appointments and Remuneration Committee shall inform, advise and make proposals within its areas of responsibility. In addition to the duties already indicated in these Regulations, the Appointments and Remuneration Committee shall be responsible for the following:*
  - a) *Evaluating the balance of skills, knowledge and experience on the Board of Directors, 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 Board member may suggest directorship candidates to the Appointments and Remuneration Committee for its consideration.*
  - b) *Examining or organising, as appropriate, the succession of the Chairman and chief executive, 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 for retaining independent directors upon expiry of their 12 year terms and advising on proposals for the removal of independent directors, in accordance with article 20.3*
  - e) *Advising on proposals for the appointment and removal of senior executives submitted to the Board by the chief executive, and proposing the persons or positions that should be considered senior executive level, in addition to those envisaged in article 2.2. of these Regulations, and making the proposals for reprimands indicated in article 20.2 d) of these Regulations. The committee shall also issue reports before any appointment to positions or offices whose annual remuneration is equal to or greater than the amount 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 executives, the remuneration of executive directors and other conditions of their contracts, and the basic conditions for the contracts of senior executives, and advising on and proposing multi-year incentive plans for the Company's senior management, particularly those referenced to the market value of Company shares*
  - 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 female candidates, so as to make certain that the Company deliberately seeks and short-lists women with the target professional profile. Where necessary, in the Annual Corporate Governance Report the Company should explain why there are few or no female directors and the measures taken to remedy such a 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 as set out in article 6.4*
  - l) *Receiving the information provided by directors in accordance with article 24.2 of these Regulations*
  - m) *Advising on any professional or commercial transactions referred to in article 25.3 of these Regulations*
  - n) *Advising on the use, for the benefit of a director, of business opportunities or assets of the FCC Group which had been previously considered and ruled out, as referred to in articles 27.1 and 27.3 of these Regulations*

**Strategy committee:**

the operations of the Strategy Committee are established in article 43 of the Board of Directors Regulations, as follows:

1. ... *[The Strategy Committee shall]...comprise the directors appointed by the Board of Directors for a term of office no longer than that of their mandate as directors. However, they may be re-appointed indefinitely as long as they continue to serve on the Board. The majority of the members of the Strategy Committee shall be external directors.*
2. *The Strategy Committee shall choose a Chairman from among its non-executive members. The committee shall 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. The Secretary shall set down the minutes to the committee meetings, duly reflecting the matters considered and the resolutions adopted.*
3. *The members of the Strategy Committee shall step down from the committee when they cease to be directors or when so decided by the Board.*
4. *The Strategy Committee shall assist the Board of Directors in determining the Group's strategy based on the general guidelines set out by the Board, preparing any necessary reports and motions.*
6. *To perform its duties optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of article 31 of these Regulations shall 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 shall meet with the frequency determined and when convened by the Chairman or at the request of two committee members. EACH year, the committee shall draft an action plan for the coming year for submission to the Board.*
9. *The minutes to each committee meeting shall be drafted and signed by the Committee members in attendance.*
10. *Any member of the FCC Group's management team or personnel who is asked to attend the Strategy Committee's meetings shall be required to attend, collaborate and provide all information at his or her disposal.*
11. *The Strategy Committee shall be granted access to all documentation and information needed to perform its duties.*
12. *The Strategy Committee itself shall decide on any matter with regard to its operation not expressly laid out in the Articles of Association and the present Regulations. Supplementarily, the provisions governing the Board of Directors shall apply insofar as the nature and duties of the committee allow.*

**B.2.4. Indicate the advisory and consultative powers and, where applicable, any powers delegated to each committee:**

The delegation of powers to the Board committees is governed by article 40 of the Board of Directors Regulations and article 35 of the Articles of Association.

All the duties and powers necessary to conduct the Company's business are permanently vested in the Executive Committee, except for those powers deemed non-delegable under article 141, section 1 of the Spanish Companies Act and those reserved for the Board of Directors in a plenary session, as set out in article 7 of the Board of Directors Regulations.

In the exercise of the powers and duties referred to above, the Executive Committee may empower others to act either individually or jointly with other representatives, setting the scope, limitations and conditions it deems pertinent. The Executive Committee may also revoke all powers thus granted.

Article 40.1 of the Board of Directors Regulations establishes that *"The Board may permanently delegate all of the powers of the Board to the Executive Committee, except for those which cannot be delegated under prevailing legislation, the Articles of Association or these Regulations. Unless otherwise stipulated in the text of the delegation conferred by the Board, the Executive Committee shall have the power to decide on investments, disinvestments, credit facilities, loans, guarantees, bonds and any other type of financial facilities that individually do not exceed the amount stipulated in each case in accordance with article 7.2 j).*

*In urgent situations, the Executive Committee may exercise the following powers attributed to the Board of Directors under article 8 of these Regulations, reporting any resolutions made to the Board for subsequent ratification: the appointment and removal of senior executives, indemnity clauses for senior executives, periodic public financial information, strategic investments and transactions, and those matters covered by 8.3 f)."*

The advisory and consultative powers of the committees are disclosed under section B.2.3. of this report.

**B.2.5. Indicate any rules governing the committees of the board of directors, where they are made available for consultation and any changes to these regulations during the year. Also indicate whether any yearly reports on the activities of each committee have been drawn up voluntarily:**

The Board of Directors Regulations approved on 12 May 2008 governs the duties of the Board committees as follows: Executive Committee (article 40), Audit and Control Committee (article 41), Appointments and Remuneration Committee (article 42) and Strategy Committee (article 43).

At the meeting held on 29 January 2009 the Board of Directors evaluated its operations and those of its committees during the 2008 financial year, in accordance with article 38.6 of the Board of Directors Regulations (*"The Board, in plenary session, shall devote its first meeting of each year to assessing the quality and effectiveness of its performance during the preceding year, evaluating the quality of its work and the effectiveness of its rules, and shall remedy any weaknesses revealed. On the basis of a report by the Appointments and Remuneration Committee, the directors shall also assess the performance of the Chairman of the Board and the Company's chief executive, as well as the operations of its committees on the basis of reports issued by them."*)

The purpose of the evaluation was to analyse not only the performance of the Board and of each Board committees (Executive Committee, Audit and Control Committee, Appointments and Remuneration Committee and Strategy Committee), but also the performance of the Chairman of the Board and the chief executive.

The Board concluded that performance had been highly satisfactory in all cases. The Board, its committees, the Chairman of the Board and the chief executive all performed their duties with the utmost quality, organising the work in compliance with established procedures and making a commitment to continuously improve management. The evaluation also noted that the different committees supported the launch of numerous projects aligned with the Group's strategy, making the Board's efforts to fulfil its main purpose, namely to safeguard the Company's interests, more effective and transparent.

**B.2.6. Does the composition of the executive committee reflect the composition of the board in terms of the different types of directors?**

Yes  No

**If not, describe the composition of the executive committee**

83% of the members of the Executive Committee are external directors and 17% are executive directors, while 85.72% of the members of the Board of Directors are external directors and 14.28% are executive directors.

## C. Transactions with related parties

**C.1. Is the board of directors, in plenary session, exclusively responsible for approving, subject to a favourable report by the audit committee or other committee entrusted with such duties, the company's transactions with directors, significant shareholders or those that are represented on the board of directors, or with parties related thereto?**

Yes  No

**C.2. State any relevant transfers of funds or liabilities between the company/group entities and significant shareholders of the company:**

Name of significant shareholder	Name of company or group entity	Nature of the relationship	Type of the transaction	Thousands of euros
B 1998, S.L.	FCC MEDIO AMBIENTE, S.A.	Contractual	Cleaning Services	7.6

**C.3. State any relevant transfers of funds or liabilities between the company/group entities and company directors/executives:**

Name of director/executive	Name of company or group entity	Nature of the relationship	Type of transaction	Thousands of euros
Dominum Desga, S.A.	Servicios Especiales de Limpieza, S.A.	Contractual	Rendering Of Services	9.5

**C.4. State any relevant transactions between the company and other companies within its group that are not eliminated on consolidation and that do not form part of the ordinary business of the company:**

Group company	Brief description of the transaction	Thousands of euros
-	-	-

### NOTE

A number of transactions are made between Group companies as part of the Group's normal course of business. All such transactions are eliminated on consolidation.

**C.5. Have the members of the board of directors been involved in any cases of conflict of interest during the year, as defined in article 127 ter. of the Spanish Companies Act?**

Yes  No

The directors of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out any activities, either as employees or on a self-employed basis, that are identical, similar or complementary to the corporate purpose of the Company.

The members of the Board of Directors do not hold interests in the share capital of companies whose corporate purpose is identical, similar or complementary to that of Fomento de Construcciones y Contratas, S.A.

During the year neither the directors of Fomento de Construcciones y Contratas, S.A. nor any duly authorised representatives thereof have carried out transactions with the Company or any FCC Group company that are outside its normal course of business or in conditions other than market conditions.

Information on members of the Board of Directors that serve on the boards of or are executives in other FCC Group companies is provided in section B.1.7. of this report.

These directors hold positions or perform duties and/or own interests below 0.01% in FCC Group companies in which Fomento de Construcciones y Contratas, S.A. directly or indirectly exercises a majority of voting rights.

### C.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:

Sections 2, 3, 4, 5 and 6 of article 25 of the Board of Directors Regulations establish that directors must inform the Board, well in advance and through the Corporate Responsibility Department or any other department which may replace it, of any situation which may give rise to a conflict with the interests of the Company or those of other FCC Group companies or related parties.

According to article 25.3, *“the express and non-delegable authorisation of the Board of FCC shall be required, based on a report by the Appointments and Remuneration Committee, in the following cases:*

- a. *Provision by a director or a related party to FCC Group companies of professional services other than those deriving from the employment relationship established with executive directors*
  - b. *Sale or disposal by any other means, to FCC Group companies and for consideration of any type, of supplies, materials, goods or rights in general from a director, significant shareholder or shareholder represented on the Board or their related parties. Related parties are those defined in article 127 ter. 5 of the Spanish Companies Act.*
  - c. *Transfer to a director, significant shareholder or shareholder represented on the Board, or their related parties, of supplies, materials, goods or rights in general outside the seller’s normal course of business from a FCC Group company*
  - d. *Provision of works or services or the sale of materials by FCC Group companies to a director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the Group company’s business but at lower than market prices*
4. *The authorisation referred to in item 4 above shall not be required 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 rates, generally set by the person supplying the goods or services*
  - c) *Their amount does not exceed 1% of the Company’s annual revenues.*
5. *In any event, all material transactions of any kind between directors and FCC, its subsidiaries or investees 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).”*

According to article 25.1, *“A director is considered to have an indirect interest when the matter in question affects a party related to that director.”*

### C.7. Is more than one group company listed on a Spanish stock exchange?

Yes  No

#### Listed group companies

Cementos Portland Valderrivas, S.A.

Have the respective areas of activity and possible business relationships between these companies and between the listed subsidiary and other group companies been clearly defined in public documents?

Yes  No

#### Describe the possible business relationships between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies

See section F.2

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

#### Mechanisms to resolve possible conflicts of interest

See section F.2

## D. Risk management systems

### D.1. Provide a general description of the risk management policies of the company and/or group, detailing and evaluating the risks covered by the system and explaining how these systems are tailored to the specific nature of each risk exposure:

Within the organisational structure of the FCC Group, the planning systems and transactions management processes are designed to control the different business risks faced by the Group. In this regard, risk management forms part of the Group's management process and, as such, involves all members of the organisation. In addition, the Group has established preventive, supervisory and control policies and corrective action policies in order to help the organisation meet its objectives.

The main risks covered by the system are described below:

1. Market risks
2. Operating risks
  - 2.1 Contracting risks
  - 2.2 Production risks
  - 2.3 Environmental risks
3. Organisational risks
  - 3.1 Labour risks
  - 3.2 Information system risk
4. Financial management risks
  - 4.1 Capital risk
  - 4.2 Interest rate risk
  - 4.3 Exchange rate risk
  - 4.4 Solvency risk
  - 4.5 Liquidity risk
  - 4.6 Concentration risk
  - 4.7 Risk-hedging financial derivatives
  - 4.8 Property and industrial risks

#### 1. Management of market risks

The FCC Group faces diverse regulatory and structural risks inherent to the products it sells and the environment in which it operates.

The Board of Directors, aided by the Strategy Committee, is responsible for defining the FCC Group's strategy, assigning available resources, setting the general policies to be applied and informing the different business areas of such policies.

The FCC Group's strategic planning process entails the identification of objectives to be met in each activity area, based on the improvements to be introduced, the market opportunities present and the level of risk considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

Progress toward the targets established during the planning process is reviewed periodically, analysing irregularities revealed at all levels of responsibility and taking the appropriate corrective measures.

The Group's general organisational and operational regulations provide the framework applicable to all members of the organisation, the powers vested at each hierarchical level and the basic principles guiding the operating processes. These principles are the basis of the specific regulations governing these processes.

To mitigate the market risks faced by each business line, the Group has also adopted a strategy of diversification in complementary business lines such as the provision of a range of services to government agencies, concessions, energy, cement, etc.



## 2. Management of operating risks

### 2.1 Management of contracting risks

The risks and opportunities arising during the contracting process constitute one of the main challenges faced by the FCC Group. To meet these challenges, the organisation has established formal policies and procedures that focus on:

- a) Keeping technological capacity up to date at all times: The FCC Group is aware that, as it operates in a highly competitive market, it must offer clients added value through technical and economic capabilities. In this regard, the FCC Group actively researches and innovates in the latest technology and places a great deal of emphasis on ongoing training for employees.
- b) The technical quality, economic viability and competitiveness of its bids: The process of preparing, presenting and monitoring bids must be authorised at various levels within the organisation. The main bid preparation tasks are entrusted to the highly qualified technical staff of the specific departments.

### 2.2 Management of production risks

The formal policies and procedures designed by the FCC Group to control the risks associated with its construction and service provision activities focus on:

- a) Quality systems: Formal quality control systems are firmly in place in the different activity areas of the FCC Group. These systems have been ISO 9000 certified and regularly pass the periodic evaluations performed by external professionals.  
Based on general principles and basic criteria, the quality control systems assign responsibilities, define and document processes, and establish guidelines for detecting and correcting irregularities.  
The quality assurance committees are the maximum executive bodies in this regard and are responsible for establishing guidelines, monitoring compliance and reviewing the Group's systems. One of the responsibilities of the quality assurance departments is to conduct quality assurance audits of the different operating units.
- b) Ongoing personnel training: The FCC Group has implemented training plans in the different activity areas, structured into both periodic basic training and refresher courses, and courses responding to specific needs as they arise. The quality assurance committees are responsible for establishing training plans, approving the implementation of training plans and ensuring that they are properly applied.
- c) Ongoing support of operating units by the highly qualified staff of the technical departments
- d) The design and documentation of purchasing and subcontracting processes that guarantee the quality of the supplies and the effectiveness and efficiency of the contracting system
- e) Economic and budget control systems for each operating unit that serve as the basis for economic planning, gathering, measuring, recording and calculating costs and production, analysing and monitoring deviations, and quantifying and controlling the resources invested

### 2.3 Management of environmental risks

The FCC Group's business areas apply UNE-EN ISO 14001 certified environmental management systems based on:

- 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

The basic tool for mitigating environmental risk is the environmental plan prepared by each operating unit, which sets out the following:

- a) The environmental aspects of each activity and any applicable legislation
- b) Environmental impact evaluation criteria
- c) The measures needed to minimise environmental impact
- d) A system for tracking and measuring the specified targets

### 3. Management of organisational risks

#### 3.1 Management of labour risks

As one of the FCC Group's priorities is to guarantee the health and safety of its personnel and to strictly comply with all labour legislation, health and safety risk prevention systems are of utmost importance to the Group. These systems are formally established and structured on the basis of:

- a) The assignment of duties and responsibilities
- b) Application of procedures to evaluate risks within the production processes and the implementation of prevention plans and health and safety plans
- c) Ongoing training supported by specialists in the field
- d) Regular reviews of the measures planned by prevention specialists in the different operating units
- e) A safety audit system involving internal and external professionals

#### 3.2 Management of information system risks

Information system risks relate to the FCC Group's dependence on information systems in its decision-making and business processes.

In order to guarantee confidentiality, integrity and availability of information, the Group has implemented a proactive strategy to minimise the following risks:

##### 3.2.1 Information processing risk

Information processing risk arises on handling information in general.

The 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 ISO standards (ISO 27000 series).

Controls have been implemented to guarantee that users can access the resources for which they are authorised based on the need-to-know principle and the roles assigned.

##### 3.2.2 Personal data risks

The Spanish Data Protection Act regulates and restricts how personal data on customers, employees and suppliers can be used. The FCC Group has implemented a control programme to determine actions to be carried out and any procedural and technological changes necessary. The Group has created the necessary technological platform to manage communication between all parties involved.

### 4. Financial risk management policies

Financial risk refers to changes in the value of financial instruments contracted by the Group due to political, market and other factors, and the effect of such changes on the consolidated balance sheet.

The FCC Group's risk management philosophy is consistent with its business strategy, as it strives for maximum solvency and efficiency at all times. In that regard, the Group has set out stringent financial risk management and control criteria for identifying, measuring, analysing and controlling the risks faced in the course of FCC's operations. This risk policy is correctly integrated into the Group's organisational structure.

In keeping with the risk control policy, hedging operations contracted by the FCC Group are not speculative but rather aim to cover the risk associated with each transaction.

In view of the FCC Group's businesses and the transactions through which these activities are carried out, the Group is currently exposed to the following financial risks:

#### 4.1. Capital risk

The Group manages its capital to ensure that Group companies are able to continue as profitable businesses, while maximising shareholder return through an optimal debt/equity balance.

The Group's overall strategy continues to focus on geographical diversification, acquiring assets in Western Europe and centring on the property business.

The Group's capital structure includes debt (loans and credit facilities), cash and cash equivalents, and equity (capital, reserves and retained earnings).

The Finance Department oversees financial risk management and periodically reviews the capital structure and the solvency and liquidity ratios set in the Group's financing policy.

The operating areas and the Finance Department analyse the cost of capital and the associated risks in each investment project for subsequent approval or refusal by the corresponding committee or by the Board of Directors, submitting any reports necessary from other operating areas of the Group.

Among other objectives, these investment analyses help keep net debt / EBITDA ratios at reasonable levels and within the financing terms agreed with credit entities.

As part of its financial risk management efforts, Company management regularly reviews the capital structure, the financial debt ratios, and compliance with financing agreements and terms.

#### 4.2. Interest rate risk

Changes and volatility in money markets give rise to interest rate fluctuations that in turn cause variations in the Group's debt financing costs. Consequently, the Group has implemented an interest rate risk management policy to safeguard FCC's positions in this respect.

Given that the Group's activities are closely linked to inflation, its financing policy entails ensuring that both its current financial assets, which to a large extent provide natural hedging for its current financial liabilities, and the Group's debt are partially tied to floating interest rates.

In addition, the FCC Group has entered into interest rate hedging contracts. At the 2008 year end, 43% of the Group's total net debt is hedged through a range of financial instruments with varying maturity, including project financing hedges.

In compliance with the policy of classifying original instruments as hedges, the FCC Group has arranged interest rate hedges, mainly swaps (IRSs), in which the Group companies pay a fixed interest rate and receive a floating rate.

#### 4.3. Exchange rate risk

As a result of the FCC Group's positioning in international markets, it is exposed to exchange rate risks in its net foreign currency positions, both with respect to the euro and to other foreign currencies when the investment and financing of an activity cannot be made in the same currency.

The FCC Group's general policy is to mitigate, to the extent possible, the adverse effect on its financial statements of exposure to foreign currencies, both in terms of gains and losses on foreign currency transactions and the values of foreign currency-denominated assets and liabilities recognised on the balance sheet. The FCC Group therefore manages the effect that foreign exchange risk can have on both these statements.

The Group actively manages its foreign exchange risk by arranging financial transactions in the same currency as that in which the related asset is denominated. In that regard, the Group strives to always obtain financing for its activities in the local currency of the country of origin of the investment, as this creates a natural hedge by matching cash flows and financing. However, where the currency of the country of origin of the investment is especially weak and long-term financing cannot be obtained in that currency, such measures are not possible. In these cases, financing is obtained either in the currency of the consolidated Group or in the most closely related foreign currency.

Foreign exchange risk is expressed as the portion of the Group's equity denominated in currencies other than the euro, the most noteworthy currency being the pound sterling.

#### 4.4. Solvency risk

At 31 December 2008, the FCC Group's financial debt amounted to 6,901 thousand euros, as shown in the following table:

	2008	2007
Bank borrowings	8,096	9,157
Debt instruments and other loans	144	139
Other interest-bearing financial debt	285	138
Current financial assets	215	160
Cash and cash equivalents	1,409	1,498
<b>NET FINANCIAL DEBT</b>	<b>6,901</b>	<b>7,776</b>
<b>NET LIMITED RECOURSE DEBT</b>	<b>1,573</b>	<b>2,846</b>
<b>NET RECOURSE DEBT</b>	<b>5,328</b>	<b>4,930</b>

The most relevant ratio for measuring solvency and repayment capacity is the net debt / EBITDA ratio. The Group's ratios are reasonable and comply with the financing terms agreed with credit entities.

#### 4.5. Liquidity risk

The FCC Group operates in various markets in order to obtain the financing it needs, thereby mitigating liquidity risk.

Despite the adverse situation reigning in the financial markets throughout the year and especially since the last quarter of 2008, the FCC Group has remained extremely well positioned and has anticipated any potential adversity by paying close attention to trends in those factors that may help to resolve liquidity shortfalls in the future and to the various sources of financing and their characteristics.

Details of the credit facilities granted at consolidated level at 31 December 2008, taking into account only current and non-current bank borrowings and excluding the items accounted for as non-recourse borrowings, finance leases payables and accrued interest payable, are as follows:

	2008 (thousands of euros)		
	Amount granted	Undrawn balance	Balance drawn down
Consolidated	8,404,000	2,200,002	6,058,663

#### 4.6. Concentration risk

Concentration risk could arise from an unbalanced financing structure. In that regard, the Group diversifies as follows:

- **Sources of financing:** The FCC Group obtains financing from over 160 Spanish and international credit entities.
- **Markets/geographical area (Spanish, foreign):** The FCC Group operates in a wide variety of Spanish and international markets, with 77% of the Group's debt in euros and 23% in various currencies in several international markets.
- **Products:** The FCC Group arranges a broad spectrum of financial products, including loans, credit facilities, debt instruments, syndicated transactions and discounting facilities.
- **Currency:** The FCC Group finances its operations in a wide variety of currencies. Although there is significant concentration of financing in euros, US dollars and pounds sterling, investments tend to be financed in the local currency, wherever possible in the country of origin.

#### 4.7. Risk-hedging financial derivatives

A financial derivative is a financial instrument or other contract whose value fluctuates in response to changes in certain variables, such as interest rate, the price of financial instruments, foreign exchange rate, credit rating or credit index, or any other financial or non-financial variable.

Apart from giving rise to gains or losses, financial derivatives may, under certain conditions, fully or partially offset foreign exchange or interest rate risks or risks associated with balances and transactions.

There are three types of hedging derivatives:

- Fair value hedges (FV)
- Cash flow hedges (CF)
- Hedges of a net investment in a foreign operation

In application of IAS 39 "Financial Instruments: Recognition and Measurement," in order to be considered a hedge, a financial derivative must meet the following requirements:

- Formal designation and documentation, at inception of the hedge, of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge
- Documentation identifying the hedged item, the hedging instrument and the nature of the risk being hedged
- Prospective (analytical) evidence of the effectiveness of the hedge
- Objective and verifiable ex-post measurements

At 31 December 2008 the FCC Group had arranged interest rate hedging transactions totalling 4,422,159 thousand euros (4,507,024 thousand euros at 31 December 2007), mainly in the form of interest rate swaps in which Group companies pay fixed interest rates and receive floating rates.

#### 4.8. Property and industrial risks

The FCC Group applies a proactive risk management policy to mitigate risks to its property, employees and business activity, including both destruction of property and activities and generation of property-based obligations.

The Group's ongoing management efforts in this regard are as follows:

- a) Identification and evaluation of the risks and the possible economic consequences thereof
- b) Elimination of risks, to the extent possible, through the pertinent safety and prevention measures
- c) Transfer of those risks which cannot be eliminated or minimised to the insurance sector, through the appropriate insurance policies
- d) Financing of risks that have not been eliminated or transferred, through proactive self-insurance policies

The Group's risk exposure undergoes thorough analysis, consisting of the quantification of the possible losses should the risk event occur, determination of the measures needed to eliminate or reduce such losses and risks, optimising the losses in economic terms and selecting the most appropriate coverage or hedging mechanisms in order to maintain or guarantee the property and profits of the Company, as well as the corporate purpose as a mechanism for generating shareholder value.

#### D.2. Have operating, technological, financial, legal, reputational, tax or other risks arisen during the year with an effect on the company and/or group?

Yes  No

If so, describe the circumstances giving rise to the risk and whether the control systems in place were sufficient to meet this risk:

Risk	Circumstances giving risk to the risk	Performance of control systems
-	-	-

**D.3. Are any committees or governing bodies entrusted with establishing and supervising these control mechanisms?**

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
-----	-------------------------------------	----	--------------------------

If so, describe the duties of these bodies.

Committee or governing body	Description of the duties
Audit and Control Committee	Entrusted with establishing and supervising the Company's control mechanisms (see B.2.3.). Risk management is part of the Group's overall management framework and therefore all members of the organisation apply preventive, supervisory and control procedures in their tasks. Consequently, responsibility for designing processes is established at various levels of the organisation and certain committees and bodies work to ensure that the established controls function properly.

**D.4. Identify and describe the compliance processes for each legislative framework to which the company and/or group is subject:**

The FCC Group has procedures in place to guarantee compliance with the regulations governing each of its economic activities. Different Group departments specialise in the regulations applicable to FCC and the Group (business, labour, tax, environmental laws, etc.). These departments are in charge of:

- a) Staying fully abreast of and up to date on the different regulations
- b) Overseeing regulatory compliance
- c) Drafting the standards needed to unify Group criteria
- d) Advising operating units

The FCC Group's Corporate Responsibility Department is responsible for overseeing compliance with corporate governance standards.

The Information Security and Risk Management Department is responsible for ensuring compliance with the Spanish Data Protection Act. Data protection coordinators have been appointed in each operating area and independent reviews are carried out on the control measures adopted.

## E. General Shareholders' Meeting

### E.1. Is the minimum quorum required by the company for the general shareholders' meeting different from that set out in the Spanish Companies Act?

Yes  No

	% quorum different from that established in article 102 of the Spanish Companies Act (general cases)	% quorum different from that established in article 103 of the Spanish Companies Act (specific cases)
Quorum required on first call	50	
Quorum required on second call	45	45

#### Description of differences

The ordinary and extraordinary General Meetings shall be considered validly convened when:

On the first meeting date announced, when the shareholders present or represented possess at least fifty percent of the share capital with voting rights. On the second meeting date called, the General Meeting shall be considered validly convened when the shareholders present or represented possess at least forty-five percent of the share capital with voting rights.

In order for the General Shareholders' Meeting to validly decide on bond issues, capital increases or decreases, transformations, mergers and spin-offs and, in general, any amendment to the Articles of Association, shareholders possessing at least fifty percent of the share capital with voting rights must be present or represented at the meeting on the first announced date. On the second announced meeting date, shareholders possessing forty-five percent of the share capital will suffice.

When the shareholders in attendance or represented on the second announced meeting date account for less than fifty percent of the subscribed capital with voting rights, resolutions may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

### E.2. Does the procedure used by the company for passing resolutions differ from that set out in the Spanish Companies Act?

Yes  No

If so, describe these differences:

	Qualified majority other than that established in article 103.2 of the Spanish Companies Act for the cases set out in article 103.1	Other cases requiring a qualified majority
% established by the company to pass resolutions	-	-

#### Description of differences

-

### E.3. List the rights of shareholders with respect to the general shareholders' meetings other than those established in the Spanish Companies Act:

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

### E.4. Describe any measures adopted to encourage attendance of shareholders at the general meetings:

The General Meeting Regulations establish a series of measures intended to encourage shareholder participation at the meetings. These measures are defined in the shareholders' information rights regulated in the following articles:

**Article 6: Information available once the meeting is announced**

*The Company shall make the following information available to the shareholders upon announcement of the General Meeting, at its registered offices, at National Securities Market Commission (CNMV) offices, at the stock exchanges on which its shares are traded and on its corporate website:*

*a) The full text of the meeting announcement*

*b) The text of the resolutions proposed by the Board of Directors in relation to the agenda items*

*When a proposal refers to the appointment or ratification of directors, the following information must also be included: (i) the professional and biographical profile of the candidate; (ii) a list of other boards of directors on which the candidate sits, including both listed and non-listed companies; (iii) the director's category indicating, for nominee directors, the shareholder who proposed the appointment, ratification or re-appointment or to whom the candidate is related; (iv) date of first appointment as a Company director and any subsequent re-appointments; and (v) the Company shares and share options held by the candidate.*

*c) All documentation and information to which shareholders are entitled in connection with the agenda items, as from the date the meeting is announced*

*d) Notice of the information requests and suggestion channels between the Company and its shareholders, as required by applicable legislation*

**Article 7: The right to information prior to the General Meeting**

*1. Shareholders may request, up to seven calendar days prior to the first scheduled date of the General Meeting, any information or explanations they require or pose any questions they may have on the agenda items or about the public information submitted by the Company to the National Securities Market Commissions since the last General Shareholders' Meeting.*

*2. Written information requests may be e-mailed to the address provided for this purpose on the Company's website for each General Shareholders' Meeting or hand-delivered or sent by post or courier to the Stock Market and Investor Relations Department at the Company's registered offices. Shareholders are also entitled to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.*

*3. The information requests to which this article refers shall be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Shareholders' Meeting but prior to the start of the meeting.*

*4. The Chairman may deny information requests when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.*

*5. The Board of Directors may authorise any one of its members, the Secretary or the Assistant Secretary to use the FCC Stock Market and Investor Relations Department to respond to the information requests submitted by shareholders.*

**Article 14: Information**

*1. Directors are required to provide the information requested by shareholders, except under the circumstances foreseen in article 7.4 of these Regulations or when the requested information is not available during the meeting. In this case, the information shall be provided in writing within seven days of the meeting date, to which end the shareholders must indicate the mailing addresses where the information should be sent.*

*2. The requested information or clarifications shall be provided by the Chairman or, at the Chairman's request, by the Managing Director, Chairman of the Audit Committee, the Secretary, a member of the Board of Directors or any employee or expert on the subject at hand, in accordance with article 9.2 of these Regulations.*

**Article 15: Voting on proposals**

*1. Once shareholders have been allowed to speak and any questions have been answered as provided for herein, a vote will be held on the resolutions proposed in the agenda items and on other matters which by law need not be included on the agenda.*

*2. The Secretary shall ask the shareholders if they wish to hear a reading of the proposed resolutions, the text of which was both sent with the documentation provided to shareholders prior to the General Meeting and available on the Company's website. If any of the shareholders or the Chairman requests a reading, the proposed resolutions must be read. The attendees shall be made aware of the agenda item to which the proposed resolution pertains.*



3. Notwithstanding any alternative systems that may be used at the Chairman's request, the procedure for voting on proposed resolutions shall be as follows:

- a) The system for voting on proposed resolutions relating to agenda items shall be by a negative deduction system. Under such a system, for each proposal, the votes corresponding to all of the share capital represented in person or by proxy will be considered yea votes, deducting those corresponding to the shares whose owners or representatives state that they are voting against the motion or abstaining, in addition to those corresponding to the nay proxy votes and proxy abstentions received by the Board of Directors for the proposal in question. Nea votes and abstentions will be counted separately.
- b) The system for voting on proposed resolutions relating to items not on the agenda, when such voting is legally possible, shall be by a positive deduction system. Under such a system, for each proposal, the votes corresponding to all of the share capital represented in person or by proxy will be considered nea votes, deducting those corresponding to the shares whose owners or representatives state that they are voting in favour of the motion or abstaining.
- c) When technically possible and provided that compliance with all legal requirements can be guaranteed, the Board of Directors may use electronic vote counting systems.
- d) Pursuant to the terms of article 5 of these Regulations, if the meeting announcement mentions the possibility of remote voting using one or several remote voting methods, and notwithstanding any specific instructions established therein for each method, in order to be valid and accepted the Company, the document containing the remote vote must expressly state at least the following:
  - i. Date of the General Meeting and agenda
  - ii. Name of the shareholder
  - iii. Number of shares owned by the shareholder
  - iv. The shareholder's vote on each agenda item
- d) Separate votes must be held on substantially independent matters so that shareholders may exercise their voting preferences separately. In particular, this rule applies to the adoption of resolutions on: (i) the appointment or ratification of directors, which must be voted on individually; and (ii) substantially independent articles or groups of articles in the case of proposed amendments to the Articles of Association.
- f) Where legally possible and as long as all other requirements are met, financial intermediaries who are shareholders of record but acting on behalf of different clients may split their votes following their clients' instructions.

4. Statements containing voting instructions and submitted to a notary public or the voting committee, as provided for in paragraph 3 above, may be made individually for each proposal or jointly for several or all proposals, indicating to the notary or the committee the shareholder's or proxy's identity, the number of shares controlled and the yea or nea vote or abstention.

**E.5. Do the duties of the chairman of the general shareholders' meeting fall on the chairman of the board of directors? If so, state the measures adopted to guarantee the independence and efficiency of the general shareholders' meeting:**

Yes  No

#### Description of measures

Under article 10.2 of the General Meeting Regulations, "The General Meeting shall be chaired by the Chairman or by the Vice-Chairmen of the Board in the appropriate hierarchical order. If there is no pre-established order, the order shall be determined by the number of years of directorship. In the absence of the Vice-Chairmen, the Meeting shall be chaired by the oldest director."

Measures to guarantee the independence and proper functioning of the General Meeting:

The General Meeting Regulations set out detailed measures to guarantee the independence and proper functioning of the meeting. These measures are available on the Company's website.

Among other measures, article 7 refers to the shareholders' right to information prior to the General Meeting, as follows:

1. Shareholders may request, up to seven calendar days prior to the first scheduled date of the General Meeting, any information or explanations they require or pose any questions they may have on the agenda items or about the public information submitted by the Company to the National Securities Market Commissions since the last General Shareholders' Meeting.
2. Written information requests may be e-mailed to the address provided for this purpose on the Company's website for each General Shareholders' Meeting or hand-delivered or sent by post or courier to the Stock Market and Investor Relations Department at the Company's registered offices. Shareholders are also entitled to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.
3. The information requests to which this article refers shall be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Shareholders' Meeting but prior to the start of the meeting.
4. The Chairman may deny information requests when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.
5. The Board of Directors may authorise any one of its members, the Secretary or the Assistant Secretary to use the FCC Stock Market and Investor Relations Department to respond to the information requests submitted by shareholders.

Article 23 of the Articles of Association also establishes the shareholders' right to request information:

Shareholders may request, either in writing or using other electronic or distance communication media, up to seven calendar days prior to the first scheduled General Meeting, any information or explanations they require or pose any questions they may have on the agenda items or about the public information submitted by the Company to the National Securities Market Commission since the last General Meeting was held. The information so requested shall be provided by the directors in writing no later than the date of the General Meeting.

Any information or explanations the shareholders request verbally from the Chairman in relation to items on the agenda during the General Meeting itself and before the Meeting turns to the particular agenda items, or requested in writing after the seventh day before the scheduled meeting date, shall be provided verbally during the General Meeting by any one of the directors in attendance, at the Chairman's request. If the requested information or explanations refer to items falling under the jurisdiction of the Audit and Control Committee, they shall be provided by any one of the members or advisors to that committee in attendance at the Meeting. If, in the Chairman's opinion, it is not possible to provide the shareholder with the requested information or explanations during the Meeting, the pending information shall be provided, in writing, to the requesting shareholder within the seven calendar days following the Meeting date.

Directors shall be required to provide the information referred to in the two preceding paragraphs, except in those instances where, in the Chairman's opinion, the publication of such information could be harmful to the Company's interests.

This exception shall not apply when the request is supported by shareholders representing at least one-fourth of the share capital.

The Company's website contains all legally-required information and serves as a channel for responding to shareholders' requests for information, in accordance with prevailing legislation.

#### **E.6. Describe any modifications during the year to the regulations for the general shareholders' meeting:**

No changes have been made.

#### **E.7. Indicate the attendance figures for the general shareholders' meetings held during the year:**

##### *Attendance*

Date of general shareholders' meeting	% attending in person	% by proxy	% absentee ballot		Total (%)
			Electronic vote	Other	
18-06-2008	57.359%	19.971			77.331%

E.8. Briefly describe the resolutions adopted at the general shareholders' meetings held during the year and the percentage by which each resolution was passed:

1. 2007 annual financial statements of the Company and consolidated Group and performance of the Board of Directors during that year

Votes against	0.00129
Abstentions	0.00025
Votes for	99.99846
Votes cast	100.00000

2. Distribution of profit for 2007

Votes against	0.00004
Abstentions	0.00129
Votes for	99.99867
Votes cast	100.00000

3.A. Ratification and appointment of Baldomero Falcones Jaquotot as executive director

Votes against	0.13170
Abstentions	0.00134
Votes for	99.86695
Votes cast	100.00000

3.B. Appointment of Nicolás Redondo Terreros as independent director

Votes against	0.32075
Abstentions	0.00134
Votes for	99.67791
Votes cast	100.00000

3.C. Ratification of the classification of Gonzalo Anes Álvarez de Castrillón as independent director

Votes against	0.94780
Abstentions	0.00134
Votes for	99.05086
Votes cast	100.00000

3.D. Appointment and ratification of José M<sup>a</sup> Sagardoy Llonis as nominee director

Votes against	0.00000
Abstentions	0.00000
Votes for	100.00000
Votes cast	100.00000

*\*\*In the calculation of votes cast, only those votes corresponding to share capital interests represented in person or by proxy that did not have express voting instructions were taken into account, given that it was not possible to provide such instructions for this motion as it was not included in the agenda distributed with the call to the meeting.*

## 3.E. Ratification and appointment of Manuel Fernando Menéndez López as nominee director

Votes against	0.00000
Abstentions	0.00000
Votes for	100.00000
Votes cast	100.00000

*\*\*In the calculation of votes cast, only those votes corresponding to share capital interests represented in person or by proxy that did not have express voting instructions were taken into account, given that it was not possible to provide such instructions for this motion as it was not included in the agenda distributed with the call to the meeting.*

## 6. Amendment to article 37 of the Articles of Association

Votes against	0.86499
Abstentions	0.85246
Votes for	98.28255
Votes cast	100.00000

## 7. Authorisation to the Board of Directors to establish a remuneration system for Company executives and members of the Board of Directors that perform executive duties, linking this remuneration to the market value of Company shares

Votes against	0.34415
Abstentions	0.72389
Votes for	98.93196
Votes cast	100.00000

## 8. Authorisation for the derivative acquisition of treasury shares and for the full or partial use of these shares in remuneration programmes entailing or possibly entailing the award of shares or share options.

Votes against	0.34969
Abstentions	0.06284
Votes for	99.58747
Votes cast	100.00000

## 9. Share capital reduction through the redemption of treasury shares

Votes against	0.13272
Abstentions	0.00411
Votes for	99.86317
Votes cast	100.00000

## 10. Convertible bonds issue up to six-hundred million euros (€600,000,000)

Votes against	0.18908
Abstentions	0.00402
Votes for	99.80691
Votes cast	100.00000

## 11. Re-appointment of the auditors of the Company and the Group

Votes against	0.00919
Abstentions	0.00144
Votes for	99.98937
Votes cast	100.00000

## 12. Authorisation of the Board of Directors to execute resolutions

Votes against	0.08074
Abstentions	0.00577
Votes for	99.91349
Votes cast	100.00000

## 13. Approval of the minutes to the General Meeting

This agenda item was not subject to vote, as the Barcelona notary José Javier Cuevas Castaño had duly taken the minutes to the meeting.

**E.9. Do the articles of association establish a minimum number of shares required to attend the general shareholders' meeting?**

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Number of shares required to attend the general shareholders' meeting	1
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**E.10. Describe and give the reasons behind the company's proxy voting policies for the general shareholders' meeting:**

Notwithstanding the provisions of the Articles of Association with respect to proxy voting, the Board of Directors does not require unnecessary formalities in the proxy voting procedure which might hinder the rights of shareholders wishing to exercise their right to attend the General Meeting. Nevertheless, pertinent procedures are in place to verify the validity of proxy authorisations.

**E.11. Is the company aware of any institutional investor policies regarding whether or not to participate in company decisions?**

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Describe the policy	-
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**E.12. State the address of the corporate website and how the corporate governance contents can be accessed on the site:**

The Fomento de Construcciones y Contratas, S.A. website homepage, [www.FCC.es](http://www.FCC.es), features links to specific sections entitled "Information for Shareholders and Investors" and "Corporate Responsibility," which include the information required by Law 26/2003 of 18 July, Ministry of Economy Order 3722/2003 of 26 December, National Securities Market Commission Circular 1/2004 of 17 March, Ministry of Economy and Finance Order 3050/2004 of 15 December, and Royal Decree 1333/2005 of 11 November.

These pages are just two clicks away from the home page. The contents are structured and prioritised under rapid access titles. All pages are printable.

The FCC website has been designed and programmed following the guidelines of the Web Accessibility Initiative (WAI), which sets the international standards for creating web content that can be accessed worldwide. Technosite accessibility consultants performed a technical analysis of the FCC Group's website accessibility and determined that the site meets all of the verification points of priority 2 and priority 1 established in the W3C's Web Accessibility Guidelines 1.0 (known as WAI Guidelines).

The site features a link to the significant events submitted by Fomento de Construcciones y Contratas, S.A. to the National Securities Market Commission.

## F. Degree of compliance with Corporate Governance recommendations

State the degree of compliance by the company with the recommendations contained in the Unified Good Governance Code.

In the event certain recommendations are not complied with, indicate the alternate recommendations, standards, practices or criteria applied by the company.

1. The articles of association of listed companies should not place an upper limit on the number of 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.9, B.1.22, B.1.23 and E.1., E.2.

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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2. When a parent and subsidiary company are separately listed, both should provide detailed disclosure on:

- a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies
- b) The mechanisms in place to resolve possible conflicts of interest

See sections. C.4 and C.7

Compliant	<input type="checkbox"/>	Partially compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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Article 7.2 i) of the Board of Directors Regulations establishes that the Board is responsible for “defining the Group’ structure and coordinating, within legally-established limits, the Group’s general strategy, in the best interest of the Company and subsidiaries, with the support of the Strategy Committee and the Managing Director, disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relationships between the Company and its listed subsidiaries, as well as any business relationships between the listed subsidiaries and other Group companies, and the mechanisms in place to resolve any conflicts of interest that may arise.”

As of 31 December 2008, Realia Business, S.A. no longer forms part of the FCC, S.A. consolidated Group.

The Company intends to approve a document in which the listed subsidiary Cementos Portland Valderrivas S.A. would clearly establish its respective areas of activities, its business relationships and the mechanisms applied to resolve any conflicts of interest which may arise.

3. Even if not expressly required under company law, any decision involving a fundamental corporate change should be submitted to the shareholders at their general meeting for approval or ratification. In particular:

- 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 originating firm, 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 effectively add up to the company’s liquidation

Compliant	<input type="checkbox"/>	Partially compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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Article 8.6 of the Board of Directors Regulations establishes that the Board must seek the authorisation of the shareholders at the General Meeting prior to an acquisition or disposal of key operating assets that would effectively alter the corporate purpose of the Company or prior to any operations that effectively add up to the Company’s liquidation.

To avoid impairing the Board of Directors’ ability to operate, this does not include subsidiarisation operations, since these operations often require quick decisions to seize short-lived opportunities. Furthermore, these operations are governed by ample legal mecha-

nisms to protect the interests of the shareholders and the Company. Nevertheless, the Board duly reports such operations at the General Meeting.

4. Detailed proposals of the resolutions to be adopted at the general shareholders' meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the meeting notice.

Compliant	<input checked="" type="checkbox"/>	Explanation <input type="checkbox"/>

5. Separate votes should be taken at the general shareholders' meeting on materially separate items so shareholders can express their preferences in each case. In particular, this rule should apply to:

- a) The appointment or ratification of directors, with separate voting on each candidate
- b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different

See section. E.8.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>

6. Companies should allow split votes so financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

See section. E.4.

Compliant	<input checked="" type="checkbox"/>	Explanation <input type="checkbox"/>

7. The board of directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. The board should be guided at all times by the company's best interest, and, as such, strive to maximise its value over time.

The board of directors should likewise ensure that the company abides by all laws and regulations 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	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board, in plenary session, 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. Investment and financing policy
  - iii. Design of the structure of the corporate group
  - iv. Corporate governance policy
  - v. Corporate social responsibility policy
  - vi. Remuneration and evaluation of senior officers
  - vii. Risk control and management, and the periodic monitoring of internal information and control systems
  - viii. Dividend policy, as well as the policies and limits applying to treasury shares

See sections. B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i. On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses

See section. B.1.14

- ii. Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions

See section. B.1.14.

- iii. The financial information that listed companies must periodically disclose
- iv. Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval falls to the shareholders at the general meeting
- v. The creation or acquisition of interests 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 group

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation is not 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 performed at market rates, generally set by the person supplying the goods or services
3. Their amount is no 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 handling the same function, and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates 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 executive committee in urgent cases and later ratified by the board.

See sections. C.1 and C.6

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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**9. In the interests of maximum effectiveness and participation, the board of directors should comprise no fewer than five and no more than fifteen members.**

See section. B.1.1

Compliant	<input type="checkbox"/>	Explanation	<input checked="" type="checkbox"/>
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Article 27 of the Articles of Association states that the Board of Directors shall comprise a minimum of five and a maximum of 22 members. At 31 December 2008, 21 directors were serving on the Board.

Given the characteristics of the Company, the size of the Board is considered to be appropriate for proper management, direction and administration of the Company's businesses. Furthermore, the size of the Board makes it possible for different types of directors to sit on the Board and does not jeopardise the Board's operation.



10. External directors, 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.2, A.3, B.1.3 and B.1.14

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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11. In the event that an external director can be deemed neither nominee nor independent, the company should disclose this circumstance and the relationships that person maintains with the company, its senior officers, or its shareholders.

See section. B.1.3

Compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input checked="" type="checkbox"/>
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12. Among external directors, the ratio of nominee members to independent directors 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 cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested by certain shareholders
2. In companies with a plurality of shareholders represented on the board but not otherwise related

See sections. B.1.3, A.2 and A.3

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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On 31 December 2008, the ratio of nominee directors to independent directors reflected the proportion between the capital represented on the Board by nominee directors and the remainder of the Company's capital.

13. The number of independent directors should represent at least one-third of all board members.

See section. B.1.3

Compliant	<input type="checkbox"/>	Explanation	<input checked="" type="checkbox"/>
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Article 6.3 of the Board of Directors Regulations calls for a suitable number of independent directors on the Board to strike a reasonable balance between independent and nominee directors and an ample majority of external directors.

There are four independent directors on the Board. While they do not represent one-third of the total number of directors, as suggested in the recommendation, it is believed that in view of the current capital structure of the Company and pursuant to the OECD's Principles of Corporate Governance and the Recommendation of the European Commission of 15 January 2006, there is a "sufficient number" of independent directors to guarantee that the interests of other shareholders are adequately protected.

14. The nature of each director should be explained to the shareholders at the general meeting, who should make or ratify his or her appointment. Such determination should subsequently be either confirmed or modified in each year's Annual Corporate Governance Report, after verification by the nomination committee. The Annual Corporate Governance Report should also disclose the reasons for the appointment of nominee directors at the urging 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 nominee representation.

See sections. B.1.3 and B.1.4

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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15. When there are few or no female directors, the board should state the reasons for this situation and the measures taken to correct it. In particular, the nomination committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against female candidates
- b) The company makes a conscious effort to include females with the target profile among the candidates for board places

See sections. B.1.2, B.1.27 and B.2.3

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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16. 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, safeguarding their rights to freely express and adopt positions. The chairman should also organise and coordinate regular evaluations of the board and, where appropriate, the managing director or company's chief executive, along with the chairmen of the relevant board committees.

See section. B.1.42

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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17. When a company's chairman is also its chief executive, an independent director should be empowered 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.

See section. B.1.21

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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18. The Secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies
- b) Comply with the company articles of association, the regulations governing the general shareholders' meeting and the board of directors, and other regulations
- c) Are informed of the good 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 nomination committee and approved at a full board meeting. The relevant appointment and removal procedures should be spelled out in the board's regulations.

See section. B.1.34

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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19. 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.

See section. B.1.29

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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20. 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. B.1.28 and B.1.30

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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21. 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 meeting, the person expressing them should be able to request that they be recorded in the minutes book.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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22. The board should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation
- b) How well the chairman and chief executive have carried out their duties, on the basis of a report by the nomination committee
- c) The performance of board committees on the basis of the reports furnished by these committees

See section. B.1.19

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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23. 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 articles of association or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

See section. B. 1.42

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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24. 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 in special circumstances to external assistance at the company's expense.

See section. B.1.41

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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25. 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	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively and, as such:

- a) Directors should apprise the nomination committee of any other professional obligations, in case they might detract from the necessary dedication
- b) Companies should lay down rules about the number of directorships their board members can hold

See sections. B.1.8, B.1.9 and B.1.17

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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27. Proposals for the appointment or renewal of directors which the board submits to the shareholders at the general meeting, as well as the provisional co-optation appointments made by the board itself, should be approved by the board:

- a) On the proposal of the nomination committee, in the case of independent directors
- b) Subject to a report from the nomination committee in all other cases

See section. B.1.3

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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28. Companies should post the following information on directors on their websites and keep this information 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
- e) Shares held in the company and any options on the same

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section. B.1.2

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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30. 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 nominee directors, the latter's number should be reduced accordingly.

*See sections. A.2, A.3 and B.1.2*

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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31. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated in the articles of association, except where just cause is found by the board, based on a proposal from the nomination committee. In particular, just cause should be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of the Unified Good Governance Code.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

*See sections. B.1.2, B.1.5 and B.1.26*

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation'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 trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Spanish 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 disclose all such determinations in the Annual Corporate Governance Report.

*See sections. B.1.43, B.1.44*

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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33. 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, he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the secretary of the board; regardless of whether or not he or she is a director.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section. B.1.5

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>
		Explanation	<input type="checkbox"/>
		Not applicable	<input type="checkbox"/>

35. The company's remuneration policy, as approved by its board of directors, should specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to
- b. Variable components, in particular:
  - i. The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items
  - ii. Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration
  - iii. The main parameters and grounds for any system of annual bonuses or other non-cash benefits
  - iv. An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost
- d. The conditions applicable to the contracts of executive directors exercising senior management functions, including:
  - i. Duration
  - ii. Notice periods
  - iii. Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director

See section. B. 1. 1 5

Compliant	<input checked="" type="checkbox"/>	Partially compliant
		Explanation
		<input type="checkbox"/>

36. Remuneration comprising the award 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 in pension schemes should be confined to executive directors.

The award of shares is excluded from this limitation when directors are obliged to retain the shares until the end of their tenure.

See sections. A.3, B.1.3

Compliant	<input checked="" type="checkbox"/>
	Explanation
	<input type="checkbox"/>

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibility that the post entails, but should not be so high as to compromise their independence.

Compliant	<input checked="" type="checkbox"/>
	Explanation
	<input type="checkbox"/>

38. In the case of remuneration linked to company performance, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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39. In the case of variable awards, remuneration policies should include technical safeguards to ensure that they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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40. The board should submit a report on the directors' remuneration policy to an advisory vote at the general shareholders' meeting, as a separate point on the agenda. This report should be supplied to shareholders separately or in the manner each company sees fit.

The report should focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It should address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It should also identify and explain the most significant changes in the remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the remuneration committee in designing the policy should be reported to the shareholders at the general meeting, along with the identity of any external advisors engaged.

See section. B.1.16

Compliant	<input type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input checked="" type="checkbox"/>
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A report on the Board of Directors remuneration policy was made available to all shareholders upon the call to the ordinary General Meeting of 18 June 2008. The report was approved by the Board of Directors on 12 May 2008, although it was not submitted to an advisory vote at the General Meeting.

The report covers the following:

- a) the procedures applied in preparing the report
- b) the objective and structure of the remuneration policy
- c) remuneration of directors for their membership on the Board
- d) remuneration of executive directors for performance of executive and managerial duties
  - structure of the remuneration
  - basic conditions of executive director contracts

In addition, at the General Meeting the shareholders resolved that executive directors and senior officials could receive share-based remuneration (shares, share options or remuneration referenced to the market value of shares). The Board of Directors was entrusted with carrying out the resolution.

41. The notes to the financial statements should list the individual directors' remunerations in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
  - i. Participation and attendance fees and other fixed director payments
  - ii. Additional compensation for acting as chairman or member of a board committee
  - iii. Any payments made under profit-sharing or bonus schemes, and the reason for their accrual

- iv. Contributions on the director’s behalf to defined contribution pension plans or any increase in the director’s vested rights in the case of contributions to defined benefit schemes
  - v. Any severance packages agreed or paid
  - vi. Any compensation they receive as directors of other companies in the group
  - vii. The remuneration executive directors receive in respect of their senior management posts
  - viii. Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be treated as a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director
- b) An individual breakdown of award to directors of shares, share options or other share-based instruments, itemised by:
- i. Number of shares or options awarded in the year and the terms set for their exercise
  - ii. Number of options exercised in the year, specifying the number of shares involved and the exercise price
  - iii. Number of options outstanding at the annual close, specifying their price, date and other exercise conditions
  - iv. Any change in the year in the exercise terms of previously awarded options
- c) Information on the ratio for the year of remuneration accrued by executive directors and the company’s profits or some other measure of enterprise results

<b>Compliant</b>	<input type="checkbox"/>	<b>Partially compliant</b>	<input type="checkbox"/>	<b>Explanation</b>	<input checked="" type="checkbox"/>
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In section B.1.11 and subsequent sections of this Annual Corporate Governance Report, the Company provides the required information on directors’ remuneration (the different types of remuneration received by the directors for sitting on the Board of FCC or of Group companies, remuneration by type of director, and golden parachute clauses in favour of executive directors) and the process for establishing directors’ remuneration (Board approval of a detailed report on the remuneration policies submitted by the Appointments and Remuneration Committee).

Therefore, it is believed that the Company has offered sufficiently detailed information on the different aspects related to the remuneration paid to directors for the performance of their duties as a group and individually. However, for reasons of security and privacy which must also be taken into account, it is not considered necessary to report the specific amount of the individual remuneration received by each director.

**42. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.**

*See sections. B.2.1 and B.2.6*

<b>Compliant</b>	<input type="checkbox"/>	<b>Partially compliant</b>	<input checked="" type="checkbox"/>	<b>Explanation</b>	<input type="checkbox"/>	<b>Not applicable</b>	<input type="checkbox"/>
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**43. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee’s minutes.**

<b>Compliant</b>	<input checked="" type="checkbox"/>	<b>Partially compliant</b>	<input type="checkbox"/>	<b>Explanation</b>	<input type="checkbox"/>	<b>Not applicable</b>	<input type="checkbox"/>
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44. In addition to the audit committee mandatory under the Spanish Securities Market Law, the board of directors should form a committee, or two separate committees, overseeing nominations and remuneration.

The rules governing the make-up and operation of the audit committee and the committee or committees of nomination and remuneration should be set forth in the board regulations and should include the following:

- a) The board of directors should appoint the members of these committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee, discuss their proposals and reports, and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.
- b) These committees should be formed exclusively of 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) Committees should be chaired by an independent director.
- d) These committees may engage external advisors when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings should be minuted and a copy sent to all board members.

See sections. B.2.1 and B.2.3

Compliant	<input type="checkbox"/>	Partially compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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Although not specifically established in the Board of Directors Regulations, the Board has taken into account the knowledge, aptitudes and experience of the directors and the mission of each committee when appointing committee members. Furthermore, the committees are expressly authorised to seek external advice and the Board has deliberated on the proposals and reports presented by the committees, which have duly reported their activities at the first Board meeting following their meetings.

When appointing the members and chairmen of the different committees, the Board has placed greater priority on the aptitudes, experience and qualifications that will enable the different committees to best perform their duties than on the category of directors.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the nomination committee or, as the case may be, separate compliance or corporate governance committees.

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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46. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters.

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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47. Listed companies should have an internal audit department, under the supervision of the audit committee, to ensure the proper operation of internal control and reporting systems.

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>
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48. The head of internal audit 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	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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**49. 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 sees as acceptable
- c) Measures in place to mitigate the impact of risk events should they occur
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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**50. The audit committee's role should be:**

## 1. With respect to internal control and reporting systems:

- a) 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 accuracy of the scope of consolidation, and the correct application of accounting principles
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed
- c) 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 is acting on the findings and recommendations set out in its reports
- d) 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 firm

## 2. With respect to the external auditor:

- a) Make recommendations to the board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of the engagement
- b) Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior officers act on the recommendations of the external auditor
- c) Monitor the independence of the external auditor, to which end:
  - i. The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
  - ii. The committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.
  - iii. The committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the committee should urge the group auditor to take on the audit of all component companies.

See sections. B.1.35, B.2.2, B.2.3 and D. 3

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>
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51. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of any senior officer.

Compliant	<input checked="" type="checkbox"/>	Explanation <input type="checkbox"/>

52. The audit committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

- a) The financial information that listed companies must periodically disclose. 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 countries or territories considered tax havens, and any other transactions or operations of a comparable 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. B.2.2 and B.2.3*

Compliant	<input checked="" type="checkbox"/>	Partially compliant <input type="checkbox"/>	Explanation <input type="checkbox"/>

53. The board of directors should seek to present the annual accounts at the general shareholders' meeting 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. B.1.38*

Compliant	<input checked="" type="checkbox"/>	Partially compliant <input type="checkbox"/>	Explanation <input type="checkbox"/>

54. The majority of nomination committee members – or nomination and remuneration committee members as the case may be – should be independent directors.

*See section. B.2.1*

Compliant	<input type="checkbox"/>	Explanation <input checked="" type="checkbox"/>	Not applicable <input type="checkbox"/>

As indicated under Recommendation 44, when appointing the members and chairmen of the different committees, the Board places greater priority on the aptitudes, experience and qualifications that will enable the different committees to best perform their duties than on the category of director.

The Appointments and Remuneration Committee mainly comprises external directors, in compliance with article 42.1 of the Board of Directors Regulations.

55. The nomination committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience 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. B.2.3

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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56. The nomination 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 nomination committee for its consideration.

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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57. 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. B.1.14, B.2.3

Compliant	<input checked="" type="checkbox"/>	Partially compliant	<input type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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58. The remuneration committee should consult with the chairman or chief executive, especially on matters relating to executive directors and senior officers.

Compliant	<input checked="" type="checkbox"/>	Explanation	<input type="checkbox"/>	Not applicable	<input type="checkbox"/>
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