MODEL APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE 2018

Tax ID Code A-28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Registered office:

C/BALMES, 36, 08007 BARCELONA

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the Company's share capital.

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
04-03-2016	378,825,506	378,825,506	378,825,506

Observations

Indicate whether different types of shares exist with different associated rights.

Yes ☐ **No X**

Type	Number of shares	Nominal amount	Nominal amount of voting rights	Rights and obligations conferred
-	-	-	-	-

Observations

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

Name or corporate name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% total of voting rights
	Direct	Indirect	Direct	Indirect	
DEUTSCHE BANK A.G	2.92	-	0.53	-	3.45

GATES III, WILLIAM H.	-	5.74	-	-	5.74
INVERSORA CARSO, S.A. DE C.V.	9.76	51.35	-	-	61.11
NUEVA SAMEDE 2016, S.L.U.	4.53	-	-	-	4.53

Observations

Details of the indirect stake:

Name or company name of indirect shareholder	**Name or company name of direct shareholder**	**% of voting rights attached to the shares**	**% of voting rights through financial instruments**	**% total of voting rights**
GATES III, WILLIAM H.	CASCADE INVESTMENT, LLC.	3.99	-	3.99
GATES III, WILLIAM H.	BILL & MELINDA GATES FOUNDATION TRUST	1.75	-	1.75
INVERSORA CARSO, S.A. DE C.V.	CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	51.35	-	51.35

Observations

Indicate the most significant movements in the shareholder structure during the year.

Most significant changes

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

Name or corporate name of director	**% of voting rights attached to the shares**		**% of voting rights through financial instruments**		**% total of voting rights**	**% of voting rights that can be transferred through financial instruments**	
	Direct	**Indirect**	**Direct**	**Indirect**		**Direct**	**Indirect**
Aboumrad González, Alejandro	0.007	-	-	-	0.007	-	-
Colio Abril, Pablo	0.007	-	-	-	0.007	-	-
Dominum Desga, S.A.	0.002	-	-	-	0.002	-	-
Dominum Dirección y Gestión, S.A.	15.431	-	-	-	15.431	-	-
EAC Inversiones Corporativas, S.L.	0.000	-	-	-	0.000	-	-
Gil Madrigal, Manuel	0.001	0.006	-	-	0.007	-	-
Inmobiliaria AEG, S.A. de C.V.	0.000	-	-	-	0.000	-	-
Kuri Kaufman, Gerardo	0.002	-	-	-	0.002	-	-
Proglio, Henri	0.001	-	-	-	0.001	-	-
Rodriguez Torres, Juan	0.066	-	-	-	0.066	-	-
Samede Inversiones 2010, S.L.U.	0.000	15.446	-	-	15.446	-	-
Vazquez Lapuerta, Álvaro	0.001	-	-	-	0.001	-	-

% of total voting rights held by the Board of Directors	15.524

Observations

Details of the indirect stake:

Name or corporate name of director	**Name or company name of direct shareholder**	**% of voting rights attached to the shares**	**% of voting rights through financial instruments**	**% total of voting rights**	**% of voting rights <u>that can be transferred</u> through financial instruments**
Gil Madrigal, Manuel	Tasmania Inmuebles, S.L.	0.006	-	0.006	-
Samede Investments 2010, S.L.U.	Dominum Dirección y Gestión, S.A.	15.431	-	15.431	-
	Ejecución y Organización de Recursos, S.L.	0.013	-	0.013	-
	Dominum Desga, S.A.	0.002	-	0.002	-

Observations

A.4 Indicate, where appropriate, any family, commercial, contractual or business relationships between owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or arise from ordinary trading or exchange activities, except those described in section A.6:

Related-party name or corporate name	**Type of relationship**	**Brief description**
-	-	-

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the Company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.6 Describe the relationships, unless they are insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives, in the case of proprietary directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment may have been proposed by significant shareholders, or who were linked to significant shareholders and/or their group companies, and specify the nature of these relationships. In particular, indicate, where applicable, the existence, identity and position of Board members - or their representatives - of the listed company, who are, at the same time, members - or representatives of members - of the Management Body of companies that hold significant stakes in the listed company or in the group companies of these significant shareholders.

Name or company name of director or representative	Name or corporate name of significant shareholder	Company name of the significant shareholder's group company	Description of relationship/position
Alejandro Aboumrad González	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	Director
Antonio Gómez García	Inversora Carso, S.A. de C.V.	Grupo Carso SAB de C.V.	Alternate director and General Manager.
		Grupo Frisco SAB de CV	Director
		Grupo Elementia SAB de CV	Director
Carlos M. Jarque Uribe	Inversora Carso, S.A. de C.V.	Telekom Austria AG	Director
Gerardo Kuri	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	Director
Juan Rodríguez Torres	Inversora Carso, S.A. de C.V.	Minera Frisco	Director
		Telesites	Non-Executive Chairman

		Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA)	Director
Alfonso Salem Slim	Inversora Carso, S.A. de C.V.	Various of the shareholder's subsidiary companies	General Manager and/or Director
Pablo Colio Abril	Inversora Carso, S.A. de C.V.	Carso Infraestructura y Construcción S.A.B. de C.V. (CICSA)	Director
		Cafig Constructores, S.A. de C.V.	Director
		Constructora Terminal Valle de México, S.A. de C.V.	Director
		Servicios Terminal Valle de México, S.A. de C.V.	Director
		Servicios CTVM, S.A. de C.V.	Director

Observations
FCC's Board of Directors consists of 15 members, of whom Alfonso Salem Slim, Juan Rodríguez Torres, Inmobiliaria AEG, S.A. de C.V., Antonio Gómez García, Alejandro Aboumrad, Carlos M. Jarque Uribe and Gerardo Kuri Kaufman are appointed at the proposal of the significant shareholder, Inversora Carso, S.A. de C.V. On 25 October 2016, a change was made to the classification of the director Gerardo Kuri, from proprietary to executive, with his status as executive director being determined by the fact that he was, at the same time, CEO of Cementos Portland Valderrivas. For their part, the significant shareholder, Nueva Samede 2016, S.L.U. is represented on the Board through Samede Inversiones 2010, S.L., EAC Inversiones Corporativas, S.L., Dominum Dirección y Gestión, S.A. and Dominum Desga, S.A.

A.7 Indicate whether the Company has been notified of any shareholder agreements that may affect it as set out in articles 530 and 531 of the Corporate Enterprises Act. Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes X **No ☐**

Shareholders bound by agreement	% of share capital affected	Brief description of agreement	End date of pact, where appropriate
ESTHER KOPLOWITZ ROMERO DE JUSEU and CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V.	50.16	Relevant event of 27/11/2014 (see note)	Indefinite
CONTROL EMPRESARIAL DE CAPITALES, S.A. DE C.V., NUEVA SAMEDE 2016, S.L.U.,	72.36	Relevant event of 05/02/2016 (see note)	

INVERSORA CARSO S.A. DE C.V. and ESTHER KOPLOWITZ ROMERO DE JUSEU			Indefinite

Observations
Relevant event of 27/11/2014: FCC's controlling shareholder reported that negotiations had been successfully concluded with Control Empresarial de Capitales SA de CV, a company which is fully owned by Inmobiliaria Carso SA de CV, which in turn is controlled by the Slim family. Relevant event of 05/02/2016: In order to continue with the recapitalisation process of Fomento de Construcciones y Contratas, S.A. (“FCC” or the “Company”) through a new capital increase totalling €709,518,762, announced by the Company on 17 December 2015 (the “New Capital Increase”), the Company has been informed that Esther Koplowitz Romero de Juseu (“EK”) (and the companies related to her, Dominum Dirección y Gestión, S.A. (“Dominum”) and Nueva Samede 2016, S.L.U. (“Nueva Samede”) signed a Renewal, Amendment and Non-Termination Contract of the Investment Agreement with Inversora Carso S.A. de C.V. ("I. Carso") and its subsidiary Control Empresarial de Capitales, S.A. de C.V. (“CEC”) on 27 November 2014 (the “Renewal of the Investment Agreement”). The Investment Agreement was the subject of a relevant event on 27 November 2014 and subsequently deposited in the Mercantile Register of Barcelona. The main aspects of the Novation of the Investment Agreement are that it establishes the terms and conditions for: (a) the incorporation of Nueva Samede to the agreement, in its capacity as a future FCC shareholder, following the New Capital Increase, (b) the continuation of the FCC recapitalisation process by means of the New Capital Increase regulating the subscription commitment of both I. Carso and Nueva Samede, and (c) the amendment of certain provisions on corporate governance, the share transfer regime and the elimination of the provision regarding the maximum stake of the parties in the Company’s share capital.

Indicate whether the Company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

Yes ☐ **No X**

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action	End date of concerted action, where appropriate
-	-	-	-

Observations

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

A.8 Indicate whether any natural or legal person currently exercise control or could exercise control over the Company in accordance with article 5 of the Spanish Securities' Market Law. If so, identify.

Yes X **No ☐**

Name or Company Name
INVERSORA CARSO, S.A. DE C.V.

Observations

A.9 Complete the following tables on the Company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
823,430	-	0.217

Observations

(*) Through:

Name or company name of the direct shareholder	Number of shares held directly
-	-
Total	

Observations

Explain any significant changes during the year:

Explain any significant changes.

A.10 Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to issue, buy back or sell treasury shares.

Resolution of the Ordinary General Meeting of 28 June 2018 (item seven on the agenda):

Fomento de Construcciones y Contratas, S.A., together with any of the Group companies fulfilling any of the circumstances set out in Article 42, paragraph 1, of the Code of Commerce, was authorised for the derivative acquisition of treasury shares, by means of purchase and sale, swap or any other transactions allowed by Law, at the price resulting from their listed price on the acquisition date, which must be comprised between the maximum and minimum values detailed below:

The maximum value would be the result of increasing by 20 per cent the highest listed price in the three months prior to the time of acquisition.
The minimum value would be the result of deducting 20 per cent from the lowest listed price, also in the 3 months prior to the time of acquisition.

By virtue of this authorisation, the Board, Executive Committee and CEO may individually acquire treasury shares in the terms provided in Article 146 of the Corporate Enterprises Act.

The Board of Directors, the Executive Committee and the CEO may also, individually, fully or partially allocate the treasury shares they acquire to the execution of remuneration programmes whose purpose is, or which entail the delivery of shares or share options, pursuant to the provisions in Article 146.1 of the Corporate Enterprises Act.

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

The acquisition of the shares, which must be fully called up, should allow the companies in the FCC Group, as the case may be, which have acquired them, to fund the restricted reserve established in section c) of Article 148 of the Corporate Enterprises Act.

This authorisation revokes the authorisation granted by the General Meeting of 23 May 2013.

A.11 Estimated floating capital.

		%
Estimated floating capital		13.143

Observations

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transfer of securities and/or the exercise of voting rights.

In particular, report the existence of any type of restrictions that might hinder the takeover of control of the company through the acquisition of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

Yes □ **No X**

Description of restrictions
-

A.13. Indicate whether the General Meeting has resolved to adopt neutralisation measures in the event of a takeover bid as provided in Law 6/2007.

Yes ☐ **No X**

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

Explain any methods that have been approved and the terms in which the restrictions will be rendered ineffective.

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes ☐ **No X**

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

Indicate the different classes of shares
-

Note:

On 16 November 2018, FCC reported as relevant event number 271621, the registration of a Euro-Commercial Paper Programme (ECP) for a maximum amount of €300 million with the following characteristics:

1. Issuer: Fomento de Construcciones y Contratas, S.A.
2. Maximum amount of the programme: €300 million.
3. Listed market: Main Securities Market of the Irish Stock Exchange (Euronext Dublin).
4. Programme dealers: Bankia, S.A. and Banco Sabadell, S.A.

On 1 June 2017, a new relevant fact was reported subsequent to relevant facts 249540 and 252375, consisting of the setting of the price for two single bond issues by FCC Aqualia S.A. (a subsidiary of Fomento de Construcciones y Contratas S.A.), one to the value of €700 million, with annual earnings of 1.413% and maturing in 2022, and the other to the value of €650 million, with annual earnings of 2.629% and maturing in 2027. Both issues will be covered by the collateral of certain assets of the FCC Aqualia group. Following approval and registration of the corresponding brochure, the Bonds are expected to be admitted for trading on the unregulated Global Exchange Market of the Irish Stock Exchange.

B GENERAL MEETING

B.1 Indicate and, where applicable state, whether there are any differences between the minimum requirements established in the Corporate Enterprises Act (CEA) and the quorum required for a General Meeting to be held.

Yes X **No**

	Quorum % other than that established in article 193 of the CEA for general cases	Quorum % other than that established in article 194 of the CEA for the special cases described in article 194
Quorum required for first call	50.00%	50.00%
Quorum required for second call	45.00%	45.00%

Description of differences

Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016

Art. 17.- Constitution of the General Meeting

1. The Ordinary or Extraordinary General Meeting will be validly constituted, at first call, when the shareholders present or represented at the meeting have at least fifty per cent (50%) of the subscribed capital with voting rights; at second call, the General Meeting is quorate when the shareholders present or represented possess at least forty-five per cent (45%) of the share capital with voting rights. Excepted from the foregoing are any cases in which, according to the items included in the agenda, the requirement of a percentage of capital greater than that established by applicable legislation for the possible constitution of the General Meeting is not legally feasible.

2. In addition, the percentages referred to in the preceding paragraph shall also be the percentages applicable, so that the Ordinary or Extraordinary General Meeting can validly decide on the issuance of obligations, which, in accordance with the regulations applicable at that time, that are competence of the General Meeting, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, to suspend or limit the pre-emptive right to acquire new shares, the transfer of the Company's registered office to another country and, in general, any amendment to the Bylaws.

If a General Meeting called to validly adopt a resolution concerning one or several items on the agenda requires either the attendance of a particular percentage of the share capital according to applicable legal or statutory regulations, but this percentage is not reached, or the consent of certain shareholders concerned who are neither present nor represented, the General Meeting shall limit itself to deliberating and deciding on agenda items that do not require the attendance of the required percentage of the share capital or concerned shareholders.

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the CEA.

Yes X **No ☐**

Describe how they differ from the rules established in the CEA.

	Qualified majority other than that established in article 201.2 of the CEA for general cases described in 194.1 of the CEA	**Other cases requiring a qualified majority**
% set by the Company for adopting corporate resolutions	50.01%	0.00%
Describe the differences		
Consolidated Text of the Bylaws Adopted at the Ordinary General Meeting on 28 June 2016 and registered in the Mercantile Register of Barcelona on 21 October 2016 **Art. 26. Deliberations. Adoption of resolutions. Minutes** 3 […] In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required.		

Note:

50.01% is calculated on the subscribed share capital with voting rights.

B.3 Indicate the rules applying to the amendment of the Company's bylaws. In particular, indicate the majorities required to amend the Bylaws and, as applicable, the rules for protecting shareholders' rights when changing the Bylaws.

As adopted at the Ordinary General Meeting of 28 June 2016, following the amendments of the Company's bylaws, Article 26, section 3 of the bylaws establishes:

"Resolutions shall be adopted by a simple majority of the votes of the shareholders' present or represented at the Meeting, and a resolution shall be deemed to have been adopted when it receives more votes for than against of the present or represented capital, except cases where the Law or these Bylaws require a qualified majority:

In particular, the favourable vote of shares present or represented at the Meeting representing over fifty percent (50%) of the subscribed capital with voting rights, or debentures or securities that are convertible into shares that exclude pre-emptive rights for shareholders of the Company shall be required."

Therefore, the internal rules of the Company do not contain any provision concerning the amendment of bylaws different to those provided in the Law.

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

	Attendance data				
Date of General Meeting	**% attending in person**	**% by proxy**	**% remote voting**		**Total**
			Electronic means	**Other**	
28-06-2018	20.119%	69.418%	0.001%	0.003%	89.541%
Of which is floating capital:					

Observations
-

B.5 Indicate whether, in the general meetings held during the year, there were any items on the agenda that, for any reason, were not approved by shareholders.

Yes ☐ **No X**

Items on the agenda that were not approved	**% vote against (*)**

(*) If the non-approval of the item is for reasons other than a vote against, this should be explained in the text box with “n/a” being entered into the "% vote against" column.

B.6 Indicate whether there are any restrictions in the bylaws regarding a minimum number of shares needed to be able to attend the General Meeting or vote remotely:

Yes ☐ **No X**

Number of shares required to attend the General Meeting	
Number of shares required to vote remotely	

Observations

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or similar corporate transactions, must be submitted to the General Meeting for approval.

Yes X **No** ☐

Explanation of the decisions that must be submitted to the General Meeting, other than those established by Law
The decisions not established by Law and which according to the Bylaws approved in the Ordinary General Meeting on 28 June 2016, must be taken by the General Meeting are: Article 14 of the Bylaws, sections e), f), l) and o): “e) The issue or creation of new classes or series of shares.” “f) The Issue of bonds and other securities that, in accordance with the regulations applicable at that time, are competence of the General Meeting and the delegation to the Board of Directors of the power to issue them.” “l) Transactions having the equivalent effect of liquidating the Company.” “o) Authorisation to acquire treasury shares within the legal limits.”

B.8 Indicate the address and instructions for accessing corporate governance content on your Company’s website and any other information on general meetings that must be made available to shareholders on the website.

The FCC website (**www.fcc.es**) has a page dedicated to Corporate Governance, accessible from the home page under "Shareholders and Investors" and "Responsibility and Sustainability’. This website includes information on the Company’s Corporate Governance regulations, governance bodies, annual reports on corporate governance and remuneration, general meetings of shareholders, shareholders’ agreements and ethics and integrity. Additionally, there is a specific access under the heading "General Meeting" in these tabs for electronic voting and electronic shareholder forum pursuant to article 539.2 of the consolidated text of the Corporate Enterprises Act.

This page is two clicks away from the home page. Its contents are structured and ordered by rank, under shortcut titles, and all pages are printable.

The pages of this website were developed in compliance with Level AA as per standard UNE 139803:2004, which in turn is based on W3C's Web Content Accessibility Guidelines 1.0.

All requirements of the Priority 1 and Priority 2 have been checked by experts on accessibility via manual analysis of the accessibility, supplemented by various semi-automatic tools, user agents and technical assistance devices.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the General Meeting:

Maximum number of directors	15
Minimum number of directors	15
Number of directors set by the General Meeting	

Observations

C.1.2 Complete the following table with Board members' details:

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
Dominum Desga, S.A	Esther Alcocer Koplowitz	Proprietary	Chairwoman	27-09-2000	28-06-2016	General Meeting Resolution	10/11/1970
Samede Inversiones 2010, S.L.U.	Esther Koplowitz Romero de Juseu	Proprietary	First Vice-Chairman	13-04-2015	25-06-2015	General Meeting Resolution	10/08/1950
Pablo Colio Abril		Executive	CEO	12-09-2017	28-06-2018	General Meeting Resolution	8/06/1968
Carlos M. Jarque Uribe		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	18/10/1954
Alejandro Aboumrad González		Proprietary	Director	13-01-2015	25-06-2015	General Meeting Resolution	26/02/1980
Dominum Dirección y Gestión, S.A.	Carmen Alcocer Koplowitz	Proprietary	Director	26-10-2004	25-06-2015	General Meeting Resolution	01/01/1974
EAC inversiones corporativas	Alicia Alcocer Koplowitz	Proprietary	Director	30-03-1999	23-06-2014	General Meeting Resolution	10/10/1971

Name or corporate name of director	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure	Date of birth
Manuel Gil Madrigal		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	1/05/1960
Antonio Gómez García		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	21/02/1961
Inmobiliaria AEG, S.A. de CV	Carlos Slim Helú	Proprietary	Director	13-01-2015	25-06-2015	General Meeting Resolution	28/01/1940
Gerardo Kuri Kaufmann		Executive	Director	13-01-2015	25-06-2015	General Meeting Resolution	17/12/1983
Henri Proglio		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	29/06/1949
Juan Rodríguez Torres		Proprietary	Director	7-10-2015	28-06-2016	General Meeting Resolution	5/08/1939
Alfonso Salem Slim		Proprietary	Director	29-06-2016	29-06-2016	General Meeting Resolution	3/11/1961
Álvaro Vázquez de Lapuerta		Report	Director	27-02-2015	25-06-2015	General Meeting Resolution	30/04/1957

Total number of directors	15

Indicate any removals from the Board of Directors as a result of resignation, dismissal or any other reason in the reporting period:

Name or corporate name of director	Director category upon termination	Date of last appointment	Leaving date	Specialist committees of which the director was a member	Indicate whether the removal occurred before the end of their tenure.
-	-	-	-	-	-

Cause of the removal and other remarks
-

C.1.3 Fill in the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the Company	Profile
Pablo Colio Abril	CEO of FCC and General Manager of FCC Construcción	Degree in Architecture from Escuela Técnica Superior de Madrid. He has spent most of his professional career at FCC, where he has worked for over 23 years. He has been responsible for the international expansion of the Industrial area within the Group. Positions he has previously held include General Manager of FCC Construcción and General Manager of FCC Industrial. He is currently the CEO of the FCC Group and a member of its Executive Committee, duties which he combines with those of being General Manager of FCC Construcción. He is also a director of the Mexican company, Carso Infraestructuras y Construcción (CICSA).
Gerardo Kuri Kaufmann	CEO of Cementos Portland Valderrivas	Industrial Engineering graduate of the University of Anáhuac (Mexico). From 2008 to 2010 he held the post of Purchasing Director of Carso Infraestructuras and Construcción, S.A.B. of C.V. He has held the post of General Manager at Inmuebles Carso, S.A.B de C.V since its formation. He is a member of the Board of Directors of Minera Frisco S.A.B de C.V., Elementia, S.A., Philip Morris México, S.A. de C.V. and Inmuebles Carso, S.A.B de C.V. He holds the post of CEO at Cementos Portland Valderrivas, S.A.

Total number of executive directors	2
% of the Board	13.33

Observations

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
Dominum Desga, S.A. (Represented by Esther Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Graduate of Law and has completed the Senior Management Business Programme (PADE) at IESE Business School in Madrid. Since January 2013, she has been Chairman of the FCC Group, member of its Executive Committee and its Appointments and Remuneration Committee. She is also a director of Cementos Portland Valderrivas, representing EAC Medio Ambiente, S.L., Realia, representing EAC Inversiones Corporativas, S.L., and of CaixaBank-Private Banking. She chairs the Spain-Colombia Council Foundation (Fundación Consejo España - Colombia), is Vice-Chairman of the Latin American Business Council (CEAL), a member of the Women for Africa Foundation, Carolina Foundation (Fundación Carolina), SERES Foundation (Fundación SERES), and the Executive Committee of the IESE Alumni Association (Madrid). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Samede Inversiones 2010, S.L.U (Represented by Esther Koplowitz Romero de Juseu)	Dominum Dirección y Gestión, S.A.	Shareholder of FCC, S.A. through the company, Dominum Dirección y Gestión, S.A., she is member of the Board of FCC, S.A., and first Vice-Chairman of the Company. She is also a director of FCC Environment. She received a graduate degree in Philosophy and Literature from University of Madrid and has developed her business experience in the international arena, as a director of both Veolia and Vivendi. She is founder and Chairman of the Esther Koplowitz Foundation (Fundación Esther Koplowitz). Amongst other awards, she has received: the Grand Cross of Civil Merit, Community of Madrid Gold Medal, the Gold Medal and title of Honorary Member of the Spanish Royal Academy of History, the title of Honorary Citizen (Adopted Daughter) of Valencia, the coat of arms of the City of Barcelona, the Business Leader of the Year award from the Spanish

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		Chamber of Commerce in the United States, the Blanquerna award from the Catalonia Regional Government, the Madrid Grand Cross of Healthcare, the Gold and Diamond Insignia of the Police Orphans' Foundation, The Légion d'Honneur of the French Republic and The Grand Cross of the Civil Order of Environmental Merit from the Spanish Cabinet. The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Carlos Manuel Jarque Uribe	Control Empresarial de Capitales, S.A. de C.V.	Graduate in Actuarial Science from the University of Anáhuac (Huixquilucan, Mexico). He has completed post-graduate studies at the London School of Economics, the University of Oslo, the Australian National University and Harvard University. He has held a range of public and private sector posts in Mexico. During his career, he has been the Manager of Economic Studies of Telephony in Mexico; Chairman of the Inter-Secretarial Committee of Reporting and Monitoring Public Finances in Mexico; Chairman of the National Institute of Statistics, Geography and Computer Science (INEGI); Secretary of the National Development Plan of Mexico for the period between 1995 to 2000; he has held the post of Minister of Social Development; at the Inter-American Development Bank (IADB); he has been the Manager of the Sustainable Development Department, Secretary and Representative of the Entity in Europe; he has undertaken the role of Executive Director of América Móvil, responsible for Corporate, Governmental and International Relations. He has been a member of the Board of Directors for Financial Institutions and in companies in the construction, mining and real estate sectors, as well as in citizen services. In August 2015, he was appointed Chief Executive of Fomento de Construcciones y Contratas, S.A., position that he left in September 2017 to reincorporate to América Móvil.
Alejandro Aboumrad González	Control Empresarial de Capitales, S.A. de C.V.	Industrial Engineering graduate of the University of Anáhuac (Mexico). He has worked in subsidiary and related companies of Carso Group during the last 14 years, five years of which he has been working for the Financial Group Inbursa in the field

Name or corporate name of director	**Name or corporate name of significant shareholder represented or proposing his/her appointment**	**Profile**
		of Project Evaluation and Risk Evaluation. He is member of the Board of Directors of Inmuebles Carso, S.A.B. of C.V. and Minera Frisco, S.A.B. of C.V., holding the post of General Manager with the latter. He is a director of Cementos Portland Valderrivas, S.A. representing Inmobiliaria AEG, S.A. de C.V., and a director and Chairman of the Board of Directors of FCC Aqualia.
Dominum Dirección y Gestión, S.A. (Represented by Carmen Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	Graduate of Law from the Francisco de Vitoria University of Madrid. She is a director of FCC,S.A. and of B-1998, S.L. She is also on the Board of Cementos Portland Valderrivas, S.A. representing Meliloto, S.L. She is patron of the Esther Koplowitz Foundation (Fundación Esther Koplowitz). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
EAC Inversiones Corporativas, S.L. (Represented by Alicia Alcocer Koplowitz)	Dominum Dirección y Gestión, S.A.	A Law graduate, she began her career in the Financial Department at Banco Zaragozano, where she worked for four years on the bank's trading desk and was also a director. She is currently a director of FCC and member of its Executive Committee. She is also Chairman of Cementos Portland Valderrivas, S.A. and a member of its Executive Committee, and also if its Appointments and Remuneration Committee. She is a member of the Innovation Committee, which reports to the Secretary of State for Science, Technology and Innovation. In addition, she is a patron of both the Esther Koplowitz Foundation (Fundación Esther Koplowitz) and the Valderrivas Foundation (Fundación Valderrivas). The representatives of the directors Dominum Desga, S.A., Samede Inversiones 2010, S.L.U, Dominum Dirección y Gestión, S.A. and EAC Inversiones Corporativas, S.L. maintain a parent-subsidiary relationship. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Antonio Gómez Garcia	Control Empresarial de Capitales, S.A. de C.V.	A graduate in Industrial Engineering from the Ibero-American University. He has held the

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		position of General Manager of Grupo Porcelanite, S.A. de C.V., US Commercial Corp., S.A.B de C.V., and he currently performs the role of General Manager at Carso Infraestructura y Construcción, S.A. de C.V., General Manager of Grupo Condumex, S.A. de C.V., and General Manager of Grupo Carso, S.A.B. de C.V. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Inmobiliaria AEG, S.A. de CV (Represented by Carlos Slim Helú)	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineering graduate from the National Autonomous University of Mexico (UNAM). Founder of the Group Carso, S.A.B. of C.V., along with Teléfonos de México (Telmex), América Móvil and Financial Group Inbursa; founder of the company Inversora Bursátil. He has been Vice-Chairman of the Mexican Stock Exchange (Bolsa Mexicana de Valores) and Chairman of the Mexican Association of Brokerage Firms (Asociación Mexicana de Casas de Bolsa). Has was the first President of the Latin American Advisory Committee of the Board of Directors of the New York Stock Exchange. Currently, he is Chairman of the Carso Infrastructures and Building Management Board (CICSA), Minera Frisco and Chairman of the Carlos Slim Education Foundation, A.C. and the Foundation Telmex, A.C. Additionally, he is member of the Inmuebles Carso Management Board, Ideal and trustee of the “La Caixa” Banking Foundation. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Juan Rodriguez Torres	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineering graduate from the Autonomous University of Mexico. He has completed master’s studies in planning and operational research of UNAM. He also has studied Management at IPADE and for a diploma in prestressed concrete in Paris. He was the founder of the Asociación Mexicana Empresarial de Generación. He has been Production Manager and Controller of Preesforzados Mexicanos, S.A. de ICA, and General Manager of Domit Group in the footwear sector. Currently he is a Director of Minera Frisco, S.A.B. de S.A. of C.V. and member of the Consultant Board of Banamex-Citi. He is a director of Cementos Portland Valderrivas, S.A., representing

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment	Profile
		Inmuebles Inseo, S.A. de C.V. He is the Non-Executive Chairman of Realia. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).
Alfonso Salem Slim	Control Empresarial de Capitales, S.A. de C.V.	Civil Engineer graduate from Anahuac University, 1980-84. Throughout his professional career, Salem Slim has performed the role of Assistant Head of Expansion at Sanborns Hermanos; Head of Shopping Centres at Grupo CARSO; Head of Real-Estate at INBURSA; General Manager of Hoteles Calinda, General Manager of Grupo PC Constructores; General Manager of IDEAL, and he is currently Vice-Chairman of the Board of Directors of IDEAL and Chairman of the Board of Directors and General Manager of Inmuebles CARSO. Additionally, he is a member of the Boards of directors of Grupo CARSO; IDEAL; CICSA; Inmuebles Carso; SEARS; Gigante Grupo Inmobiliario; ELEMENTIA and Gas Natural Fenosa. (See section A.6 of this report for the description of the relationships between the director and the significant shareholders).

Total number of proprietary directors	10
% of the Board	66,67%

Observations

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	Profile
Manuel Gil Madrigal	A Law and Business Administration graduate (E-3) from ICADE, is a founding member of the company Tasmania Gestión. In the year 2000, he was also a founder member of the financial company N+1 and has been a

Name or corporate name of director	Profile
	director of Ezentis, Funespaña, General de Alquiler de Maquinaria (GAM) and Campofrío, among other companies. Throughout his professional career, he has also held the position of Head of Capital Markets at AB Asesores Bursátiles, partner at Morgan Stanley and auditor at Arthur Andersen.
Henri Proglio	A graduate from the School of Business Administration (HEC) in Paris, he is Chairman of Thales. He is currently on the Board of Directors at Natixis Banque and Dassault Aviation. He was also Chairman of energy 'giant' Électricité de France (2009-2014) and Veolia Environnement (2003-2009), as well as a director of FCC, Grupo Lagardère and Vinci, among other companies.
Álvaro Vázquez de Lapuerta	A Law and Business Administration graduate (E-3) from ICADE, is currently a partner at the firms Akiba Partners and Meridia Capital Partners. He was General Manager for Spain and Portugal at Dresdner Kleinwort, and CEO and Head of Investor Relations at securities firm BBVA Bolsa. He previously held other positions of responsibility at JP Morgan in Mexico, New York, London and Madrid.

Total number of independent directors	3
% of the board	20

Observations

List any independent directors who receive from the Company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question, a business relationship with the Company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

None

If applicable, include a statement from the Board detailing the reasons why the said director may carry on its duties as an independent director.

Name or corporate name of director	Description of relationship	Reasons

OTHER EXTERNAL DIRECTORS

Identify any other External Directors and state why these Directors cannot be considered Proprietary or Independent Directors, and indicate any relations between them and the Company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile

Total number of other external directors	
% of the board	

Observations

List any changes in the category of each director that have occurred during the year:

Name or corporate name of director	Date of change	Previous category	Category category
-	-	-	-

Observations

C.1.4 Fill in the following table on the number of female directors as at the close of the past four years and their respective categories:

	Number of female directors				% of total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	4	4	4	4	40	40	44.44	50
Independent	0	0	0	0	0	0	0	0
Other external	0	0	0	0	0	0	0	0
Total	4	4	4	4	26.66	26.66	26.66	36.36

Observations
-

C.1.5 Indicate whether the company has diversity policies for the company's Board of Directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Auditing Act, small and medium-sized enterprises will have to report at least their agreed gender diversity policy.

Yes x No ☐ Partial policies ☐

If yes, please describe these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does not apply a diversity policy, explain the reasons for this.

Description of the policies, their objectives, their measures, the way in which they have been applied and the results thereof
The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

On 18 November 2014, FCC and the Ministry of Health, Social Services and Equality signed an agreement for the promotion of the balanced participation of men and women on the Board of Directors (Collaboration Agreement between the Ministry of Health, Social Services and Equality and FCC Citizen Services, for the promotion of the balanced participation of men and women on Boards of Directors). According to the cited agreement, the Board of Directors of FCC undertakes to: advance in fulfilment of the recommendation in art. 75 of the Spanish Gender Equality Act (Law 3/2007 of 22 March); publicly disclose and maintain duly updated data on directors in accordance with the recommendations of the Code of Good Governance for listed companies; include specific references in the internal regulations regarding the promotion of the balanced participation of men and women on the Board; and strive to incorporate members of the least represented gender onto the Board. On 5 December 2016, a follow-up report for the 2014 agreement was sent to the aforementioned Ministry. On 19 November 2018, with the end of the term of the agreement, a closing report was published describing the measures implemented and stating that the representation of women on the Board stood at 26.6%. In addition, FCC signed the Diversity Charter, a voluntary code for the promotion of fundamental principles of equality. The initiative, supported by the European Commission's Justice Department for the development of its policies to fight against discrimination, contemplates the implementation of inclusive policies and non-discrimination programmes in the signatory companies.

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

Explanation of measures
The Board Regulations establish the following in Article 38.4.h, within the duties of the Appointments and Remuneration Committee: "Assisting the Board in its function of ensuring that the procedures for the selection of its members favour gender diversity, experience and knowledge and are not tainted by implicit biases that might imply any discrimination whatsoever and, in particular, they are to favour the selection of female directors, so as to ensure that the Company deliberately seeks and shortlists women with the necessary professional profile and, as the case may be, the Board must disclose in the Annual Corporate Governance Report the reason why there are few or no female directors and the initiatives adopted to correct this situation. For the foregoing purpose, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal".

When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of the reasons
-

C.1.7 Explain the conclusions of the Appointments Committee regarding the verification of compliance with the Board member policy selection. And especially whether such policy is promoting the goal for 2020 of having at least 30% female members on the Board of Directors.

At the General Meeting held on 28 June 2016, four new directors were appointed at the proposal of the controlling shareholder Inversora Carso, which asserted the power granted by the shareholders agreement dated 25 February 2016. Two other Board members were also renewed at this Meeting.

On 12 September 2017, the Board of Directors co-opted Pablo Colio Abril as CEO. Subsequently, on 28 June 2018, the General Meeting agreed to appoint Pablo Colio Abril, a member of the Board of Directors, as executive director.

In all six cases, the Appointments and Remuneration Committee issued a favourable report to the Board of Directors on the suitability of the directors.

On 31 December 2018, more than 25% of FCC's Board of Directors were women, with Esther Alcocer Koplowitz as non-executive Chairperson.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

Name or corporate name of shareholder	Reason
-	-

Provide details of any rejections of formal requests for board representation from shareholders whose equity stake is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If applicable, explain why these requests have not been entertained.

Yes ☐ **No X**

Name or corporate name of shareholder	Explanation

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or Board Committees:

Name or corporate name of director or committee	Brief description
Pablo Colio Abril	All powers with the exception of non-delegable powers

C.1.10 List the directors, if any, who hold office as directors, representatives of directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Do they have executive duties?
EAC, Inversiones Corporativas, S.L.	Cementos Portland Valderrivas	Chairman	No
Inmobiliaria AEG, S.A. de C.V.	Cementos Portland Valderrivas	Director	No
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Yes
Carlos M. Jarque Uribe	Cementos Portland Valderrivas	Director	No
Juan Rodríguez Torres	Cementos Portland Valderrivas	Director	No
	FCC Aqualia	Director	No
Álvaro Vázquez de Lapuerta	Cementos Portland Valderrivas	Director	No
Alejandro Aboumrad González	Cementos Portland Valderrivas, S.A.	Representative of the Director Inmobiliaria AEG, S.A.	No
	FCC Aqualia, S.A.	Director and Chairman of the Board of Directors	No
Antonio Gómez García	FCC Américas	Deputy Director	No
Pablo Colio Abril	FCC Industrial Perú, S.A	Member of the board of directors	Yes
	FCC Medio Ambiente, S.A.	Chairman	Yes
	FCC Aqualia, S.A.	Director	No
	FCC Construcción, S.A.	Chairman	Yes

Observations

C.1.11 List any company board members or their representatives who are legal entities at the Company who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the listed company	Position
EAC Inversiones Corporativas, S.L. (represented by Esther Alcocer Koplowitz)	Realia Business	Director
Carlos M. Jarque Uribe	Realia Business	Director
Gerardo Kuri Kaufmann	Realia Business	CEO
Manuel Gil Madrigal	Barón de Ley, S.A.	External director-other
Juan Rodriguez Torres	Realia Business	Non-Executive Chairman

Observations

C.1.12 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit, identifying, where appropriate, where it is regulated:

Yes ☐ **No X**

Explanation of the rules and identification of the document where it is regulated

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

Remuneration accrued in the year in favour of the Board of Directors (thousands of euros)	1,865
Amount of pension rights accumulated by current directors (thousands of euros)	0
Amount of pension rights accumulated by former directors for pensions (thousands of euros)	3,300

Observations
–

C.1.14 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:

Name or Company Name	Position(s)
Marcos Bada Gutiérrez	General Manager of Internal Audit
Felipe B. García Pérez	General secretary
Miguel Ángel Martínez Parra	General Manager of Administration and Finance
Félix Parra Mediavilla	General Manager of Aqualia

Total remuneration received by senior management (thousands of euros)	4,164.36

Observations
The total remuneration figure includes that received by the Chairman of Servicios Medioambientales, Agustín García Gila, until the end of his employment relationship with the Group on 18 December 2018. Also included is the amount corresponding to the compensation for the termination of this senior manager's contract.

C.1.15 Indicate whether any changes have been made to the Board regulations during the year:

Yes □ **No X**

Description of modifications

C.1.16 Indicate the procedures for appointing, re-electing and removing directors. List the competent bodies, procedures and criteria used for each of these procedures:

Responsibility for the nomination and removal of directors lies with the general meeting. Directors may be re-elected indefinitely, one or more times, for maximum periods of four years (Art. 30.3 of the Company's Bylaws).

In accordance with article 29.4 of the Company's Bylaws, the Board of Directors shall follow the criteria and guidelines established in the Regulations of the Board of Directors in its proposals for the appointment, re-election, ratification or termination of directors submitted to the General Meeting and in the appointment decisions adopted by the Board by virtue of the co-optation powers legally attributed to it.

Chapter IV of the Regulations of the Board of Directors, namely 'Director Appointment and Termination' regulates these matters:

Article 16. Appointment, ratification or re-election of Directors. 1. Proposals for the appointment or re-election of directors submitted to the General Meeting by the Board of Directors for the consideration and subsequent appointment decisions thereof by virtue of the powers of co-optation legally attributed to it, must be made by persons of recognised integrity, solvency, technical competence and experience, and shall be approved by the Board at the proposal of the Appointments and Remuneration Committee for independent directors, and following a report from the Appointments and Remuneration Committee for other directors. 2. In all cases, the proposal must be accompanied by a report from the Board of Directors evaluating the competence, experience and merits of the proposed candidate, which shall be attached to the minutes of the General Meeting or that of the Board itself. 3. In the event of a legal person being appointed a director, this must designate a person to exercise this position. This person will be subject to the requirements regarding professional honour, solvency, technical competence and experience, and incompatibility or prohibition, set out in these Rules, and will be required to perform in person the duties of a director pursuant to these Rules. Any revocation of such representation by the legal entity will not take effect until a replacement is designated. Likewise, the proposal for an individual representative must be submitted to the report of the Appointments and Remuneration Committee. 4. From the moment the meeting notices for the General Meeting are published, the Board of Directors must publish on its website the following information on persons proposed for appointment or ratification as Director, and, where applicable, on the individual representing a Director who is a legal person: (i) professional experience and background; (ii) other Boards of Directors on which they are members, whether they are listed companies or not; (iii) an indication of the category of director to which they belong, as appropriate, indicating, in the case of proprietary directors, the shareholder whose request has been appointed, re-elected or ratified or with whom they have links must be identified; (v) shares of the Company and derivative financial instruments underlying the shares of the Company, held either by the director whose position is to be ratified or re-appointed or by the candidate to occupy the position for first-time appointment as director. This information must be kept up to date; and (vi) the reports and proposals of the relevant bodies in each case. 5. The Secretary of the Board of Directors shall provide each new director with a copy of the Company's Bylaws, these Rules, the FCC Group Code of Ethics, the Internal

Code of Conduct in the Securities Market, the latest individual and consolidated annual accounts and management reports approved by the General Meeting, the audit reports corresponding to them and the latest economic and financial information sent to the markets. They will also be made easier to identify current auditors and their representatives. 6. Each director must sign a receipt for such documentation, undertaking to acquaint himself/herself with it immediately and to faithfully comply with their obligations as a director. 7. The Company shall organise induction programmes to acquaint new directors with the Company and the Group as well as the rules of corporate governance and offer refresher programmes when circumstances so advise.

Article 17. Term of office

1. Directors will hold their positions for the term established in the corporate bylaws. 2. Directors appointed by co-option will hold their positions until the date of the first general meeting. Likewise, in the event a post on the Board becomes vacant after the General Meeting is called but before it is held, the Board of Directors may appoint a director to serve up until the date of the next General Meeting. 3. The director whose mandate comes to an end or who for any other reason resign from their posts may not lend their services to a competitor of FCC, for a period of two (2) years. 4. The Board of Directors, if it sees fit, may relieve the outgoing Director of this restriction or reduce the stipulated period.

Article 18. Re-election of directors

In addition to complying with the appointment requirements established in article 16 above, prior to any re-election of directors that is submitted to the General Meeting, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication to the position of the proposed directors during the previous mandate.

Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws. 2. Directors must 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 functions by virtue of which they were appointed. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully disposes of their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they fall under a situation of incompatibility or legal disqualification provided by law d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises 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 the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report. 3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative. 4. The Board of Directors

may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital. 5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the board has adopted significant or reiterated decisions against which the director has placed serious objections on record.

C.1.17 Explain to what extent the annual evaluation of the board of directors has prompted significant changes to the board's internal organisation and to the procedures applicable to the board's activities:

Description of amendments
In 2018, no deficiencies were detected such as to warrant an action plan.

Explain the evaluation process and the areas for evaluation carried out by the Board of Directors, with the aid of an external consultant where appropriate, with respect to the functioning and composition of the Board and its committees and any other area or aspect that has been subject to evaluation.

The Board of Directors of Fomento de Construcciones y Contratas, S.A. (hereinafter, the Company) issued a report evaluating the quality and efficiency of its operation, and that of its Committees, during fiscal year 2018, in order to comply with the duty imposed by article 34.9 of the Regulations of the Board of Directors, which incorporates recommendation 36 of the Code of Good Governance for Listed Companies published by the National Securities Market Commission on 18 February 2015, article 529 nonies of the Corporate Enterprises Act and the instructions in the CNMV's technical guide published in June 2017.

The report was examined and approved by the Board of Directors of the Company, which in accordance with Article 34.9 of the Regulations for the Board of Directors is the body responsible for evaluating the quality and efficiency of its own operations, at its meeting on 26 February 2019. All the members of the Board of Directors participated actively in the preparation of the Report, taking into consideration the comments, assessments, opinions and suggestions made by all of them.

For the 2018 report, the self-assessment process was carried out evaluating the different aspects that affect the operation, efficiency and quality of the actions and decision-making by the Board of Directors, as well as the contribution of its members to the exercise of the functions and achievement of the objectives entrusted to the Board.

In addition, the respect and compliance by the Board of Directors and its members of the statutory precepts, of the Regulations of the Board of Directors and, in general, of the rules of Good Corporate Governance of Listed Companies has been taken into account.

C.1.18 Break down, in those years in which the evaluation has been assisted by an external consultant, the business relations that the consultant or members of its corporate group maintain with the company or members of its Group.

The Company has relied on the information and advice of its internal services, and no external consultants have advised it in this regard.

C.1.19 Indicate the cases in which directors must resign.

(Consolidated text of the Regulations of the Board of Directors following the amendments of 28 July 2016 and registered in the Companies Registry on 21 October 2016)

Article 19. Removal of Directors

1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested therein under Spanish law and the company bylaws.

2. Directors must 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 functions by virtue of which they were appointed.

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

c) When they are involved in any of the situations of conflict of interests or prohibited situations provided for by Law.

d) At the Board's request, by a majority of at least two-thirds (2/3) of its members: - if, for having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises 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 the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.

5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining Directors should expressly indicate whether the Director is resigning because the board has adopted significant or reiterated decisions against which the Director has placed serious objections on record.

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes ☐ **No X**

If applicable, describe the differences.

Description of differences
-

C.1.21 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes ☐ **No X**

Description of requirements

C.1.22 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes ☐ **No X**

	Age limit
Chairman	
CEO	
Director	

Observations

C.1.23 Indicate whether the bylaws or the internal Regulations of the Board of Directors set a limited term of office or other stricter requirements in addition to those laid down by law for independent directors.

Yes ☐ **No X**

Additional requirements and/or maximum number of mandate exercises.	

C.1.24 Indicate whether the Bylaws or the Board of Director regulations stipulate specific rules on appointing a proxy to the Board in favour of other directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any limitations with regard to the categories in which it is possible to delegate, beyond the limitations imposed by legislation. If so, give brief details.

There are no any formal processes for granting proxies at board meetings.

C.1.25 Indicate the number of Board meetings held during the year. In addition, state, if applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	9
Number of board meetings held without the Chairman's attendance	0

Observations

State the number of meetings held by the coordinating director with the other directors, without attendance or representation of any executive director and under the chairmanship of the CEO:

Number of meetings	-

Observations

Indicate the number of meetings of the various Board committees held during the year:

Number of meetings of the Executive Committee	8
Number of meetings of the Audit Committee	9
Number of meetings of the Appointments and Remuneration Committee	8
Number of meetings of the Appointments Committee	-
Number of meetings of the Remuneration Committee	-
Number of meetings of the Committee ______	-

Observations

C.1.26 Indicate the number of Board meetings held during the financial year and the attendance data of its members:

Number of board meetings attended in person by at least 80% of the directors	9
% of attendance in person of the total votes cast during the year	97.77%
Number of board meetings attended in person, or representations made with specific instructions, of all the directors	7
of votes cast with in-person attendance and representations made with specific instructions, out of the total votes during the year	97.77%

Observations
In 2018 all the Board of Directors meetings were attended in person, and no representations were made with specific instructions.

C.1.27 Indicate whether the individual and consolidated financial statements submitted for authorisation for issue by the board are certified previously:

Yes X **No** ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board.

Name	**Position**
Pablo Colio Abril	CEO
Miguel Martínez Parra	General Manager of Administration and Finance
Juan José Drago Masiá	General Manager of Administration

Observations

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Meeting with a qualified Audit Report.

One of the Audit and Control Committee's duties is the review of the process for preparing the economic and financial information published periodically by the FCC Group. This function is particularly relevant in the case of annual information, so that, prior to the preparation of the annual financial statements by the Board of Directors, the Audit and Control Committee thoroughly examines those statements and requests the statutory auditor's participation in the Committee to explain the conclusions of its review work.

In this way, once the statements are approved by the Board, the statutory auditor's report contains no qualifications.

C.1.29 Is the Secretary of the Board also a director?

Yes ☐ **No X**

If the Secretary is not a director, please complete the following box:

Name or corporate name of secretary	Representative
Francisco Vicent Chuliá	–

Observations

C.1.30 State the mechanisms established by the Company to preserve the independence of the statutory auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

For this purpose, Article 37.5 of the Regulations of the Board of Directors states that "The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by periodically reviewing the processes used to prepare the financial information, the internal controls and the independence of the statutory auditor. In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.

b) To act as a communication channel between the Board and the statutory auditor, assessing the results of each audit, and having the following responsibilities in respect of the statutory auditor: (i) to make recommendations to the Board for the selection, appointment, reappointment and removal of the accounts auditor, (ii) to obtain regularly from the statutory auditor information on the audit plan and the results of its implementation, to preserve its independence in the performance of its functions and to verify that senior management is taking account of their recommendations; (iii) Discussing with the statutory auditors any significant weaknesses found in the internal control system as a result of the audits conducted, without compromising his or her independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establishing the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms referred to in the statutory regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in legislation on account auditing and in auditing standards; (v) ensure the independence of the statutory auditor, in particular by establishing suitable measures: 1) so that the contracting of advisory and consulting services with said auditor or companies in its group does not imply a risk to its independence for which purpose the Committee shall request and receive annually from said auditor the declaration of its independence in relation to the Company or entities related to it directly or indirectly, as well as detailed and individualised information on the additional services of any kind provided and the corresponding fees received from these entities by the statutory auditor or by the persons or entities related to it, as provided for in the Auditing Act, and 2) ensure that the Company notifies any change of auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for doing so. If the statutory auditor resigns, the Committee should investigate the issues that led to this resignation; and (iv) and seek to ensure that the group auditor takes responsibility for auditing the companies comprising the Group.

c) Issuing, on an annual basis and prior to issuance of the auditor's report, a report expressing an opinion on whether the independence of the account auditors or auditing companies has been compromised. In any event, this report must include the assessment, supported by reasons, of the provision of each additional service referred to in the above section b)v)1), considered individually and as a whole, aside from the legal audit and in relation to the independence or regulatory auditing standards of the account auditing.

d) The supervision of the Company's Internal Audit services to ensure the good operation of the reporting and internal control systems, and the head of the Internal Audit function is obliged to present their annual work plan to the Committee and to inform it directly of any incidents arising in its development and to submit a report on its activities at the end of each financial year.

e) To supervise and analyse the effectiveness of the Company's internal control and of the risk control and management policy approved by the Board of Directors, ensuring that this policy at least identifies: (i) the different types of risk the Company faces, with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events should they occur; and (iv) the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks and submit it to the Board for approval.

f) To supervise the process of preparing the individual and consolidated financial statements and management reports and periodic financial information to be reported to the markets and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity; ensuring that legal requirements are complied with and generally accepted accounting principles are correctly applied. It shall also report to the Board on the following considerations prior to their approval: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC Group.

g) With respect to internal control and reporting systems: With respect to internal control and reporting systems: (i) to monitor the preparation and integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with regulatory requirements, the accurate demarcation of the scope of consolidation and the correct application of accounting principles; (ii) to supervise internal control and risk management systems on a regular basis, including tax control systems, so main risks are properly identified, managed and disclosed; (iii) to safeguard the independence and effectiveness of the Internal Audit Area; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports; periodically receive information from the Response Committee and the Risk Management and Control Department, respectively, on the development of their activities and the functioning of internal controls; and (v) ensure that internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the persons subject to said codes and rules of governance comply with their reporting obligations to the Company.

h) To issue such reports and proposals as may be requested by the Board of Directors or by its Chairman, and such others as it deems appropriate for the best performance of its functions and, in particular, (i) to issue the report on proposed amendments to these Regulations of the Board of Directors, in accordance with the provisions of Article 4.3; (ii) decide in relation to the requests for information that the directors, in accordance with the provisions of Article 26.3 of these Rules, send to this Committee; and (iii) request, where appropriate, the inclusion of items on the Agenda of the Board meetings under the conditions and within the periods established in Article 34.3 of these Rules'.

C.1.31 Indicate whether the Company has changed its external audit firm during the year. If so, identify the incoming and outgoing auditor:

Yes ☐ **No X**

Outgoing auditor	**Incoming auditor**

Observations

Explain any disagreements with the outgoing auditor and the reasons:

Yes ☐ **No X**

Explanation of the disagreements

C.1.32 Indicate whether the audit firm performs non-audit work for the Company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the Company and/or its group:

Yes X **No ☐**

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)	104	79	183
Amount of non-audit work / Amount of audit work (%)	22,04%	2,67%	5,33%

Observations

C.1.33 Indicate whether the auditor's report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given to the shareholders at the

General Meeting by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

Yes ☐ **No X**

Explanation of reasons

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Proprietors	Consolidated
Number of consecutive years	17	17

	Proprietors	Consolidated
Number of years audited by the current audit firm / Number of years that the company or its group has been audited (%)	57.10%	57.10%

Observations
The audit of the Company and the FCC Group has been carried out by Deloitte, S.L. since 2002. Previously, since 1990, the audit of the Company and the Group was carried out by Arthur Andersen, a firm that ceased trading globally in 2002 and became part of Deloitte.

C.1.35 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes X **No** ☐

Procedures
Regulations of the Board of Directors Article 26. Information and inspection duties “1. In order to carry out their duties, all directors have the duty to demand and have the right to obtain from the Company the adequate and necessary information that will enable them to fulfil their obligations regarding any aspect of FCC and its subsidiaries and investees, whether national or foreign. To this end, it may examine the documentation it deems necessary, contact the heads of the departments concerned and visit the relevant facilities. 2. In order not to disrupt the day-to-day management of the FCC Group, the exercise of the powers of information shall be channelled through the Chairman, who shall immediately inform the CEO and respond to the requests made by directors by directly providing the information directly or offering the appropriate interlocutors at the pertinent organisational level. 3. In the event that the request for information has been denied, delayed or defective, the requesting director may refer his petition to the Audit and Control Committee, which must grant a hearing to both the Chairperson and requesting Director before deciding how to proceed. 4. The information requested may only be denied when, in the opinion of the Chairman and of the Audit and Control Committee, it is unnecessary or could be harmful to the Company's interests. Such a refusal shall not apply where the request has been supported by an absolute majority of the Board members'.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be:

Yes X **No ☐**

Details of rules
Regulations of the Board of Directors. Article 25. Disclosure requirements for directors Directors must inform the FCC Appointments and Remuneration Committee, through the Corporate Responsibility Department (or any other department that may replace it) of the following: d) Lawsuits, legal, administrative or any other sort of proceedings that are sufficiently serious in nature to risk harming FCC's reputation. e) In general, any event, act or situation that may prove relevant for their performance as directors of FCC. Article 19. Removal of Directors. 1. Directors cease to hold office once their term of office has expired and when removed by the general meeting by virtue of the powers vested in same under Spanish law and the company bylaws. 2. Directors must to place their posts under the review of the Board and, where the Board deems appropriate, tender their resignation in the following cases: a) When directors cease to hold the posts, positions or functions to which their appointment as executive directors was associated. b) In the case of proprietary directors, when the shareholder at whose request they have been appointed fully transmits their shareholding in FCC or reduces it to a level that requires a reduction in the number of their proprietary directors. c) When they are subject to any of the cases of incompatibility or prohibition stipulated by law. d) When the Board itself so requests by a majority of at least two thirds (2/3) of its members: - if, for

having breached their obligations as directors, they are seriously reprimanded by the Board, following a proposal or report from the Appointments and Remuneration Committee, or - when their remaining on the Board could jeopardise the Company's credibility and reputation. In this sense, the directors must inform the Board of any criminal proceedings in which they are an accused party and of the subsequent progress of the proceedings. In any event, the moment a Director is indicted or tried for any of the corporate crimes stated in article 213 of the Corporate Enterprises 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 the Director should resign. All such determinations should be disclosed in the Annual Corporate Governance Report.

3. If a natural person representing a Director who is a legal person incurs in any of the events provided in the preceding section, the former will be disqualified as a representative.

4. The Board of Directors may not propose the dismissal of any independent Director before the statutory term for which that Director has been appointed expires, unless there are due grounds, as assessed by the Board on a previous report produced by the Appointments and Remuneration Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds described in article 6.2.a) of the Regulations which impede their appointment as an independent director. The termination of independent directors may also be proposed when a takeover bid, merger or similar corporate operation entail a change in the Company's capital structure when such structural changes in the Board result from proportionality between the number of proprietary and independent directors in relation to the capital represented by proprietary directors and the remaining share capital.

5. When a director resigns or leaves the board for any reason prior to completion of the appointed term, the director shall state the reasons in a letter to be sent to all members of the Board, regardless of whether the termination is filed with the CNMV as a relevant event and the reason thereof addressed in the Annual Corporate Governance Report. The resignation letter submitted to the remaining directors should expressly indicate whether the director is resigning because the Board has adopted significant or reiterated decisions against which the director has voiced serious reservations."

C.1.37 Indicate whether any director has notified the company of having been indicted or tried for any of the offences cited in article 213 of the Corporate Enterprises Act:

Yes ☐ **No X**

Name of director	**Criminal proceedings**	**Observations**

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

Yes ☐ **No** ☐

Decision/action taken	Justified explanation

C.1.38 List any significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

On 5 February 2016, Nueva Samede 2016, S.L.U. (“Nueva Samede”) and I. Carso entered into a call options contract to buy shares in Fomento de Construcciones y Contratas, S.A. (“FCC”) before Madrid Notary Jaime Recarte Casanova, recorded under his notary protocol No. 285 (“Call Option”), by virtue of which Nueva Samede irrevocably granted I. Carso a call option to purchase 9,454,167 ordinary shares of FCC, representing 2.496% of its share capital and of which Nueva Samede is the proprietor after the subscribing and paying in of the capital increase of FCC as entered on record in the Barcelona Companies Registry on 4 March 2016 (the “Affected Shares”).

The Affected Shares are part of the 7.028% share capital of FCC held by Nueva Samede 2016, S.L.U. (“Nueva Samede”) that are attributed to I. Carso for the exclusive effects of article 5.1.d of the Spanish Royal Decree on regulating takeovers and regarding which I. Carso has no direct or indirect vote whatsoever.

In connection with the foregoing, on 22 July 2016, I. Carso exercised the Call Option to purchase all the Affected Shares, effective as 14 June 2016. However, the formalisation for exercising the Call Option was subject to a condition precedent entailing the combination of (i) authorisation by the National Securities Market Commission (CNMV) of the bid made by CE, approved on 29 June 2016, and (ii) the presence in the FCC Administrative Body of a majority of directors appointed at the request of I. Carso and/or CEC, or any other company linked to I. Carso (the "Condition Precedent"), which was met with the appointments of Miguel Martinez Parra, Alfonso Salem Slim, Antonio Gomez García and Carlos Manuel Jarque Uribe on 28 June 2016. On 22 June 2016, pursuant to paragraph 2 under article 36 of Spanish Royal Decree 1066/2007 of 27 July, the CNMV announced through a relevant event that the takeover bid made by Control Empresarial de Capitales, S.A. de C.V. on 100% of the share capital of Fomento de Construcciones y Contratas, S.A., was accepted in terms of 97,211,135 shares, which represented 48.30% of the shares on which the bid was made and 25.66% of the share capital of Fomento de Construcciones y Contratas, S.A.

C.1.39 Identify, individually for directors and in an aggregate manner for all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries	2
Type of beneficiary	**Description of the resolution**
CEO	Whenever the contractual relationship is terminated by resignation of the CEO or any of the following causes: - Substantial changes in the working conditions that markedly undermine his/her professional training, impair his/her dignity or made by the Company as a serious transgression contrary to good faith. - Absence of payment during three straight months or six alternating months, or recurrent delays in settling payment of remuneration as contemplated in the contract. - Company succession or substantial change in ownership entailing an overturning in its governing bodies or the content of its main activity, so long as the termination occurs within three months following such changes. - Any other serious failure by the Company to fulfil its contractual obligations, save for cases of force majeure, in which case there will be no right to compensation whatsoever. In case of the Company's free and unilateral decision for termination, the individual will be entitled to receive a compensation resulting from the sum of the following two concepts: a) The resulting amount from liquidating the employment relationship that the CEO previously had with FCC Construcción or any other company in the FCC Group as of 12 September 2017 (and according to the pertinent legislation in force on that date). The product of 7 days of salary multiplied by the number of years elapsed from 12 September 2017 until the contract termination date.
General secretary	Regarding the general secretary, executive director until 13 January 2015, the Company, upon prior authorisation from the Executive Committee, previously took out and paid for the insurance premium to settle payment of the contingencies related to death, permanent disability, retirement bonuses and pensions, and further concepts for, and including, some of the executive directors and company officers. In particular, the contingencies that give rise to compensation contemplate the termination of the employment relationship for any of the following reasons: a) Unilateral decision of the company. b) Dissolution, winding-up or disappearance of the Parent Company for any reason, including merger or demergers. c) Death or permanent disability. d) Other causes of physical or legal incapacitation. e) Substantial modification of professional conditions. f) Termination after reaching the age of 60, at the request of the officer and in agreement with the company. g) Termination after reaching the age of 65 at the officer's sole discretion.

	On 31 December 2018, the general secretary is entitled to a net amount equivalent to 3.5 times his/her annual gross remuneration.

Indicate whether, in addition to the cases contemplated by the pertinent legislation, these agreements must be reported to and/or authorised by the governing bodies of the Company or its Group. If so, specify the procedures, contemplated cases and the nature of the governing bodies responsible for approving or executing the notification:

	Board of Directors	**Annual General Meeting**
Body authorising the clauses	X	

	YES	**NO**
Is the General Meeting informed of such clauses?	X	

Observations

C.2 Committees of the Board of Directors

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

EXECUTIVE COMMITTEE

Name	Position	Category
Alejandro Aboumrad González	Chairman	External proprietary director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Member	External proprietary director
EAC Inversiones Corporativas, S.L. (represented by Alicia Alcocer Koplowitz)	Member	External proprietary director
Gerardo Kuri Kaufmann	Member	Executive director
Juan Rodríguez Torres	Member	External proprietary director
Pablo Colio Abril	Member	Executive director

% of executive directors	**33.33**
% of proprietary directors	**66.67**
% of independent directors	**0**
% of other external directors	**0**

Observations

Detail the duties delegated or assigned to this committee when they differ from the ones described in section C.1.10 and describe the policies and procedures for its organisation and activities. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.
Article 36. The Executive Committee.

1. The Board of Directors may permanently empower the Executive Committee with powers of the Board of Directors per se, save for matters expressly reserved by law, Bylaws or in the present Regulations. In particular, and unless otherwise stated in the delegated powers conferred by the Board of Directors, the Executive Committee shall decide in matters of investments, divestments, credits, loans, guarantees, sureties or bonds, or any other financial instrument or measure whose unit-based amount does not exceed the figure established in article 7.2.o). The Executive Committee many also assume the powers attributed to the Board of Directors should an urgent or pressing matter require such assumption as provided for in article 8 herein. 2. The Board of Directors shall appoint directors to sit on the Executive Committee, on the basis of a report from the Appointments and Remuneration Committee and ensure that the breakdown of its members by director category is similar to the category breakdown of the Board. The Committee's secretary shall be the secretary to the Board of Directors. 3. The Executive Committee shall comprise a minimum of four (4) and a maximum of ten (10) members. 4. The members of the Executive Committee shall be relieved of their duties once their tenure as a director ceases, or when agreed by the Board of Directors. Any vacancies arising shall be covered as soon as possible by the Board of Directors. 5. The Chairman of the Executive Committee shall be appointed by the Committee members. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting. 6. The Executive Committee shall hold ordinary meetings every month in which there is no scheduled Board of Directors meeting, excluding August, and may also hold extraordinary sessions whenever required by corporate interests. 7. The Executive Committee shall be convened by its Chairman, either on his own initiative or when he is requested to do so by two (2) Committee members by letter, telegram, e-mail or fax sent to each Committee member at least forty-eight (48) hours before the date of the meeting, which may nevertheless be convened twenty-four (24) hours in advance for reasons of urgency, in which case the agenda will be limited to the items that caused the need to act with

urgency. The call to meeting shall also entail the dispatch of the pertinent documentation to Executive Committee members so that they may form opinions and issue their votes. 8. Should the Executive Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For legal persons, the age of the agent representing the legal person shall be considered in this regard. 9. Meetings shall be held at the company's registered office or any place designated by the Chairman and indicated in the call to meeting. 10. The Executive Committee shall be validly held when at least the members in attendance and proxies make up a majority. Executive Committee members may appoint another committee member as proxy. In any case, the proxies of non-executive directors may only be another non-executive director. 11. Discussions shall be led by the Chairman, who shall offer the floor to anyone in attendance upon request. 12. Resolutions shall be adopted by absolute majority of the members of the Committee. In the event of a tie, the matter shall be submitted to the Board of Directors, the convening of which shall be requested by the members of the Executive Committee pursuant to article 34 hereof, unless a meeting of said body has already been convened for within the next thirty (30) calendar days, in which case the Committee shall ask the Chairman of the Board to include the items for which there was a tie on the Committee's agenda. 13. The Executive Committee, through its Chairman, shall inform the Board of the matters dealt with and decisions adopted by the Committee, and a copy of the minutes thereof shall be sent to all directors.

Regarding the most important activities carried out by the committee, a report was issued at the meeting held on 26 February 2019 regarding the committee's operations and compliance with duties in 2018.

In particular, the Executive Committee has the authority attributed under article 36.1 of the Regulations of the Board of Directors to decide on matters of investment, disinvestment, credits, loans, deposits or guarantees or any other financing facilities, provided the unit price does not exceed the figure set in each case by the Board. The Executive Committee also oversees the application of the FCC Group's Corporate Responsibility Plan and, during the year, reviewed the performance of the Group and the implementation of its CSR Master Plan by reviewing the Annual Corporate Social Responsibility Report.

In this regard, the Executive Committee responsibly assumes and performs the duties and functions that the Board of Directors delegates thereto, diligently and effectively dealing with the Company's affairs that constantly need to be addressed and monitored.

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Henri Proglio	Chairman	Independent director
Juan Rodriguez Torres	Member	External proprietary director
Manuel Gil Madrigal	Member	Independent director
Álvaro Vázquez de Lapuerta	Member	Independent director

% of proprietary directors	**25**
% of independent directors	**75**
% of other external directors	

Observations

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.
Article 37. Audit and Control Committee

1. The FCC Board of Directors will establish, on a permanent basis, an Audit and Control Committee, without executive functions but with powers of reporting, advising and making proposals within its scope of action, comprising a minimum of three (3) and a maximum of six (6) directors designated by the Board of Directors having regard to their knowledge of, and experience in, accounting, auditing or risk management. All members thereof will be nonexecutive directors and the majority will be independent directors. The Committee will appoint a chairman from among its independent members and may also appoint a vice-chairman. The term of the Committee members may not exceed their terms as directors, notwithstanding the possibility that they may be reappointed indefinitely so long as they are also re-appointed as directors. Notwithstanding the foregoing, the term of office for the chairman and vice-chairman, as the case may be, may not exceed four (4) years and the same applies to their mandate as members of the Committee, but they may be reappointed once a year has elapsed since termination of their appointment.

2. At least one independent member of the Audit and Control Committee shall be appointed on the basis of knowledge and experience in accounting, auditing or both fields. Collectively, the members of the Committee will have the relevant technical knowledge in relation to the Company's sector of activity.

3. The Audit and Control Committee will regulate its own functioning pursuant to Corporate Bylaws and the present Regulations. Committee members who have held the post of Chairman may not be re-elected until at least one year has passed since the end of their term as Chairman. The Audit and Control Committee will appoint a Secretary and may also appoint a Vice-Secretary, neither of whom need be a member of the Committee, to assist the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted. The Secretary or, in the absence thereof, the person designated as secretary will draft the minutes of each Committee meeting, which will be signed by the Committee members in attendance.

4. The Audit and Control Committee shall be validly constituted when the majority of its members are present or represented by proxy, adopting resolutions by absolute majority of those present or represented by proxy, with the Chairman having the casting vote in the event of a tie.

5. The basic function of the Audit and Control Committee is to support the Board of Directors in its supervisory duties by regularly reviewing the processes used to prepare the financial reporting, internal controls, independence of statutory auditors, etc. In particular, by way of illustration, and notwithstanding any further tasks or functions entrusted by the Board of Directors, the Audit and Control Committee shall have the following duties:
a) Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this contributed to the completeness of the financial reporting and the role the Audit and Control Committee had therein.
b) Acting as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit, and having responsibilities in respect of the statutory auditor: (i) make recommendations to the Board for the selection, appointment, reappointment and removal of the auditor, (ii) regularly obtain from the statutory auditor information on the audit plan and the results of its implementation, to preserve his independence in the performance of his duties and to verify that senior management is taking account of his recommendations; (iii) discuss with the Company's statutory auditor the significant weaknesses of the internal control system detected in the performance of the audit, all without compromising its independence; to this end, and where appropriate, the Audit and Control Committee may present recommendations or proposals to the Board of Directors and the corresponding period for their follow-up. (iv) establish the appropriate relations with the statutory auditor to receive information on any matters that could threaten the auditor's independence and assess this information, along with any other information relating to the account audit, and where applicable, the authorisation of the permitted services, within the terms foreseen in prevailing regulations regulating the activity of auditing accounts on the system of independence, as well as any other communications provided for in auditing regulations and in other audit standards; (v) ensure the independence of the statutory auditor, in particular by establishing appropriate measures: 1) so that the commissioning of consulting and advisory services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will request and annually receive a written confirmation from the auditor of its independence with respect to the Company or entities directly or indirectly related to it, and detailed, individualised information on any additional services of any type and the corresponding fees of services provided thereto by the statutory auditor or persons or entities related thereto as set out in the pertinent legislation on auditing, and 2) so that the Company issues a relevant event to the CNMV regarding a change in auditor, with a statement about any disagreements with the outgoing auditor and their nature and in the case where the statutory auditor resigns, the circumstances leading to this resignation; and (vi) seeking to ensure that the Company's auditor is accountable for auditing the companies constituting the Group. c) Issuing a yearly report before publication of the audit report expressing an opinion on whether the independence of the account auditors or auditing companies have been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in section b)(v)1) above, considered individually and as a whole, other than statutory auditing and in relation to the independence or auditing regulations and standards. d) Supervising the Company's internal audits that oversee the good operation of the information and internal control systems; the head of internal audit must submit an annual work plan to the Committee and directly notify it of any incidents arising in the course of implementing the plan, in addition to submitting a report on activities to the Committee at the end of each year. e) Supervising and analysing the effectiveness of the Company’s internal control and the risk control and management policy approved by the

Board of Directors, ensuring that the latter at least identifies: (i) the different types of risks that the Company faces, including yet not restricted to financial and economic risks, contingent liabilities and other off-balance sheet risks; (ii) establishing the risk level that the Company deems acceptable; (iii) the measures provided to mitigate the impact of the identified risks in the event they materialise; and (iv) the internal reporting and control systems that will be used to control and manage the cited risks, including contingent liabilities and off-balance sheet risks, and submission thereof to the Board of Directors for approval. f) Supervising the preparation and presentation of the annual financial statements and management report of the Company and the consolidated group, and of the information released regularly to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) that the financial information that all listed companies must periodically disclose and interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the statutory auditor to conduct a limited review; and (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC Group. g) With respect to internal control and reporting systems: (i) supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria; (ii) reviewing internal control and risk management systems on a regular basis, including tax control systems, to ensure that the main risks are properly identified, managed and disclosed appropriately; (iii) ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the conclusions and recommendations of its reports. Receiving information from time to time from the Response Committee and the Risk Control and Management Division on developments in its activities and the functioning of internal controls; and (v) ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are suitable for the Company, and reviewing that the people subject to said codes and rules of governance comply with their reporting obligations to the Company. h) Issuing reports and proposals as requested by the Board of Directors or its Chairman and those it deems appropriate for the best performance of its functions, particularly (i) the report on proposed amendments to the present Regulations of the Board of Directors pursuant to the provisions in article 4.3; (ii) deciding on requests for information presented by directors, pursuant to the provisions in Article 26.3 of these Rules, to the Committee; and (iii) requesting, as the case may be, the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in article 34.3 hereof.

6. The Audit and Control Committee will have access to all the documentation and information needed to perform its functions and it may seek the advice of external professionals who, acting as advisors and numbering a maximum of two (2) for each member of the Committee, they deem advisable, in which case the provisions of articles 27.3 and 35.4 hereof will apply. These advisors may attend and speak at meetings, but they may not vote.

7. The Audit and Control Committee will meet at least once per quarter and as convened by the Chairman or when requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of

Directors will conduct. Should the Audit and Control Committee Chairman be absent or unable to attend, or when the office is vacant, meetings may be convened by the longest-standing member of the Committee or, in the event of two or more members with the same seniority, by the one who is oldest. For legal persons, the age of the agent representing the legal person shall be considered in this regard.

8. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request. Should the Audit and Control Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.

9. Any member of the FCC Group's management team or personnel, and the Company's statutory auditors, must attend meetings of the Committee when requested to do so, and must collaborate and provide the information at their disposal, as provided by Article 35.6 of the present Regulations where appropriate.

10. The Audit and Control Committee shall self-govern for any matter not expressly regulated in this article regarding operations of the Audit and Control Committee.

During the course and its performance of the competencies conferred under FCC internal rules and regulations, the Committee's duties in 2018 included the following:

- Acting as a communication channel between the Board of Directors and the Company's statutory auditors, evaluating the results of each audit and making recommendations to the Board of Directors for the selection, appointment, reappointment and removal of the statutory auditor in accordance with EU regulations and the corresponding contractual terms and conditions.
- Addressing any significant weaknesses found in the internal control system as a result of the audits conducted with statutory auditors without compromising their independence. Receiving information from statutory auditors regarding matters potentially representing a threat to their independence and, where appropriate, the authorisation of services other than those prohibited, in the terms referred to in the statutory regulations on the activity of account auditing on the independence status.
- Ensuring the independence of the statutory auditor and establishing the corresponding measures accordingly.
- Reporting to the shareholders in General Meeting on any questions put forth by shareholders during it in relation to those matters for which the committee is responsible and, in particular, on the results of the audit, explaining how this has contributed to the completeness of the financial information and the role the Audit and Control Committee played in this process.
- Issuing an annual report before the auditor’s report is issued, expressing an opinion on whether the independence of the statutory auditor or auditing companies has been compromised. In any event, that report must contain a realistic assessment of the provision of each and every one of the additional services referred to in article 37.5. section b)(v)1) of the Regulations of the Board of Directors, considered individually and in the aggregate, other than statutory auditing and in relation to the independence status or auditing regulations and standards. Supervising the Company’s internal audit services and its risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.

- Supervising the preparation and presentation of the annual financial statements and management report, individual and consolidated, and financial reporting released periodically to the markets, and submitting recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions and the correct application of accounting principles.
- Issuing a favourable report on the process of drafting the individual and consolidated financial statements and management reports corresponding to the year 2017, and that they have been drafted complying with legal requirements and applying generally accepted accounting principles.
- Issuing a favourable report on the 2017 Annual Corporate Governance Report.
- Supervising the fulfilment by the Company of the internal codes of conduct and rules of corporate governance.
- Issuing a favourable report on the appropriateness of the information included in the 'Interim Statement' on the first and third quarters of 2018, according to the provisions in Article 20.1 of Royal Decree 1362/2007 of 19 October, and the implementing provisions thereof, recommending that it be approved by the Board of Directors and sent to the CNMV and Securities Exchanges.
- Informing, in general, on the "Internal Communications Channel's communications" and the corresponding actions performed. An internal communication channel and procedure is in place to enable employees and third parties to make any queries and report any irregular conduct in confidence.
- Proposing to the FCC Board of Directors, to be submitted to the ordinary General Meeting, the appointment of Deloitte, S.L. as statutory auditors for FCC and its consolidated Group for 2019.
- Approving the self-assessment report on the performance of FCC's Audit and Control Committee during 2017 pursuant to the provisions in article 34.9 of the Regulations of the Board of Directors and submitting it to the Board of Directors.
- Issuing a favourable report on the appropriateness of the information included in the financial statements of the first half of 2018 (Abbreviated financial statements and Interim Management Report) as established in article 11 and subsequent articles of Spanish Royal Decree 1362/2007 of 19 October and the implementing provisions thereof.

On the basis of the foregoing, the Audit and Control Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

Identify board members on the Audit Committee who were appointed with regard to their knowledge and experience in accounting, auditing or both matters and report on the number of years that this committee's chairman has held the post.

Name of directors with experience	Manuel Gil Madrigal
Chairman appointment date	The Chairman of this Committee is Henri Proglio, appointed on 30 July 2015.

Observations

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Álvaro Vázquez de Lapuerta	Chairman	Independent director
Dominum Desga, S.A. (represented by Esther Alcocer Koplowitz)	Member	External proprietary director
Juan Rodríguez Torres	Member	External proprietary director
Manuel Gil Madrigal	Member	Independent director

% of proprietary directors	**50.00%**
% of independent directors	**50.00%**
% of other external directors	**0.00%**

Observations

Explain the functions, including statutory duties, that this Committee has and describe the procedures and its rules of organisation and operations. For each duty, indicate the most important actions during the year and how each of the duties attributed thereto by law, bylaws or other corporate agreements were carried out in practice.

Regulations of the Board of Directors.

Article 38. Appointments and Remuneration Committee

1. The Board of Directors of FCC shall permanently establish an Appointments and Remuneration Committee, without executive functions but with powers for informing, advising and proposing within its scope of action. This committee will comprise at least four (4) and no more than six (6) members appointed by the Board of Directors. Its members may only be non-executive directors, of which two (2) shall be independent directors and another two (2) proprietary directors. The Committee will appoint its Chairman from among its independent members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-elected indefinitely so long as they are also re-elected as directors.

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

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

4. The Appointments and Remuneration Committee will have the powers to inform, advise and propose within its areas of competence, and the following functions in addition to the duties established by law, bylaws or according to the present Regulations: a) Evaluating the skills, knowledge and experience needed on the Board. For that purpose, it shall define the duties and capabilities required of the candidates to fill each vacancy, deciding the time and dedication necessary for them to properly perform their duties. Any Director may suggest candidates to the Appointments and Remuneration Committee to be considered for vacant positions. b) Examining or organising appropriately the succession of the Chairman and Chief Executive and, as the case may be, making recommendations to the Board so that the handover proceeds in a planned and orderly manner. c) Submitting appointment and re-election proposals to the Board regarding independent directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. d) Advising on proposals for the appointment and re-election of the rest of the directors so that they may be appointed by co-optation or submitted to the decision of the General Meeting, and proposals for their re-election or removal by the General Meeting. e) Advising on the appointment and removal of senior executives and the basic terms of their contract, proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to the ones contemplated in article 2.2. of the present Regulations and making the proposals for reprimands contemplated in article 19.2.d) of the present Regulations. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is equal to or greater than the figure established by the Appointments and Remuneration Committee, which shall be reported to the Board of Directors in each case. f) Submitting a proposal to the Board of Directors on the remuneration policy for directors and senior executives or employees performing senior management functions directly reporting to the Board, Executive Committee or CEO, the remuneration of executive directors and additional terms and conditions of their contracts, overseeing compliance therewith. Advising and making proposals on multi-year incentive plans for the Company's senior management, particularly proposals related to the value of shares. Making proposals to the Board of Directors on the distribution among its directors of the remuneration for Board members decided by the General Meeting in accordance with the Bylaws and these Regulations. g) Preparing and maintaining a record of the status of directors and senior executives of FCC. h) Assisting the Board in the function of overseeing that the procedures for the selection of its members favour the diversity of genders, experience and knowledge, ensuring that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and should disclose to the Board, as the case may be, through the Annual Corporate Governance Report, the reason why

there are few or no female directors and the initiatives adopted to correct this situation. For the purpose of the foregoing, it must establish a representation goal for the gender that is less represented on the Board of Directors and prepare guidelines on how to reach that goal. i) Reporting on the proposed appointment of members of the Board of Director committees. j) Reporting on the appointment and removal of the Secretary of the Board. k) Verifying the qualifications of the directors under Article 6.3. l) Informing the Board of Directors in advance of all the matters provided in the Law, the Bylaws and these Rules of the Board, particularly on transactions with related parties. m) Receiving and filing, in the record of situations referred to in item g) above and the personal information provided by directors, as established in article 25 of the present Regulations. n) Requesting, as necessary, the inclusion of items on the agenda of Board meetings, under the conditions and by the deadlines established in article 34.3 of the present Regulations. The Appointments and Remuneration Committee shall consult the Company's Chairman and Chief Executive on matters relating to Executive Directors and senior managers.

5. The Appointments and Remuneration Committee will regulate its own functioning for all matters not contemplated in the Corporate Bylaws and the present Regulations.

6. The Appointments and Remuneration Committee shall have access to all the information and documents required to perform its duties. Members of the Appointments and Remuneration Committee may be assisted, during their sessions, by persons who, in their capacity as advisors, and up to a maximum of two (2) for each member of said Committee, are deemed appropriate. These advisors may attend meetings but not vote, and the provisions of article 27 hereof will apply to them.

7. The Committee will meet as often as determined, at least once per quarter, and whenever convened by the Chairperson or requested by two (2) Committee members. Each year, the Committee will draft an action plan for the year which it will submit to the Board of Directors, and a report on its activities during the year, which will serve as the basis for the evaluation that the Board of Directors will conduct.

8. Should the Appointments and Remuneration Committee Chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof may be exercised by the Committee member with the most seniority in the Committee or, in the case of equal seniority, the eldest member. For legal persons, the age of the agent representing the legal person shall be considered in this regard.

9. Discussions shall be led by the chairman, who shall offer the floor to anyone in attendance upon request.

10. Should the Appointments and Remuneration Committee chairman be absent or unable to exercise functions, or when this office is vacant, the functions and duties thereof shall be carried out by the member elected to do so by the majority of the attendees at that meeting.

The Appointments and Remuneration Committee of Fomento de Construcciones y Contratas S.A. reported on its functioning and performance at a meeting held on 26 February 2019.

The Committee's assessment of its own functioning positive conclusions has enabled positive conclusions to be drawn, in terms not only of its composition and internal organisation but also of the exercise of the competencies assigned to it.

The competencies exercised by the committee in 2018 included yet were not restricted to:

- Assessing the skills, knowledge and experience that the directors need to have, defining the roles and skills that any candidates to cover vacancies should possess and assessing the appropriate amount of time and degree of dedication necessary in order for them to properly fulfil their roles.

- Reporting on the proposals for appointment and re-election of directors and members of Board of Directors Committees, and on the proposals of natural persons representing directors.

- Ensuring compliance with the remuneration policy established by the Group, submitting a proposal to the Board of Directors regarding the remuneration policy for directors and senior executives, and the basic terms and conditions for senior executive contracts.

- Approving the content of the documents making up the Appointments and Remuneration Committee Report on the Chairwoman of the Board of Directors and the Appointments and Remuneration Committee Report on the CEO so that the Board of Directors may evaluate the performance of their functions during the 2018, which is subject to the Board of Directors so that it may carry out the assessment mentioned in article 34.9 of the Regulations of the Board of Directors.

- Approving the report on the functioning of the Appointments and Remuneration Committee in 2018, and the report ratifying the present categories of members of the Board of Directors (proprietary, independent or executive).

- Reporting on senior-management appointments and other positions included within the top three levels and any other employees earning €75,000 or more.

- Submit a proposal to the Board of Directors on the 2017 Annual Remuneration Report for the Directors of Consejeros de Fomento de Construcciones y Contratas, S.A. for submission to vote at the upcoming General Meeting.

- Approving the Report on the remuneration of the Board as per the bylaws for 2018.

- Advising on the essential aspects of the FCC Group’s general salary policy for 2018.

- The remuneration policy for Directors of FCC, S.A. (2018-2020).

On the basis of the foregoing, the Appointments and Remuneration Committee efficiently and diligently adheres to and complies with the competences conferred by the Company's various corporate documents.

C.2.2 Complete the following table on the number of female directors on the various board committees as at the close of the past four years:

	Number of female directors			
	Year t Number %	**Year t-1** Number %	**Year t-2** Number %	**Year t-3** Number %
Executive Committee	33.33% (2)	33.33% (2)	40% (2)	50% (2)
Audit Committee	0% (0)	0% (0)	0% (0)	20% (1)
Appointments and Remuneration Committee	25% (1)	25% (1)	25% (1)	25% (1)

Observations

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments were made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

- Regulations of the FCC Board of Directors (Chapter IX. Board Committees).
- Report issued by the Board of Directors at its meeting of 26 February 2019 on the quality and efficiency of its own and its committees' functioning in 2018.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain any procedures for approving related-party and intragroup transactions.

Procedures for reporting on the approval of related-party transactions
Article 24 of FCC's Regulations of the Board of Directors states that: Transactions with significant shareholders “1. The Board of Directors shall approve, following a report by the Appointments and Remuneration Committee, any transactions by the Company or companies in its group with shareholders who, individually or together with others, hold a significant stake, including shareholders represented on the Board of Directors of the Company or of other Group companies or with persons related to them or their directors. Directors who represent or are related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. 2. Only transactions simultaneously meeting the three characteristics stated under section 6 of the preceding article, in respect of the transactions between the company and its directors or the persons related thereto, will be excepted from this approval requirement."

D.2 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company’s significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Hermanos Revilla, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Contracts to carry out phase II construction work on the Salvador Maradiaga building	2,209
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Continuation of the lighting maintenance service at the Ferial Plaza Guadalajara Shopping Centre	50
Realia Business, S.A.	FCC Industrial e Infraestructuras Energéticas, S.A.	Contractual	Work for updating the building management system at Avda. Bruselas, 36 in Alcobendas	55
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Phase I construction contract on 73 residential buildings, garage, cellars and U.A. housing area 78 (PGOUM) in Sabadell	9,254
Realia Business, S.A.	FCC Construcción, S.A.	Contractual	Promotion of 72 homes, 114 parking spaces, 62 storage	11,670

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
			rooms and a pool in Palma de Mallorca	
Realia Business, S.A	Fomento de Construcciones y Contratas, S.A.	Contractual	Rental of two floors in Torre Realia (Madrid) for a corporate event	15
Grupo Financiero Inbursa	Fomento de Construcciones y Contratas, S.A.	Contractual	Factoring line	121,986
Grupo Financiero Inbursa	FCC Construcción, S.A.	Contractual	Acquisition of construction certifications for Panama Metro Line 2	424,742
Valaise, S.L. (Sole Shareholder Company)	FC y C, S.L. (Sole Shareholder Company)	Contractual	Sale of 85 homes, 85 storage areas and 132 garages under construction	9,084
Inversora Carso, S.A. de C.V.	Cementos Portland Valderrivas	Contractual	Interest accrued on subordinated loan.	2,070

Observations

D.3 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company's managers or executives.

Name or corporate name of director or senior manger	Name or corporate name of related party	Relationship	Type of transaction	Amount (thousands of euros)
Alejandro Aboumrad González	FCC	Director	Rendered services	338
Gerardo Kuri Kaufmann	Cementos Portland Valderrivas	CEO	Rendered services	175

Observations

D.4 Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements, and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

Group company name	Brief description of the transaction	Amount (thousands of euros)
-	-	-

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

D.5 Specify the amount of the transactions between the Company or Group entities with related parties if not already reported in the headings above.

Corporate name of related party	Brief description of the transaction	Amount (thousands of euros)
-	-	-

Observations

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

Article 23 of the Regulations of the Board of Directors states that:

1. Within the scope of the duty of avoiding situations of conflicts of interest stated in section 2.e) of the preceding article, Directors must refrain from: a) carrying out transactions with the Company or companies in its Group, except when they are ordinary transactions, performed under standard market conditions for customers and are hardly relevant, which is understood to mean those transactions whose information is not necessary to present a true and fair view of the Company's assets and liabilities, financial position and results; b) using the Company's name or

relying on their status as directors to unduly influence the performance of private transactions; c) using the Company's assets, including its confidential information, for personal gain; d) taking advantage of the Company's business opportunities; e) obtaining advantages or remuneration from third parties other than the Company and its Group in connection with the performance of their duties, unless considered an act of mere courtesy; f) carrying out activities as independent professionals or as employees that involve effective competition, be it present or potential, with the Company, or that, in any other way, place the directors in an ongoing conflict with the Company's interests.

2. The above provisions will also apply if the beneficiary of the prohibited act is a related party of the director.

3. In any event, directors must inform the Board of Directors via the Corporate Responsibility Department, or any other replacing it, with reasonable notice, of any situation of direct or indirect conflict that they or the persons related to them might have with the interests of the Company or the companies in the FCC Group or its related companies.

4. The Company may dispense from the prohibitions set forth in this article in individual cases where it authorises the performance by a director or a related party of certain transactions with the Company, the use of certain corporate assets, the exploitation of a specific business opportunity, or the obtainment of a benefit or remuneration from a third party.

5. The authorisation must necessarily be approved by the General Meeting when the object is the dispensation from the prohibition of obtaining a benefit or remuneration from third parties, when it affects a transaction whose value exceeds ten percent (10%) of the corporate assets or has to do with the obligation of not competing with the Company. In the latter case, dispensation will only be provided where no harm is expected for the Company or that which is expected is offset by the benefits that are due to be obtained from the dispensation, by way of an express, separate resolution of the General Meeting.

6. In all other cases affecting the prohibitions contemplated in the present article, the authorisation may also be granted by the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, provided that there are guarantees as to the independence of the directors granting the authorisation from the director being dispensed or the affected related party. It will also be necessary to ensure that the authorised transaction is harmless for the corporate assets or, as the case may be, that it is done on an arm’s length basis and that the process is transparent. The affected directors or those representing or related to the affected shareholders must refrain from taking part in the discussions and voting on the agreement in question. Only transactions that simultaneously meet the following three (3) characteristics will be excepted from the obligation of being authorised by the Board of Directors referred to in the preceding paragraph: a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients. b) They are performed at market prices or rates generally set by the person acting as supplier of the goods or services in question; and c) Their amount is no more than one percent (1%) of the company's annual revenues.

7. In any event, situations of conflict of interest involving Directors shall be included in the report in accordance with the terms established by law.

8. For the purposes of this section, related parties shall be construed as defined in the Spanish Corporate Enterprises Act

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

Yes ☐ **No X**

Identify all subsidiaries listed in Spain and their relation to the Company:

Identity and relation of other listed group companies
-

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

Yes ☐ **No** ☐

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

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

Mechanisms for resolving potential conflicts of interest:

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company’s Risk Control Management System, including those of a tax-related nature.

The FCC Group has a Risk Management Model designed to identify and assess potential risks that could affect business and to build mechanisms into the organisation's processes to enable risks to be managed within acceptable levels, giving the FCC Board of Directors and FCC Group senior management a reasonable degree of assurance that targets can be met.

Risk management at FCC is governed by principles that include integrating a risk/opportunity outlook and allocating responsibilities, which, together with segregating duties, foster effective risk monitoring and control, thus consolidating an appropriate control environment.

The Risk Management Model applies to all FCC Group companies, affiliates where FCC has effective control and companies newly taken over as soon as the acquisition becomes effective, thus cultivating the development of frameworks for appropriate risk control and management in companies that lack effective control in this regard.

The activities that fall within the scope of the FCC Group's Risk Management Model include the assessment of risks (including tax-related risks), in terms of impact and likelihood of occurrence, resulting in risk maps and, subsequently, prevention and control activities to mitigate the effect of such risks. The Model also establishes reporting flows and communication mechanisms at different levels to streamline continuous review and improvement.

E.2 Identify the company bodies in charge of drawing up and executing the Risk Control and Management System, including tax-related risks.

The FCC's Regulations of the Board of Directors states that the Board in a plenary session must approve the Company’s Risk Control and Management Policy, identifying the risks that the Company deems to be main risks and implementing and tracking the internal control systems and suitable information systems with a view to ensuring their future viability and competitiveness, adopting the most relevant decisions to implement them in the best possible manner.

The Audit and Control Committee is also empowered to supervise and analyse a Risk Control and Management Policy which identifies:

- The different types of risks that the Company faces, including, among the financial and economic risks, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures in place to mitigate the impact of risk events should they occur;
- The internal control and reporting systems that will be used to control and manage these risks, including contingent liabilities and off-balance sheet risks, submitting them to the Board of Directors for approval.

The Risk Management Model is based on the existence of three risk management levels. The first two levels cover the business unit, and the third level is for the corporate areas.

The first level of risk management and internal control is in the operating lines of the business units who have the role of risk generators and are responsible for managing, tracking and reporting on the generated risk, including tax risk.

The second risk management level (also in the business units) comprises support, control and supervision teams who ensure the effective control and appropriate management of the risk, including the tax risk. At this level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management (Corporate Divisions). This third level also includes the tax division, which defines tax-related policies, procedures and criteria that are applicable to the entire FCC Group. In 2018, this division updated the FCC Group's Tax Control Framework and Code that was approved by the Board of Directors in June 2018. The framework and code define the general tax risk management policy. The tasks of the Corporate Compliance Officer include implementing the Crime Prevention Model, identifying the risks in this scope, defining and tracking the pertinent controls, managing the Whistleblowing Channel, and proposing action plans whenever noncompliance or ineffectiveness is detected in an established control. Lastly, the Internal Audit and Risk Management areas report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and tracking the organisation's control and management process, while the Internal Audit area, as the final control stage, checks whether the policies, methods and procedures are appropriate and effectively implemented.

E.3 Indicate the main risks (including tax risks) and, insofar as risks arising from corruption are significant (such risks as defined within the scope of Royal Decree 18/2017), which could affect the achievement of business objectives and targets.

The considered risk scenarios were classified in a master risk chart covering five groups: Strategic, Operational, Compliance, Financial and Reporting.

Strategic risks.

Business opportunities lost for geopolitical reasons.

Certain policies and decisions of a geopolitical nature in the countries where FCC presently or potentially operates could result in the loss of business opportunities.

Political and socio-economic developments in countries and/or regions.

Changes in the political and socio-economic circumstances in countries where the FCC Group operates or could operate, could give rise to situations such as an elevated economic interventionism by national/regional governments, fluctuations in local economic growth, political and social, legal, regulatory and macroeconomic instability or potential local conflict, which could negatively impact the FCC Group. In light of the uncertainty surrounding its outcome and subsequent occurrence, Brexit merits particular attention and could affect FCC Group businesses.

Changes in development and management models for environmental services, comprehensive water cycle and infrastructures.

Sweeping changes in the model for the development and management of environmental services and the comprehensive water cycle by public authorities could mean a loss of business opportunities. The different contractual arrangements for infrastructure management and payment based on availability could mean that the relevant financing must be sought and thus increased uncertainty.

Loss of market share.

The FCC Group carries out its activities in competitive markets. Any possible difficulty in developing competitive bids with profitability could cause a loss of market share.

Cuts in forecasts for investment and demand.

Changing investment forecasts for both private and public clients could have different kinds of negative impact on the FCC Group. Economic downturn and political uncertainty could mean a reduction in public spending in certain business areas, including concession, infrastructure and services projects that the FCC Group operates. Moreover, for services provided in which the assets are owned by public administrations but administrated and exploited by the FCC Group, the Group’s operating costs could increase if the administrations do not make the necessary investments for the suitable maintenance and renewal thereof.

Moreover, revenue from the Environmental Services and Water Business Areas generally depends on the level of demand, which is subject to changes as a result of market conditions outside the FCC Group's control.

Impairment of reputational image.

The FCC Group may find itself involved in certain actions, use of its image, damage by negative external publicity and public opinion against the company which could negatively impact its reputational image and, therefore, its business. It may also face a gap in perception between internal and external public.

Operational Risks.

Uncertainty and volatility of raw materials, energy and outsourced services.

In the course of its business, the FCC Group consumes significant amounts of raw materials and energy and works with numerous subcontractors and industries. Changing economic conditions and uncertainty in general could cause price oscillations that would affect FCC Group profits.

Municipal reversion of the management of services currently rendered by the FCC Group

Certain services rendered by the FCC Group could be affected by the decisions of current or future local governments. In certain cases, those decisions could result in their reversion to the municipality concerned. In the case of the FCC Group, municipal reversion could particularly affect the Environmental and Water Services business area, which would have a negative impact on present and future results and the portfolio.

Catastrophic events.

The complexity of certain environments in which the FCC Group carries out its businesses increases exposure to the risk arising from unforeseen events that injure people or damage assets or the environment. Unforeseen events include natural disasters and terrorist or criminal activity.

Information security.

Criminal cyber attacks that may have an effect on tangible or intangible assets and lead to a prolonged paralysation of activities, whether they directly target the Company or not. The FCC Group has an operating unit charged with preventing, detecting, analysing and mitigating factors relating to security events, such as: Intrusions, attacks, etc.

Rescheduling of projects.

Political and/or economic-financial instability in certain markets in which the FCC Group operates, as well as Other operating circumstances outside the control of FCC, such as the lack of available land for infrastructure projects, or delays in obtaining licences, could result in the rescheduling of the various projects in progress, which would have an effect on their outcome.

Lack of water supply guarantees

Circumstances associated with climate change could affect the normal supply of water, thereby impacting the comprehensive water management business carried out by FCC.

Risks deriving from associations with third parties.

The FCC Group may carry out its business activities jointly with public authorities or public entities through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). The participants in these entities share operational, economic and financial risks associated with certain projects or activities. However, adverse circumstances affecting the projects, or the financial situation of partners, could lead to situations that may negatively affect the FCC Group.

Unilateral termination or modification of contracts.

Public administrations may unilaterally modify or terminate certain contracts before they are completely executed. The compensation that the FCC Group would receive in these cases may not be sufficient to cover the damages caused and, furthermore, such compensation could be difficult to collect. Regardless of the nature and amount of any compensation owed to the FCC Group by virtue of a concession/construction contract terminated by the client concerned, the FCC Group could need to engage in legal or arbitration proceedings to collect such amounts, thereby increasing its costs and delaying receipt of compensation amounts.

The exit of key technical and management personnel could affect the successful outcome of business operations.

The success of the FCC Group's business operations largely depends on key personnel with technical and management experience. If the FCC Group loses a substantial part of its key personnel, which is unlikely, it could be difficult to replace them and make the successful management of its business is more complicated.

Labour conflicts.

The FCC Group carries out certain businesses that are labour intensive, with significant geographic diversity (and labour legislation), and conflicts may arise for various reasons that could harm the Company's production capacity and reputation.

- Occupational and health risks.

One FCC Group priority is to carry out its activities with a high level of occupational and health safety for all its personnel, including strict compliance with relevant legislation, which is covered by the Occupational Risk Prevention Policy approved by the Board of Directors. The FCC Group could still, occasionally, be affected by incidents or accidents at its worksites, facilities or when carrying out its services which, in turn, could cause damages and interfere with operations.

Environmental risks.

FCC's Environmental commitment is set out in the Group's Environmental Policy approved by the Board of Directors. The Group applies environmental management systems to projects and contracts, which are audited and certified in accordance with the UNE-EN-ISO 14001 standard. Nevertheless, due to the nature of the Group's activities, circumstances could arise that give rise to damages consisting of spillages, emissions, etc., that have an impact on the development of projects and contracts.

Compliance Risks.

Litigation.

The FCC Group is, and may be in the future, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that may arise during the ordinary course of its business. A court judgment or arbitration award that does not coincide with FCC's legal interpretation could have an impact on results or changes in the management of the service/project concerned.

Difficulty in adapting to regulatory and/or legislative changes.

The FCC Group must respect applicable laws and regulations when executing its operations. These laws and regulations vary from one jurisdiction to another, even among municipalities, and they are subject to changes. A change in the legal framework, as well as modifications to labour and tax rules, could give rise to modifications in FCC Group operating conditions. In some cases this could affect its results and financial situation.

Failure to comply with the Code of Ethics.

The FCC Group has a Code of Ethics and Conduct, a Crime Prevention Manual, an Anti-corruption Policy and a Shareholder Relations Policy regarding compliance that have been approved by the Board of Directors. They are mandatory for all personnel associated with any FCC Group company. The Compliance Committee, presided by the Corporate Compliance Officer, is the high-level body responsible for implementing and supervising the Compliance Model. The failure of any person associated with any FCC Group company to comply with the Code of Ethics and Conduct and all other related policies such as, for example, the protocol for preventing and eradicating harassment, could give rise to financial and reputational damages for the Group.

Financial Risks.

Liquidity risk.

Liquidity risk is primarily attributed to accounts receivable and is therefore related to the Group's exposure to its customers' credit risk. The Group monitors available lines of liquidity and financing at each company in order to mitigate this risk.

Delays in payment from certain public and private customers for both services and executed works.

FCC's capacity to make payments is related to the capacity of its customers to make payment. Any serious delay in payment from certain public and private customers could mean that sufficient receivables are not collected to satisfy outgoing payments.

Limitations on access to financial markets.

There may be certain difficulty, in specific circumstances, in obtaining or renewing financing for certain projects due to the requirements or collateral requested by lenders, as well as the viability of the financial models that support the repayment of the funds. This could all affect the normal development of the businesses and give rise to the loss of business opportunities.

Impairment of goodwill.

The FCC Group recognises significant goodwill. FCC cannot ensure that the Group will not incur losses/adjustments due to impairment or the impairment of other property, plant and equipment pertaining to the Group, which could have a significant effect on the financial results obtained by the FCC Group.

Recovery of deferred tax assets.

The FCC Group records a certain volume of deferred taxes at the consolidated level, primarily relating to the Spanish tax group. Their recovery could be affected by the cyclical nature of the profits obtained by the Tax Group, as well as by future changes in tax rates, particularly the corporate income tax rate in Spain.

Exchange rate fluctuations.

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be arranged in the same currency. Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

Interest rate fluctuations.

The FCC Group is exposed to interest rate risk due to the fact that the Group's financial policy aims to optimise its exposure to debt by partially associating borrowings to variable interest rates. Any increase in interest rates could give rise to an increase in the financial costs for the FCC Group associated with its borrowings at variable interest rates and could also increase the cost of refinancing the FCC Group's borrowings and the issue of new debt.

E.4 Identify whether the Company has risk tolerance levels, including for tax risk.

The FCC Group's Risk Management Model determines that the risk tolerance level assumed by the Group will be dynamic over time, varying based on internal and/or external factors. It must be defined by the Board of Directors and be in line with the established strategy.

The elements that must define the FCC Group's risk appetite are as follows:

- A medium-low and predictable general risk profile Based on a diversified business model.
- A policy of stable and recurring profit generation.
- An independent Risk Management area and intense involvement by Senior Management to guarantee a risk management culture that is focused on protection and the assurance of an adequate return on capital.
- A management model that ensures an interrelated overview of all risks through a robust risk control environment establishing responsibilities at various levels.
- The development of its business based on a conduct model that protects customer and shareholder interests.
- Zero tolerance for criminal risk.
- In June 2018 FCC's Board of Directors approved an update to the Tax Control Framework, which defines the general tax risk management policy and assumable levels of tax risk.

E.5 Identify any risks, including tax risks, that have occurred during the year.

Strategic risks.

– **Changes in the political and socio-economic circumstances in countries and/or regions.**

  Political and/or socio-economic changes in certain markets in which FCC operates have influenced the Group's activities. As a result of these circumstances, the FCC Group has performed a strategic, operational and financial reorganisation in the markets in which this risk has materialised in order to mitigate its effect. The Group continues to support its international plans as a strategy to diversify the risks affecting FCC Medio Ambiente and Aqualia, while FCC Construcción is seeking a selective positioning within projects that are of interest to the Group. The FCC Group closely follows the Brexit negotiations between the United Kingdom and the European Union, implementing operational efficiency measures in the various business areas in order to adapt to new market circumstances.

– **Delay in the projected new contracts.**

  Certain circumstances, fundamentally associated with political instability, have given rise to delays in contracts and renewals of services already in progress, resulting in adjustments to future projections. In order to mitigate the impact of these delays, the FCC Group performs an intensive analysis of the investment plans of the various Public Administrations, and monitors and analyses the individual contracts affected by renewals. Where necessary, it makes adjustments in projections. **Operating Risks.**

- **Rescheduling of projects.**

  Political and/or economic-financial instability in certain markets in which the FCC Group operates, as well as other operating circumstances outside the control of FCC, have resulted in the rescheduling of various projects in progress, and the failure of customers to comply with commitments have had an effect on their outcome. The FCC Group has taken several initiatives in light of this situation, such as including contractual clauses that allow the costs arising from those reschedulings to be charged, actions for the maximum optimisation of costs at each facility to thus adapt with great effort to the new deadline commitments, relocation of rescheduled project personnel to others in progress, in addition to intense discussions with the customer to search for satisfactory solutions for both parties.

- **Unilateral termination or modification of contracts.**

  The cancellation of the new airport project in Mexico, where FCC holds a 14% interest in the consortium that won the contract, means that this infrastructure will not be built due to the customer's decision. FCC has recognised its interest in this project on an equity basis and it does not have a material effect on results or the portfolio.

- **Labour conflicts.**

  The high volume of labour involved with some of the businesses carried out by the FCC Group leads to occasional labour conflicts, in respect of which the FCC Group strengthens channels of communication and follow-up with workers and their representatives.

- **Risks deriving from associations with third parties.**

  The FCC Group sometimes carries out its business activities jointly with partners through various types of associations (companies, consortia, financial interest groups, joint ventures or similar entities). Difficulties affecting certain private partners that participate in consortia, primarily of a financial nature, have had an adverse effect on the business. FCC constantly monitors and evaluates these circumstances in order to anticipate solutions that best serve the interests of the Group at any given moment.

Compliance risks.

- **Litigation.**

  The FCC Group is, a party to civil, criminal, arbitration, administrative, regulatory and similar proceedings that arose during the ordinary course of its business. The Group has allocated provisions to mitigate this risk (in cases where a negative outcome is considered likely), and therefore no notable impact on the Group's equity is expected. The Legal Services Model at FCC establishes mechanisms to identify and control the legal risk affecting the Company and its businesses. This includes, among other things, the action and efficiency unit, and the coordination and quality control of Legal Services.

Financial Risks.

- **Exchange rate.**

  Exchange rate risk is primarily located in borrowings denominated in foreign currencies, investments in international markets and payments received in currencies other than the euro.

  The volatility affecting several currencies used in the various FCC Group businesses continued this year, such as the US dollar, the UK pound, the Tunisian dinar and the Egyptian pound. Between 31

December 2017 and 31 December 2018, that volatility gave rise to a 12.4% depreciation of the Tunisian dinar, 4.4% of the US dollar and Egyptian pound, and 0.91% of the UK pound.

The FCC Group's general policy is to mitigate the adverse effect on its financial statements of exposure to foreign currencies as much as possible, with regard to both transactional and purely equity-related movements. The FCC Group therefore manages the exchange rate risk that may affect its balance sheet and income statement using natural hedges whenever possible, or through the contracting of various financial instruments. However, any significant change in the value of these currencies against the euro has an impact on the business, debt levels and the FCC Group's results.

E.6 Explain the plans to respond to and supervise the Company's primary risks, including tax risks, as well as the procedures followed by the Company to ensure that the Board of Directors takes action with respect to new challenges that are presented.

The FCC Group's Risk Management Model establishes a comprehensive framework for the identification, measurement and management of risks throughout the organisation. Once the risks have been identified and prioritised, control mechanisms are established through the Risk and Control Matrixes which define the persons responsible for those control activities, together with the key controls intended to prevent and mitigate the risks. When risks that exceed the acceptable risk level are detected the model also covers the establishment by Management of specific Action Plans that are designed taking into consideration their operational viability, their potential effects, as well as the cost-benefit ratio of their Implementation. Finally, the model as a whole is supervised by the management of each business area together with the Risk Management area.

Regardless of potential political and socio-economic uncertainties, and other strategic risks such as potential changes in contracting models or increased competition, the FCC Group will continue consolidating its international position, maintaining its share of mature markets, taking advantage of synergies within the activities carried out in the various business areas, seeking new formulas for public-private partnerships for developing comprehensive water cycles, environmental services and transportation infrastructures, and integrating its businesses into the circular economy backed by technology and innovation.

A Quality Assurance System based on International standards covering technical regulation compliance and contractual requirement compliance risks. For example, we note the existence of specific plans, such as the Special Plan for Managing Occupational Accident Risk in the Construction area, which unites a group of measures applied to construction work that may give rise to serious accidents and social impacts, as well as those that may cause large financial losses to the Company as a result of defects in the project, execution or contract management. This plan is reviewed periodically. FCC also has a certified Occupational Risk Prevention Management System for its business areas.

All business units also have an Environmental Management System based on International standards to respond to environmental risks and to comply with environmental regulations. Specifically, some of these units are members of the European Commission's Environmental Management and Audit System.

The FCC Group has an Information Security Management System to handle the risks relating to IT security. The system has been designed in accordance with international standards and has been certified by third parties in certain business areas.

In 2018 FCC strengthened its organisational structure in light of compliance risks relating to the Group's Code of Ethics and Conduct. These measures included the appointment of a Corporate Compliance Officer, who presides over the Compliance Committee and is responsible for: the implementation of the Prevention Model, the identification of risks, the definition and monitoring of the pertinent controls and the processing of any reports relating to crimes and any failures to comply with the Code of Ethics and Conduct that are received, as well as the pertinent investigations. The position of Business Compliance Officer has been established within each of the Group's businesses. The primary task of this position is to assist the Corporate Compliance Officer with the implementation of the Compliance Model. Business Compliance Committees have also been created to support Crime Prevention and Compliance within each business.

Internal rules were also prepared in 2018 to comply with the requirements established by the General Data Protection Regulations. These rules have been published on the Internet together with diverse information and training materials so as to comply with the regulations in this area.

Control over financial risks is implemented by specialised departments within the business units, together with General Administration and Finance Management, whose tasks include decisions regarding the mechanisms for transferring risk (insurance), interest rate hedges and the management of financial risks.

F INTERNAL SYSTEMS FOR CONTROLLING AND MANAGING RISKS ASSOCIATED WITH THE FINANCIAL REPORTING PROCESS (ICFR)

Describe the mechanisms that constitute the Internal Control over Financial Reporting (ICFR) risk control and management system at the Company.

F.1 The Company's control environment.

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring

Internal Control over Financial Reporting (ICFR) must provide the Audit and Control Committee and Senior Management with reasonable assurance of the reliability of the financial Information presented for the approval of the Board of Directors and periodically released to regulators and the market.

The FCC Group's governing bodies and/or areas that ensure the existence, maintenance, implementation and supervision of suitable and effective ICFR, and their responsibilities are as follows:

Board of Directors.

As is indicated in Article 8 of the Regulations of the Board of Directors at FCC, S.A., this governing body has the following duties:

- Final responsibility for approving the Company’s general policies and strategies and, in particular, the Risk Control and Management Policy, including tax risks, identifying the Company's primary risks and implementing and monitoring adequate internal control and reporting systems, in order to ensure its future viability and competitiveness, taking the most important decisions for their best development and the supervision of the internal information and control systems.
- Determine policies for informing and communicating with shareholders, markets and the public in general, ensuring the quality of the information reported and approving the financial information the Company must publish periodically due to its listed company status.

Audit and Control Committee

It is a permanent non-executive Control Body responsible for reporting, advising and making proposals within its area of responsibility. It was created by the FCC Group's Board of Directors in accordance with the provisions of Article 37 of its Regulations. In 2018 the Audit and Control Committee consisted of four Directors and a non-voting Secretary and met 9 times.

The Audit and Control Committee Is responsible for Financial Reporting and Internal Control Systems:

- The regular review, among other things, of the process for preparing economic and financial information, Internal controls in the independence of the statutory auditor.
- The supervision of the Company's Internal Audit services to ensure the correct operation of the reporting and internal control systems, and the head of the Internal Audit area is required to present an annual work plan to the Committee and to inform it directly of any incidents arising during its implementation and to submit a report on its activities at the end of each financial year.
- To supervise and analyse the effectiveness of the Company's internal control and of the Risk Control and Management Policy approved by the Board of Directors, ensuring that this policy at least identifies:

- The different types of risk faced by the Group, including financial and economic, contingent liabilities and other off-balance sheet risks.
- Establishing the risk level that the Company deems acceptable.
- The measures in place to mitigate the impact of risk events should they occur;
- The Internal Reporting and Control Systems to be used to control and manage the indicated risks, including contingent liabilities and off-balance-sheet risks.

– The supervision of the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.

– The supervision of the process of preparing and presenting the individual and consolidated annual accounts and management report, and the periodic financial information released to the markets, verifying compliance with legal provisions and the correct application of generally accepted accounting principles, reporting the financial information to the Board of Directors that must be periodically released to the public due to its status as a listed company, ensuring that the interim accounts are prepared using the same accounting principles as the annual accounts and, accordingly, taking into consideration the appropriateness of a limited review by the Company's statutory auditor, as well as the creation or acquisition of shares in special-purpose vehicles or those domiciled in countries or territories considered to be tax havens, and any other similar transactions or operations which, due to their complexity, could have a negative effect on the FCC Group's transparency.

– The supervision of the auditor and its independence, including the receipt of reports and providing authorisation for certain services that could give rise to a threat to its independence.

Senior Management.

The Senior Management of each unit is in charge of implementing the risk management and internal control model, and is tasked with, among other things, the development of an effective and efficient risk control system, including those associated with financial information.

General Administration and Finance Department

The General Administration and Finance Department performs its tasks in the areas of Administration, Systems and Information Technologies, Finance, Purchases and the Coordination and Development of Human Resources.

The Administration area performs the administrative management of the FCC Group and performs the following duties regarding the Information Systems and Internal Control: General accounting, accounting normalisation, consolidation, tax advisory services and tax procedures, tax compliance and the management of administrative procedures.

The Finance area is responsible for the centralised management of FCC Group finances. The IT and Internal Control Systems have the following objectives and operate with respect to the financing of Group activities, management of debt and financial risks, optimisation of cash and financial assets, financial management and control, management of markets and the CNMV, analysis and financing of investments, , management, monitoring and control of surety and guarantees, management of Insurance and industrial and asset risks and management control.

The FCC Group's IT and Systems area guarantees adequate technological support for the Group's management processes, optimising user services and ensuring the confidentiality and integrity of the information systems. The FCC Group has an IT Security Department covering this area that is responsible for developing and implementing internal control policies and procedures for IT systems, including those that support the process of preparing and publishing financial information, and it is also responsible for data protection matters.

Internal Audit and Risk Management Department.

The purpose of this Department is to provide the Audit and Control Committee and Senior Management with an independent and objective opinion regarding the Group's position with respect to achieving its objectives by applying a systematic and methodical approach to the evaluation, management and effectiveness of internal control and risk management processes, assessing the efficiency and reasonableness of the internal control systems, as well as the operation of the processes based on the appropriate procedures, proposing improvements to those processes and procedures and providing support to Management regarding the identification of the main risks that affect the businesses and supervising the actions taken for their management.

The Internal Audit and Risk Management Department covers two functions with synergies, Internal Audit and Risk Management, and its most notable responsibilities relating to the Financial Reporting Control Systems are:

– Internal Audit: (i) supervision of the process of drawing up and presenting the Group's Financial information before being released to the market, (ii) supervision of the Internal Control over Financial Reporting (ICFR) established by the Group for the preparation and presentation of economic-financial information, (iii) assist, together with the rest of the areas involved, with the development of internal control through the supervision of compliance with policies, standards, procedures and activities making up the internal control model in order to ensure the proper management and reduction of risks, issuing recommendations for improvement, (iv) supervision of projects and processes, identifying risks and evaluating the control environment.

– Risk Management: (i) Coordinate and drive the implementation of the risk management model such that the Organisation is able to manage its risks within acceptable tolerances, providing reasonable security regarding the achievement of its objectives, (ii) coordinate and consolidate the information originating from the various business units regarding critical risks and/or materialized risks as well as the actions carried out for their mitigation, (iii) coordinate with the appropriate areas to present reports to the Audit and Control Committee regarding risks that could have an impact on the financial statements.

Compliance Committee

This is a high-level internal body with autonomous authority to take initiatives and apply control measures, to which the Board of Directors has delegated the task of supporting an ethical culture throughout the Organisation and ensure internal and external compliance with regulations and legislation. Among its duties and authorities are the monitoring and supervision of ethics and compliance programmes, As well as the Code of Ethics and Conduct, policies, standards, procedures and controls currently in existence intended to prevent illegal behaviour, among other things. It is headed by the Corporate Compliance Officer.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity.**

The Appointments and Remuneration Committee is responsible for examining and organising the succession of the Chairman of the Board and the Company's CEO and, if appropriate, making proposals to the Board of Directors in order for such succession to occur in an orderly and planned manner, In accordance with the Regulations of the Board of Directors. Its tasks also include reporting proposals to appoint and remove senior officers presented to the Board by the CEO, and the basic conditions of their contracts. Those Regulations stipulate that senior officers are understood to be those executives reporting directly to the Board of Directors or to the CEO, where such a figure exists, and, in any case, the internal auditor. Senior officers will also be considered to be any declared to be such by the Board of Directors, after having received a favourable report from its Appointments and Remuneration Committee, even if the aforementioned circumstances are not present.

The person in charge of the design and review of the organisation's structure, and the definition of the lines of responsibility and authority is the CEO, appointed by the Board of Directors. Each Corporate Department or Business Area must define its organisational structure and lines of responsibility.

Section 10 of the Group's General Regulations Manual governs the process for establishing the Company's organisational structure. It governs the bodies that directly report to the Board of Directors, the distribution of duties among Group management and the appointment of executives.

The first level organisational structure is published on the corporate intranet, and there are organisational sub-structures associated with specific projects and contracts within the various business units.

The specific responsibilities relating to the Internal Control over Financial Reporting (ICFR) notably include the assumption of high level executive duties by the General Administration Department with respect to the management of the ICFR, the execution of control activities relating to the consolidation sub-process and the normalisation of the processes relating to the preparation of the information. The Risk Management area is responsible for methodological support for the identification of risks and controls within the process of preparing financial information. Finally, the Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches, and proposing corrective or disciplinary action.**

The Regulations of the Board of Directors stipulate that the full Board is responsible for approving the FCC Group's Internal Codes of Conduct and Regulations and this authority cannot be delegated. Those Regulations also stipulate that the Audit and Control Committee is responsible for ensuring that the Internal Codes of Conduct and Corporate Governance Rules comply with regulatory requirements and are adequate for the Company, as well as for reviewing compliance with the obligation of the persons covered by those Codes and Governance Rules to report certain matters to the Company.

The FCC Group's latest Code of Ethics and Conduct was approved by the Board of Directors in February 2018. The purpose of this mandatory code is to encourage all people associated with any FCC Group company, regardless of the type of contract governing their employment relationship, position held or geographic location of their job, to be guided by the highest behavioural standards in terms of complying with laws, regulations, contracts, procedures and ethical principles. This code is published on both the corporate intranet and the Group's website and is accessible to anyone. The FCC Group has carried out training and communications programmes regarding the new Code of Ethics and Conduct in order to strengthen the personal commitment of employees to the Company's ethics compliance system. Information and communications campaigns through various media were carried out in 2018, and classroom training was performed for certain levels within the organisational structure.

The Code includes the principles of respect for the law and ethical values, zero-tolerance for bribery and corruption, the prevention of money laundering and the financing of terrorism, the protection of market competition and good market practices, ethical behaviour in securities markets, the avoidance of conflicts of interest, rigorous control, reliability and transparency of information, the protection of the Group's reputation and image, the efficient and secure use of the Company's resources and assets, monitoring of the ownership and confidentiality of data and information, customer service approach, The primacy of the health and safety of people, the promotion of diversity and fair treatment, commitment to the environment, transparent relationships with society and the extending of ethics commitments and compliance to business partners.

The section "Rigorous control, reliability and transparency" of the Code of Ethics and Conduct specifies with respect to the recognition of transactions and the preparation of financial information that "*FCC Group information must be prepared with maximum reliability, complying with applicable legislation and Company regulations and be kept under diligent custody"*, indicating that particular care must be taken with respect to "*the process of adequately and completely accounting for, recognising and documenting All transactions, income and expenses, at the time they arise, without permission, hiding or altering any data or information, such that the accounting and operating records faithfully reflect reality and can be verified by the control areas and by internal and statutory auditors. Failing to follow these rules may constitute fraud. Avoidance of the Company's internal controls will be penalised*". Furthermore, in June 2018 FCC's Board of Directors approved an updated version of FCC's Tax Conduct Code, which also includes a commitment to tax transparency.

The Compliance Committee, presided by the Corporate Compliance Officer, is the body responsible for implementing and supervising the FCC Group's Compliance Model. The tasks of the Corporate Compliance Officer include handling complaints and investigations relating to potential crimes and failures to comply with the Code of Ethics and Conduct, as well as proposing action plans in cases where noncompliance or ineffectiveness is detected in the operation of the controls.

Each of the Group's businesses has a business compliance officer, whose primary task is to assist the corporate compliance officer with the implementation of the compliance model and is also responsible for the management of complaints and investigations relating to noncompliance with the Code of Ethics and Conduct that are delegated to that position. Business Compliance Committees have also been created to support Crime Prevention and Compliance in each business.

- **Complaints channel, providing a means of informing the audit committee of any irregularities of a financial or accounting nature, along with possible breaches of the code of conduct and irregular activities within the organisation, stating whether the information provided is confidential in nature, as appropriate.**

The FCC Group has a Whistleblowing Channel that allows the confidential reporting of any activities or conduct that may represent a failure to comply with the Code of Ethics and Conduct in any respect, including potential irregularities that could have criminal consequences. All communications are managed by the Compliance Committee in accordance with the defined protocol so that confidentiality is guaranteed.

Reports may be made in three ways:

- Through the Corporate Intranet.
- The sending of an email to an email address.
- Through postal mail sent to a PO Box.

The procedures and operation of the Whistleblowing Channel are described in the intranet and in the Code of Ethics and Conduct, which specifies the obligation of any person associated with any FCC Group company to report any potential noncompliance of which they are aware.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating the ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

The FCC Group's Training Plan for 2018 included several training actions regarding the acquisition, update and recycling of economic-financial knowledge, including accounting and audit standards, internal control and risk management and control, as well as other regulatory and business matters that must be known for the adequate preparation and supervision of the Group's financial information. These notably include: "Development of specific IFRS accounting procedures for the FCC Group", "Ethics and Conduct at the FCC Group" and "Prevention of money laundering and financing of terrorism".

F.2 Risk assessment in financial reporting

State, at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating:

- **The process exists and is documented.**

The FCC Group has a Risk Management Model based on the assignment of responsibilities in various areas of the organisation, establishing three levels of risk management.

The first level of risk management is in the operating lines of each business unit, which are responsible for adequately managing, tracking and reporting on the generated risk.

The second risk management level (also in the business units) comprises support, control and supervision teams that ensure the effective control of risks. At this second level, each business unit's management area is responsible for implementing the Risk Management Model, including financial reporting information in this regard.

The third level consists of corporate staff reporting to Senior Management. It also includes Internal Audit and Risk Management, and the Compliance Committee, which report to the Audit and Control Committee. The Risk Management area is responsible for coordinating, supervising and monitoring the risk management and control process within the Organisation. The tasks of the Corporate Compliance Officer presiding over the Compliance Committee include implementing the Crime Prevention Model, identifying the risks in this area, including fraud and falsification, defining and tracking the pertinent controls. The Internal Audit area, As the last line of defence and last control phase, checks whether the policies, methods and procedures are appropriate and effectively implemented.

The business units identify and assess the various risks in terms of the likelihood of their occurrence and impact, based on a transversal Risk Matrix. That Risk Matrix includes various risks relating to errors in the preparation of financial information, from several perspectives. The management of each business area periodically analyses and reports risks that have materialised within each of the Group's areas, and this information serves to update the risk maps and to take action.

Section E of this Annual Corporate Governance Report sets out the Activities and operation of the FCC Group's Risk Management Model.

- **Whether the process covers all financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and if so how often.**

The FCC Group's Risk Matrix includes various risks relating to the objectives of the financial information, from several perspectives. Operating and Financial Risks includes several aspects relating to the analysis, monitoring and efficiency of the management of diverse financial information. Compliance Risks cover the repercussions of failing to comply with regulatory requirements in the accounting, commercial and corporate areas. Fraud risk is included in the Crime Prevention Model. Finally, Reporting Risks includes several relating to gaps in the reporting models and systems, covering aspects such as reliability, opportunity and transparency, among others.

The risk identification and assessment processes are subject to regular updates in accordance with business needs and external factors. Business units update the primary risks that have materialised during the period every four months.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Each of the areas into which the FCC Group is organised is responsible for maintaining and updating the scope of consolidation relating to their business area. The Consolidation and Accounting Normalisation Department maintains an up-to-date Financial Manual covering the Group companies included within the scope of consolidation, based on the data that is provided by the business areas. Regular controls over the proper accounting treatment of the companies included in the scope of consolidation are also performed.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The FCC Group's Risk Management Model categorises risks within a transversal Risk Matrix consisting of five large categories, taking into consideration their likely impact on the financial statements, among other things.

– **Strategic**: The risks that are considered to be key to the Organisation and must be proactively managed on a priority basis. Should these risks materialise, they could seriously compromise the attainment of strategic objectives.

– **Operating**: These are risks relating to operational management and the value chain in each line of business and area at the Organisation, and the protection of its assets against potential losses.

– **Compliance:** The risks that affect internal and external regulatory compliance.

– **Financial**: Risks associated with financial markets, and the generation and management of cash.

– **Reporting:** Risks relating to internal and external financial and non-financial information, covering aspects such as reliability, opportunity and transparency.

Various risks relating to technological, legal and compliance aspects, reputational damage and environmental damage, etc. are included in each of these categories.

- **Finally, which of the entity's governing bodies is responsible for overseeing the process.**

The supervision of the process for identifying financial information risks is performed by the Audit and Control Committee, which is responsible for the supervision of the FCC Group's Internal Control and Risk Management Systems, as provided for by article 37 of the Regulations of the Board of Directors.

It receives support from both the Internal Audit area with respect to the review of controls, and the General Administration and Finance Department, which handles various internal control tasks relating to the Internal Control over Financial Reporting, such as high-level tasks, the execution of control activities relating to the consolidation sub-process, as well as the normalisation of the processes relating to the preparation of the information. The management of business units also carry out supervisory activities within the risk identification process, and the primary tasks and responsibilities consist of the implementation of the Risk Management Model, the analysis and monitoring of risks, the design of alert indicators and communications with the Risk Management area.

The Corporate Compliance Officer also reports to the Audit and Control Committee while assuming responsibility for the supervision of the controls relating to the Crime Prevention Model.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising financial reporting and the description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The high-level tasks relating to the Internal Control over Financial Reporting are assumed by the FCC Group's General Administration and Finance Department, which certifies the consolidated accounts in terms of their integrity and accuracy, with the approval of the CEO. The Audit and Control Committee subsequently issues a favourable report regarding the accounts as the prerequisite for preparing the Annual Accounts and Management Report by the Board of Directors:

During the process of publishing financial information for securities markets, whether quarterly or one-off, or when a relevant event takes place, the persons responsible for each area review the information reported for consolidation purposes. That information is consolidated by the Group's General Administration and Finance Department which carries out certain control activities to ensure the reliability of the information during the closing of the accounts.

The specific review of important judgments, estimates, assessments and projections used to quantify some assets, liabilities, income, expenses and commitments that are recorded and/or disclosed in the Annual Accounts is also carried out by the General Administration and Finance Department with the support of all other Departments. Assumptions and estimates based on the evolution of the businesses are reviewed and analysed jointly with the Business Department concerned. These procedures and the associated controls are included in the Group's General Regulations Manual and the Economic Financial Manual.

The FCC Group has a control panel for each of the business units and corporate services in order to regulate, supervise and monitor, among other things, the process of managing the businesses, projects, procurement, payables, taxes, finances, cash and bank access, employee hiring and customer billing. The objective of this control panel is to prevent and detect any failure to comply with FCC Group policies and procedures, and potential situations giving rise to a fraud risk.

The Risk Management area provides methodological support for the identification and assessment of risks arising during the financial reporting process and to identify and design controls. The Internal Audit area supervises the process of preparing and presenting the Group's financial information before being released to the market.

The conclusions reached during the assessment of internal controls performed by the statutory auditor as part of the audit, together with the supervision of the Internal Audit and Risk Management Department Are sent to the Audit and Control Committee in the form of reports containing all recommendations considered to be necessary.

In addition to the content of Articles 10, 11 and 14 of the Regulations of the Board of Directors, which describe the specific tasks relating to the Annual Accounts, the Management Report and the relationship with the securities market, the FCC Group has defined procedures regarding the closing process and maintaining the chart of accounts, including procedures to ensure the proper identification of the scope of consolidation. Specifically, the Economic-Financial Manual covers the accounting treatment of the various types of processes and transactions that may affect the financial statements (accounting, tax, insurance, cash, etc.), and sets out rules that allow financial information to be obtained in a normalised manner.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

FCC has an IT Security Policy that defines the Company's IT security model, regulations, organisation and persons responsible for security, the classification of information, IT security areas, the risk analysis model and the procedure for auditing the information. Internal control policies and procedures for IT systems cover all the Group's information management processes, including those relating to the preparation and publication of financial information. Certain Infrastructure business processes (Construction and Industrial) and Water have an IT Security Management System with International certification ISO/IEC 27001.

The IT Security System documentation notably includes specific rules regarding the security of databases, encryption technologies, application and IT system access controls, equipment configuration controls, principles and measures that are necessary to ensure confidentiality, integrity and availability of the information that is accessed and/or processed using mobile devices, backup copy criteria, security incident management, security for maintenance rooms and IT system tests, security criteria for the implementation and connection of networks, the principles that passwords must meet, privacy controls, development security, security criteria for the contracting of services from companies outside the Group, security principles to be met within FCC's facilities that process information, security role and responsibility controls, use of technological resources, secure navigation and email security. In 2018 an IT security rule was also approved that contains guidelines for complying with the requirements of the new Data Protection Regulation.

IT security is regularly evaluated through internal reviews performed by the IT Security Department.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The FCC Group's policy is that purchases or contracts with third parties will only cover the assets and services that cannot be produced or executed internally by Group personnel, except for any that give rise to a higher cost compared with the contracting with a third-party.

The FCC Group's Purchasing Regulations establish various purchasing management areas based on the nature of the purchases. They are governed in all cases by a series of general principles based on transparency when taking decisions, the existence of bids, the traceability of the process, compliance with award conditions and the supervision and evaluation of suppliers.

The FCC Group has outsourced the rendering of IT and telecommunications infrastructure management services and support for the main corporate applications, which are significant subcontracted activities that have an impact on the financial statements. Investments are being made to standardise the FCC Group's system architecture such that there will be no differences in the environments managed by the Group's companies with respect to availability and integrity. The IT Technology and Systems Department has specific procedures for controlling outsourced services through contractual regulation of the following:

- Mechanisms to govern and monitor the service.
- Audits, inspections and reviews of the services
- Management of service levels
- Monitoring and control of the services performed by third parties that affect 27001 certifications

The main subcontracted activities relating to the execution or processing of transactions that are reflected in the Group's financial statements consist of the measurement of derivative financial products, the performance of actuarial calculations and the preparation of certain asset appraisals carried out occasionally.

F.4 Information and communications

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

The General Administration and Finance Department, to which the Consolidation and Accounting Normalisation Department and the Administration Coordination Department pertain, is responsible for the application of FCC Group accounting policies, and has the following duties:

- Definition of the Group's accounting policies and their inclusion in the Economic-Financial Manual
- Issue of the accounting rules applicable by the Group.
- The resolution of doubts or conflicts that may arise from the interpretation or application of the Group's accounting policies to any group company.
- Analysis of unique operations or transactions, or those that the Group plans to carry out, in order to determine the proper accounting treatment in accordance with the Group's accounting policies.
- The monitoring of new standards being analysed by the IASB, new standards approved by that body and the process for applying them.

The specific Administrative Coordination Division clarifies or expands the instructions and rules that are issued.

The Economic-Financial Manual setting out the accounting rules is available on the Group's intranet. The update and maintenance of this manual is the responsibility of the Administration, Management Control, Finance and Tax Divisions and Departments. In addition, in June 2018 the Board of Directors approved an updated version of the Tax Control Framework and Code for the FCC Group.

Whenever the application of the accounting regulations is subject to different interpretations, the Internal Audit and Risk Management Department and/or the General Administration and Finance Department may participate in the presentation of the arguments on which the interpretation adopted by the FCC Group is based.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The FCC Group has implemented tools in the SAP environment to consolidate financial information that cover financial statement reporting requirements. That tool centralises most of the information relating to the individual financial statements for the subsidiaries making up the Group in a single system. The system is managed on a centralised basis and uses a single chart of accounts. The Corporate Finance area uses this tool to gather all of the information regarding the FCC Group, including Spanish and foreign companies.

The accounting policies, procedures and internal rules relating to closing, reporting and consolidation processes are described in the Group's Economic-Financial Manual and the information that must be reported for consolidation is detailed and both the reporting deadlines and the standard documents and forms for reporting that information are defined.

In addition, at the yearly closing and in order to release the annual financial report to the public, the General Administration Department sends the yearly closing plan including a series of instructions to the persons responsible for providing the financial information concerned. The Administrative Coordination Division specifies, clarifies or expands those instructions when necessary.

The consolidated accounts follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The FCC Group has developed a corporate chart of accounts that is also presented in the Economic-Financial Manual in order to guarantee a uniform accounting process.

F.5 Supervision of system operations

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure whereby the person in charge communicates their findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether its impact on the financial statements has been considered.

The Audit and Control Committee has been created on a permanent basis by the Board of Directors. It has no executive duties and has the authority to report, advise and make proposals within its area of responsibility. It Carries out the following activities pursuant to Article 37 of the Rules and Regulations of the Board of Directors:

– Informing the General Annual Meeting about all matters raised that fall within its area of responsibility and, in particular, about the results of audits, explaining how these contribute to the completeness of the financial information and the role played by the Committee in this process.

- Acted as a communication channel between the Board of Directors and the statutory auditor, assessing the results of each audit.
- Monitoring the Company's Internal Auditing services to ensure correct operation of the Information and Internal Control Systems. The head of Internal Auditing is required to present their annual work plan to the Committee, to directly inform the Committee of any incidents in the development of the plan and to submit a report on the plan's activities at the end of each financial period.
- Monitoring and analysing the effectiveness of the Company's internal control and of the Risk Control and Management Policy approved by the Board of Directors.
- Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- Regularly monitoring the Internal Control and Risk Management Systems, including the tax systems, in order for the key risks to be identified, managed and appropriately disclosed.

The Internal Auditing and Risk Management Department is responsible for Internal Auditing. Its main objective is to assist the Audit and Control Committee in fulfilling its functions and responsibilities, acting with complete independence from the management areas, given its functional dependence on the Audit and Control Committee. Its responsibilities and functions concerning the ICFR include the following:

- Collaborating in monitoring the preparation and presentation of the Group's financial information before it is released to the market.
- Contributing, together with other units, to the development of internal control by monitoring compliance with the policies, standards, procedures and activities that form the internal control model in order to minimise risks, issuing recommendations for improvements to this model.
- Monitoring projects and processes, identifying risks and assessing the control environment.
- Acting as a third line of defence, monitoring compliance-related controls.
- Performing the internal investigations assigned by the Compliance Committee.

The outcome of the reviews performed by the Internal Auditing unit and any detected incidents are reported by the Internal Auditing and Risk Management Department to the Audit and Control Committee.

In turn, the Audit and Control Committee approves the Annual Audit Plan and supervises the Activities Report. In 2018, various work was carried out regarding risk management and control and monitoring of the Group's financial information in different areas. This work included:

- Review of the FCC Group's specific ERP areas, and of certain specific applications in the areas of business.
- Monitoring any internal control weaknesses detected by both internal and external audits in the IT area.
- Collaborating on internal audits for ISO/IEC 27001 compliance.
- Collaborating in monitoring the individual and consolidated financial statements of FCC, S.A., and the Company's semi-annual financial statements reviewed by the statutory auditor.
- Collaborating in monitoring the financial and corporate information disclosed to regulators and markets and monitored by the Audit and Control Committee:
    - Annual financial report.
    - Management reports.
    - Semi-annual financial report.
    - Quarterly reports.

- Annual Corporate Governance Report.

– Review of the control environment regarding the prevention of money laundering and the financing of terrorism.

– Pre-approval of services other than auditing provided by auditing firms, collaborating with the Audit and Control Committee in their task of monitoring the independence of the statutory auditor.

– Auditing key processes, works and projects/contracts, with a key focus on reviewing the financial information and contractual risks.

– Coordinating and managing the process of updating risk identification and assessment by the business units, providing a standardised method aligned with the Risk Management System Model and consolidating the information on a corporate level.

F.5.2. If there is a discussion procedure whereby the auditor (pursuant to the Technical Auditing Standards), the internal auditing unit and other experts can report to the Company's senior management and its Auditing Committee or Board of Directors any significant internal control weaknesses identified during the financial statements review, or other assignments. State also whether the entity has an action plan to correct or mitigate the weaknesses observed.

Article 37 of the FCC Group's Regulations of the Board of Directors establishes that it falls within the remit of the Audit and Control Committee to liaise between the Board of Directors and the Company's statutory auditor, assessing the results and discussing any significant weaknesses of the Internal Control System detected during the auditing process.

In turn, the Regulations governing the Internal Auditing Unit of the FCC Group state that the Internal Auditing and Risk Management Department will inform the Audit and Control Committee of the most significant aspects regarding: relationships with statutory auditors, the outcome of monitoring the reliability and completeness of the financial information and the management of Group companies before being release to the market, compliance with internal and external regulatory requirements, operation of internal control systems, development and operation of risk management systems and the outcome of monitoring with regard to criminal responsibility.

In addition, the Regulations governing the Internal Auditing Unit of the FCC Group state that the Internal Auditing and Risk Management Department will support the Audit and Control Committee to fulfil of its functions and responsibilities, without prejudice to any support or assistance received from other areas or units.

To ensure that the financial information presented to the Audit and Control Committee has been prepared in line with the generally accepted accounting principles and that it gives a fair view of the FCC Group, the Internal Auditing Unit performs various supervisory tasks regarding the accounting information (individual and consolidated), the management reports and the financial information disclosed periodically to the markets.

The FCC Group Internal Auditing and Risk Management Department regularly reports to the Audit and Control Committee on the significant internal control weaknesses identified during its work and recommends how these weaknesses may be duly corrected. The Audit and Control Committee also receives the information issued by the Administration and Finance Department.

Lastly, the Group's auditor has direct access to Group senior management, holding regular meetings both to obtain the necessary information to perform their work, and to report any detected control weaknesses. The statutory auditors present their conclusions to the Audit and Control Committee, detailing the internal control weaknesses exposed during their review of the Group's Financial Statements and any other relevant aspects. In 2018, the internal auditor attended 5 meetings of the Audit and Control Committee, presenting 4 reports.

F.6 Other relevant information

N/A

F.7 Statutory auditor review

State whether:

F.7.1. Whether the ICFR information supplied to the market has been reviewed by a statutory auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for not having a review of this nature performed.

The information in this report about the Internal Control over Financial Reporting has been submitted to the statutory auditor for review. The statutory auditor's report is attached as an appendix to this document. The review was based on the "Action Guide and Model Auditors' Report relating to information on the Internal Control over Financial Reporting System of Listed Companies" published by the CNMV in 2013.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the Code of Good Governance for listed companies.

Should the company not or only partially be in compliance with any of the recommendations, include a detailed explanation of the reasons, in order for sufficient information to be available to shareholders, investors and the markets in general for them to be able to evaluate the company’s behaviour. Explanations of a general nature shall not be considered acceptable.

1. **The bylaws of listed companies should not place a maximum limit on the votes that can be cast by a single shareholder or present any other impediments to the company's being taken over by buying its shares on the open market.**

Compliant X Explain ☐

2. **In cases where a parent company and a subsidiary are both exchange-listed, both companies should disclosure the following items in detail:**

   a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.**

   b) **Mechanisms in place for resolving potential conflicts of interest**

Compliant ☐ Partially Compliant ☐ Explain ☐ Not applicable X

3. **During the Annual General Meeting, supplementing the written information circulated in the Annual Corporate Governance Report, the Chairperson of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company’s corporate governance, in particular:**

   a) **Any changes since the previous Annual General Meeting.**

   b) **The specific reasons why the company has not followed a particular Good Corporate Governance recommendation and, where applicable, any alternative rules it applies in this connection.**

Compliant ☐ Partially compliant ☐ Explain X

The Company believes that shareholders receive sufficient information about its corporate governance in a specific report on the matter, forming part of the information available to them in advance of the Meeting.

In this regard, the section on "Right to Information" in the General Meeting announcement explicitly states that any shareholder may obtain from the Company, among other documents, the Annual Corporate Governance Report, which is subject to shareholder approval as it forms part of the Management Report. Shareholders may inspect this report at the Company's registered offices or have it sent to them immediately and free of charge.

The Report can be viewed on the Company's website, in the section on corporate governance.

4. **The Company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

   The Company should publish this policy on its website, including information about how the policy has been put into practice and identifying the representatives or persons in charge of its implementation.

Compliant □ Partially compliant □ Explain X

Although the Company has not formally approved a policy in this area, relations with institutional investors and proxy advisers are maintained through the Stock Market and Investor Relations Department and the Shareholders Department. In this regard, the aim of the recommendation is fully respected, and the Board is informed of these relations.

5. **The Board of Directors should not submit to the General Meeting a proposal on the delegation of powers to issue shares or convertible securities excluding pre-emptive subscription rights, for an amount exceeding 20% of the share capital at the time of delegation.**

   When the Board approves the issuance of shares or convertible securities excluding pre-emptive subscription rights, the Company should immediately publish a report on its website explaining the exclusion as envisaged in corporate legislation.

Compliant X Partially compliant □ Explain □

6. **Listed companies preparing the reports detailed below, whether mandatorily or voluntarily, should publish them on their website sufficiently in advance of the Ordinary General Meeting, even when their dissemination is not compulsory:**

   a) **Report on the independence of the auditor.**

   b) **Reports on the activities of the Audit Committee and the Appointments and Remuneration Committee.**

   c) **Report by the Audit Committee on related-party transactions.**

   d) **Report on Corporate Social Responsibility Policy.**

Compliant X Partially compliant □ Explain □

7. **The Company should broadcast its General Meetings live on the corporate website.**

Compliant □ Explain X

The Company does not follow this recommendation as, to date, no such request has been received from its shareholders, and due to the cost to the Company.

8. **The Audit Committee should ensure that the Board of Directors aims to submit the Company's financial statements to the Annual General Meeting without any limitations or qualifications in the auditor's report. In the exceptional event that there are any qualifications, both the Chairperson of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

Compliant X Partially compliant ☐ Explain ☐

9. **The company should permanently publish on its website the requirements and procedures it will accept to accredit the ownership of shares, along with the right to attend the General Annual Meeting and the exercise or delegation of voting rights.**

Such requirements and procedures should favour the attendance of shareholders and the exercise of their rights and should be applied in a non-discriminatory manner.

Compliant X Partially compliant ☐ Explain ☐

10. **When an authorised shareholder, prior to the Annual General Meeting, exercises the right to add to the agenda or submit new resolution proposals, the Company should:**

a) Immediately circulate the additional points and new resolution proposals.

b) Publish the model attendance card or proxy form or remote voting form, with the necessary amendments, so that the new points on the agenda and the alternative proposals for resolution can be submitted to vote under the same terms as proposals put forward by the Board of Directors.

c) Submit all such points and alternative proposals to a vote, applying the same voting rules as those drawn up by the Board of Directors, including, specifically, assumptions and deductions on the direction of the vote.

d) After a general meeting, the company should announce the breakdown of the vote on the additional points or alternative proposals.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

11. **If the company plans to pay attendance premiums to shareholders attending general meetings, it must first establish a stable general policy on those premiums.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

12. **The Board of Directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders of the same status. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that strives to maximise its value over time in a sustained manner.**

In pursuing the interests of the company, as well as upholding laws and regulations and conducting itself in a manner based on good faith, ethics and respect for

generally accepted customs and good practices, the company shall seek to reconcile its interests, to an appropriate extent, with the legitimate interests of its employees, suppliers, customers and the remaining stakeholders that might be affected. The company should also seek to reconcile its interests with the impact of the its activities on the community as a whole and on the environment.

Compliant X Partially compliant Explain

13. **In the interest of maximum effectiveness and participation, the Board of Directors should comprise between five and fifteen members.**

Compliant X Explain

14. **The Board of Directors should approve a director selection policy that:**

    a) Is specific and verifiable.

    b) Ensures that proposed appointments or re-elections are based on a prior analysis of the Board of Directors' requirements.

    c) Fosters diversity of knowledge, experience and gender.

    The result of the prior analysis of the Board of Directors' requirements should be included in the report of the Appointments Committee. This report should be published upon the announcement of the Annual General Meeting at which the ratification, appointment or re-election of each Director will be discussed.

    The director selection policy should foster the goal of female directors accounting for at least 30% of all Board members by 2020.

    The Appointments Committee will annually verify compliance with the director selection policy and this will be reported in the Annual Corporate Governance Report.

Compliant X Partially compliant Explain

15. **Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum required, bearing in mind the complexity of the corporate group and the ownership interests they control.**

Compliant X Partially compliant Explain

16. **The ratio between proprietary directors and non-executive directors should match the proportion between the capital represented on the Board by these directors and the remainder of the share capital.**

This proportional criterion may be relaxed:

a) In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.

Compliant X Explain

17. **The number of independent directors should represent at least half of all board members.**

However, when the Company does not have a large market capitalisation, or when a large-cap company has shareholders individually or concertedly controlling over 30% of the share capital, Independent Directors should occupy at least one third of the board.

Compliant ☐ Explain X

FCC has three independent directors among its fifteen Board members, representing nearly 20% of all Board members.

FCC believes that due to this percentage, there is no need to increase the number of independent directors, considering the Company's highly concentrated shareholder structure and the effective role played by the three independent directors.

18. **Companies should post the following director particulars on their websites, and keep them permanently updated:**

    a) **Professional experience and background**

    b) **Directorships held in other companies, listed or otherwise, and other remunerated activities of any kind**

    c) **Statement of the director category to which they belong, and, for proprietary directors, the shareholder they represent or to whom they are related**

    d) **The date of their first and subsequent appointments to the Board**

    e) **Shares held in the company and any options on the same**

Compliant X Partially compliant ☐ Explain ☐

19. **Following verification by the Appointments Committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary directors at the request of shareholders with less than a 3% stake in the share capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

20. **Proprietary directors should resign when the shareholders they represent transfer their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

21. **The Board of Directors should not propose the removal of independent directors before the expiry of their statutory tenure, except where just cause is found by the Board of Directors, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board**

member or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the company's capital structure, if such changes in the board structure are made in order to meet the proportionality criterion set out in Recommendation 16.

Compliant X Explain ☐

22. **Companies should establish rules that require directors to disclose any circumstance that might harm the Company's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings.**

The moment a Director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board of Directors should also disclose all such determinations in the Annual Corporate Governance Report.

Compliant X Partially compliant ☐ Explain ☐

23. **All directors should express clear opposition when they feel a proposal submitted for the Board of Directors' approval jeopardises the interests of the company. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.**

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. 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 to the Board, regardless of whether he or she is a director.

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

24. **Directors who leave the Board before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a relevant event, the motivating factors should be explained in the Annual Corporate Governance Report.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

25. **The Appointments Committee shall ensure that non-executive directors have sufficient time to properly discharge their duties; and**

The Board Regulations should lay down the maximum number of Company Boards on which Directors can serve.

Compliant   Partially compliant X   Explain □

In Article 21.4 of the Rules of the Board of Directors, the Company sets out that "Directors must inform the Appointments and Remuneration Committee of their other professional obligations in case these interfere with the commitment required by their positions. At the proposal of the Appointments and Remuneration Committee, the Board of Directors must establish the number of boards of which the directors may serve".

Since the aforementioned Committee has made no such proposal, the Company believes that it partially fulfils the recommendation.

At the moment, the Company has not established a maximum number of boards to which each director may belong, given that the directors have proven sufficient commitment to the Company, without the need to establish said limit.

26. The Board should meet with the necessary frequency to properly perform its duties, at least eight times a year, in accordance with the calendar and agendas set at the beginning of the year, to which each Director may propose the addition of initially unscheduled items.

Compliant X   Partially compliant □   Explain □

27. 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.

Compliant X   Partially compliant □   Explain □

28. When Directors or the Secretary express concerns about a proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book at the request of the person expressing them.

Compliant X   Partially compliant □   Explain □   Not applicable □

29. The Company should provide suitable channels for directors to obtain the advice they need to carry out their duties including, in special circumstances, external advice at the Company's expense.

Compliant X   Partially compliant □   Explain □

30. Regardless of the knowledge required of directors to discharge their duties, companies should also offer them refresher programmes when the circumstances warrant such.

Compliant X   Explain □   Not applicable □

31. Meeting agendas should clearly state the points on which directors will be required to adopt a decision or resolution, in order for the directors to be able to compile and examine the requisite information ahead of the meeting.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda. In such exceptional

circumstances, their inclusion will require the express prior consent, of the majority of Directors present, and this shall be duly recorded in the minutes.

Compliant ☐ Partially compliant X Explain ☐

Although the second part of this recommendation is not included word for word in the Company's internal rules, when unscheduled items are added to the agenda, exceptionally or for reasons of urgency, this is done with the prior consent of the directors present at the meeting.

32. **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its Group.**

Compliant X Partially compliant ☐ Explain ☐

33. **The chairman, as the person in charge of the effective functioning of the Board of Directors, in addition to the duties legally attributed to them and in the bylaws, should prepare and submit to the Board of Directors a schedule including dates and the order of business to be discussed; organise and coordinate the periodic evaluation of the board; and, where applicable, of the chief executive of the company; be in charge of managing the board and its effective functioning; ensure that enough time is devoted to discussing strategic issues; and approve and review the refresher programmes for each director, should the circumstances warrant such.**

Compliant X Partially compliant ☐ Explain ☐

34. **When there is a coordinating director, in addition to the powers legally attributed to them, the Bylaws or the Regulations of the Board of Directors should also grant them the following powers: to chair the Board of Directors in the absence of the chairperson or vice chairpersons; to voice the concerns of non-executive directors; to contact investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially in relation to the Company's corporate governance; and to coordinate the chairperson's succession plan.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

35. **The secretary to the Board of Directors should ensure that the Board's actions and decisions take into account the good governance recommendations of the Good Governance Code applicable to the Company.**

Compliant X Explain ☐

36. **The Board should, in a plenary session, conduct an annual evaluation and adopt, where necessary, an action plan to correct weaknesses detected in:**

    a) **The quality and efficiency of the Board's functioning.**

    b) **The performance and composition of its committees.**

    c) **The diversity of Board membership and competences.**

d) **The performance of the Chairman of the Board of Directors and the Company's Chief Executive.**

e) **The performance and contribution of each director, paying particular attention to the chairs of the various board committees.**

The evaluation of board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process and the areas for evaluation will be detailed in the Annual Corporate Governance Report.

Compliant ☐ Partially compliant X Explain ☐

The Board of Directors has decided to perform an internal annual review of its efficiency and that of its commissions, and to not request assistance from an external consultant.

37. **When there is an Executive Committee, its membership mix by director class should resemble that of the Board, and the secretary to the Board of Directors should also act as the secretary to the Executive Committee.**

Compliant ☐ Partially compliant X Explain ☐ Not applicable ☐

The secretary to the Executive Committee is also the secretary to the Board of Directors. However, there are no independent directors on the Executive Committee, whereas there are three on the Board of Directors.

38. **The Board should be kept fully informed of the matters discussed and decisions adopted by the Executive Committee. To this end, all Board members should receive a copy of the minutes of Executive Committee meetings.**

Compliant X Partially compliant ☐ Explain ☐ Not applicable ☐

39. **The members of the Audit Committee, particularly its chairperson, should be appointed with regard to their knowledge and background in accounting, auditing and risk management. A majority of the Committee members should be independent directors.**

Compliant X Partially compliant ☐ Explain ☐

40. Under the supervision of the Audit Committee, there should be a unit responsible for internal auditing that monitors the effectiveness of reporting and control systems. This unit should report functionally to the non-executive chairperson of the Board or of the Audit Committee.

Compliant X Partially compliant Explain

41. The head of Internal Auditing should present an annual work plan to the Audit Committee, inform it directly of any incidents arising during the implementation of the plan and submit an activities report at the end of each year.

Compliant X Partially compliant Explain Not applicable

42. The Remuneration Committee should have the following tasks in addition to those provided for by law:

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 accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit in charge of internal auditing; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work plans, ensuring that its main focus is on the key risks to which the Company is exposed; receive regular report on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if possible and necessary, anonymously, any irregularities they detect in the course of their duties, especially financial or accounting irregularities with potentially serious implications for the firm.

2. With respect of the statutory auditor:

a) Investigate the issues giving rise to the resignation of the statutory auditor, should this come about.

b) Ensure that the remuneration of the statutory auditor does not compromise its quality or independence.

c) Ensure that the Company notifies any change of statutory auditor to the CNMV as a relevant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefore.

d) **Ensure that the statutory auditor has a yearly plenary meeting with the Board to inform it of the work undertaken and the evolution of the Company's risk and accounting situation.**

e) **Ensure that the company and the statutory auditor adhere to current rules and regulations on the provision of non-audit services, the restrictions placed on the concentration of the auditor's business and, in general, any other requirements in connection with auditors' independence.**

Compliant X Partially compliant Explain

43. **The Audit Committee should be empowered to meet with any company employee or manager, and even to summon them when no other senior executives are present.**

Compliant X Partially compliant Explain

44. **The Audit Committee should be informed of any structural or corporate modifications planned by the Company, so it can analyse the plans in question and provide a preliminary report to the Board on the economic conditions and accounting impact of such plans and, when applicable, the proposed exchange ratio.**

Compliant Partially compliant Explain X Not applicable

To date, all operations referred to in this recommendation have been approved by the favourable vote of all Company directors, including the independent directors, so the preliminary steps of the Audit Committee have not been considered necessary.

45. **The company's control and risk management policy should at least specify:**

a) **The different types of financial and non-financial risk (operational, technological, legal, social, environmental, political and reputational) to which the company is exposed with the inclusion of contingent liabilities and other off-balance sheet risks among the financial or economic risks.**

b) **Determining the risk levels the company considers to be tolerable.**

c) **Measures in place to mitigate the impact of risk events, should they occur.**

d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Compliant X Partially compliant Explain

46. **Under the direct supervision of the Audit Committee or, when applicable, a specialised committee of the Board of Directors, a risk control and management function should be established under one of the Company's internal units or departments. This function should be expressly charged with the following functions:**

a) **To ensure the proper functioning of internal control and risk management systems, and in particular, verify that all significant risks affecting the Company are properly identified, managed and quantified.**

b) **Take an active part in preparing the risk strategy and in important decisions**

with regard to the management thereof.

c) **Ensure that risk control and management systems are adequately mitigating risks within the framework of the policy drawn up by the Board of Directors.**

Compliant X Partially compliant □ Explain □

47. **Members of the Appointments and Remuneration Committee or the Appointments Committee and Remuneration Committee (when operating separately) should be appointed bearing in mind their knowledge, skills and experience, which should be appropriate for the duties they will be called upon to perform; and independent directors should constitute the majority of these committee members.**

Compliant Partially compliant X Explain □

At present, the members of the appointments and remuneration committee consist of two proprietary and two independent directors, and one of the independent directors is the Chair.

FCC understands that the configuration of the Appointments and Remuneration Committee, with two independent directors out of a total of four, one of whom is the Chair, sufficiently guarantees the proper operation of this Committee while complying with the philosophy or spirit of the recommendation.

48. **Large-cap companies should have separate Appointments and Remuneration Committees.**

Compliant □ Explain X Not applicable □

The two recommended committees fall within the scope of a single appointments and remuneration committee since the Board of Directors considers that joining the two facilitates compliance with their assigned duties.

49. **The Appointments Committee should consult with the Chairman of the Board of Directors and the Chief Executive of the Company, especially on matters related to executive directors.**

Any board member may submit directorship proposals to the Appointments Committee for its consideration.

Compliant X Partially compliant □ Explain □

50. **The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:**

a) **Propose to the Board of Directors the basic contractual terms and conditions for hiring senior executives.**

b) **Oversee compliance with the remuneration policy set by the company.**

c) **Periodically review the remuneration policy applied to directors and senior**

management positions, including stock option systems and their application, as well as ensuring that the individual remuneration is in proportion to what is paid to other directors and senior management positions of the Company.

d) Seek to ensure that any potential conflicts of interests do not jeopardise the independence of the external advice furnished to the committee.

e) Verify the information on the pay of directors and senior managers contained in corporate documents, including the Annual Directors' Remuneration Report.

Compliant X Partially compliant Explain

51. The Remuneration Committee should consult with the Chairman and Chief Executive of the company, especially on matters concerning executive directors and senior officers.

Compliant X Partially compliant Explain

52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) These committees should be formed exclusively of non-executive Directors and have a majority of independent Directors.

b) Committees should be chaired by an independent director;

c) The Board of Directors should appoint the members of such committees in consideration of the knowledge, aptitudes and experience of its directors and the duties assigned to the respective committee; discuss their proposals and reports; and be accountable for supervising and evaluating their work, which should be reported to the next plenary following a given board meeting.

d) The committees may engage the services of external advisers, should they deem it necessary for the discharge of their duties.

e) Minutes must be drawn up of their meetings and a copy of the minutes sent to all board members.

Compliant X Partially compliant Explain Not applicable

53. The task of supervising compliance with Corporate Governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

a) Supervision of compliance with the company's internal codes of conduct and the Company's corporate governance rules.

b) Supervision of the communication and shareholder and investor relations

strategy, including small and medium-sized shareholders.

c) Periodic evaluation of the adequacy of the Company's corporate governance system, to ensure that it fulfils its mission of promoting the company's interests, and, where applicable, that it takes the legitimate interests of other stakeholders into account.

d) The review of the Company's corporate social responsibility policy, ensuring that it is oriented towards creating value.

e) Monitoring of the CSR strategy and practice, and evaluation of the degree of compliance thereof.

f) Monitoring and evaluating the company's processes for maintaining relations with the various stakeholders.

g) Evaluation of all matters linked to non-financial risks at the company, including operating, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the process for reporting information of a non-financial nature or concerning diversity issues in conformity with the applicable rules and regulations and generally accepted international standards.

Compliant X   Partially compliant   Explain

54. The company's CSR policy should include the principles and commitments upheld voluntarily by the company in its relations with the various stakeholders, and should at least identify:

a) The goals of the corporate social responsibility policy and the development of instruments of support.

b) Corporate strategy in relation to sustainability, environmental issues and social issues.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social issues, environmental issues, diversity issues, tax responsibility, human rights and crime prevention.

d) The methods or systems for monitoring the results of adhering to the aforementioned practices, along with the associated risks and their management.

e) The mechanisms for supervising non-financial risk, ethics and business conduct.

f) The company's channels for communication, participation and dialogue with stakeholders.

g) Responsible communication practices that avoid manipulating information and safeguard integrity and honour.

Compliant X   Partially compliant   Explain

55. The company should provide information, either in a separate document or as part of its management report, on issues related to corporate social responsibility, using any of the internally accepted methodologies.

Compliant X Partially compliant Explain

56. External directors' remuneration should suffice to attract and retain the directors with the desired profile, and should sufficiently compensate them for the dedication, abilities and responsibilities that their post entails, but nor should it be so high as to compromise non-executive directors' independence of criteria.

Compliant X Explain

57. Only executive directors should be eligible for variable remuneration arrangements linked to the company's performance and personal performance, and remuneration comprising the delivery of shares in the company or other companies in the group, share options or rights to shares or other instruments referencing underlying share values, and long-term savings plans like pension arrangements.

The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.

Compliant X Partially compliant Explain

58. In the case of variable remuneration, remuneration policies should include technical safeguards and limits to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of this kind.

In particular, the variable components of remuneration should:

a) Be linked to performance criteria that are pre-determined and measurable and said criteria should consider the risk assumed to obtain the result.

b) Promote the long-term sustainability of the company and include non-financial criteria that are adequate to create long-term value, such as compliance with the Company's internal rules and procedures and its risk control and management policies.

c) Are configured on the basis of a balance between compliance with short-, medium- and long-term goals, allow ongoing performance-linked remuneration during a sufficient period to appreciate their contribution to the sustainable creation of value, so that the elements to measure this performance do not revolve solely around specific, occasional or one-off events.

Compliant X Partially compliant Explain Not applicable

59. Payment of a significant portion of variable remuneration components should be deferred for a sufficient minimum period of time to verify that the previously established performance conditions have been fulfilled.

Compliant X Partially compliant Explain Not applicable

60. In the case of remuneration linked to Company earnings, deductions should be computed for any qualifications stated in the statutory auditor's report.

Compliant X Partially compliant Explain Not applicable

61. **A significant percentage of the variable remuneration of executive directors should consist in the delivery of shares or financial instruments linked to their value.**

Compliant Partially compliant Explain X Not applicable

The FCC Group's compensation policy does not allow ties to the award of shares or financial instruments whose value is linked to the share price.

62. **Following the award of shares, share options or other rights on shares derived from the remuneration system, Directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

The foregoing shall not apply to certain cases of shares that a director needs to divest in order to meet the costs associated with their acquisition.

Compliant Partially compliant Explain Not applicable X

63. **Contractual agreements should include a clause allowing the Company to claim payment of the variable components of remuneration when performance has failed to match the payment or when these components have been paid based on information which has later proven to be inaccurate.**

Compliant Partially compliant X Explain Not applicable

In the case of variable compensation at Aqualia, FCC Group's Comprehensive Water Management company, the possibility of claiming the return of all or part of the incentive paid in certain cases.

64. **Severance payments should not exceed a set amount equivalent to two years of total annual remuneration and must not be paid until the company has been able to verify that the director has fulfilled the previously established performance criteria.**

Compliant X Partially compliant Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or group companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation associated with the above sections of this report.

   Specifically indicate whether the Company is subject to Corporate Governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.
3. Also state whether the Company voluntarily subscribes to other international, sectorial or ethical principles or standard practices. If applicable, identify the Code and date of adoption. In particular, mention whether the Spanish Code of Good Tax Practices of 20 July 2010 was adhered to.

VOLUNTARY ADHERENCE TO CODES OR BEST PRACTICES:

Since 2008 FCC has had a Code of Ethics, the latest version of which was approved by the Board of Directors in February 2018. Furthermore, during 2018 the Group's Board of Directors approved a set of regulations regarding Compliance and a risk control system covering the entire Group.

The Group has a Whistleblowing Channel in place for employees to report potential infringements of the Code of Ethics and Conduct and criminal activity.

FCC has been a signatory to the United Nations Global Compact since 7 May 2007.

On 28 July 2010, the Board of Directors of FCC, S.A. resolved to comply with the Spanish Code of Good Tax Practices and effectively complies each year with the relevant obligations.

This Annual Corporate Governance Report was approved by the company’s Board of Directors at its meeting held on 26 February 2019.

List whether any directors voted against or abstained from voting on the approval of this report.

Yes ☐ No X

Name or corporate name of director	Reasons (voted against, abstained, non-attendance)	Explain the reasons

Observations