



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

BUSINESS YEAR 2022

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1. INTRODUCTION

The Audit and Control Committee (the "**Committee**" or "**ACC**") of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**"), in accordance with Articles 40.7 of the Bylaws and 37.6 of the Regulations of the Board, has drawn up this report on its activities and operations during the 2022 business year (the "**ACC Report**"), which will be made available to shareholders on the Company's corporate website on the occasion of the publication of the notice of the Ordinary General Shareholders' Meeting.

2. REGULATIONS AND PRACTICAL GUIDELINES FOLLOWED

The composition, powers and functioning of the ACC are regulated in the Bylaws (article 40) and in the Regulations of the Board of Directors (article 37), based on articles 529 terdecies and 529 quaterdecies of the Corporate Enterprises Act, and the recommendations of the Good Governance Code for Listed Companies approved by the CNMV on 18 February 2015 and revised on 26 June 2020.

In the exercise of its functions, the ACC starts from the provisions of the Code of Good Governance and has also taken into account the basic principles and recommendations of the CNMV Technical Guide 3/2017 on Audit Committees of Public Interest Entities (the "**Technical Guide 3/2017**"). In particular, this report includes the information contained in paragraph 79 of Technical Guide 3/2017.

3. COMPOSITION

Pursuant to articles 40.1 of the Bylaws and 37. 1 of the Regulations of the Board of Directors, the Board of Directors must have an Audit and Control Committee without executive functions and with information, advisory and proposal-making powers within its scope of action, which shall be composed of a minimum of three (3) and a maximum of six (6) directors, appointed by the Board of Directors, taking into account, as a whole, their knowledge and experience in accounting, auditing and risk management, both financial and non-financial, and especially with respect to its Chairman, their knowledge and experience in accounting, auditing and risk management, both financial and non-financial, following a report from the Appointments and Remuneration Committee (the "**ARC**"), for a period not exceeding their term of office as directors and notwithstanding that they may be re-elected indefinitely, insofar as they are also re-elected as directors.

Pursuant to article 16.4 of the Regulations of the Board of Directors, the Secretary shall provide each new Director with a copy of the Bylaws, the Regulations of the Board, the Code of Ethics of the FCC Group, the Internal Code of Conduct in the Securities Market, the latest annual

statements and management reports, both individual and consolidated, approved by the General Shareholders' Meeting, the audit reports corresponding thereto and the latest economic and financial reporting sent to the markets. They shall also be given the names and details of the current statutory auditors and their representatives.

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

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

As at 31 December 2022, the composition of the ACC is as follows and remains unchanged during 2022:

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

In compliance with articles 529 quaterdecies of the Corporate Enterprises Act and 37.2 of the Regulations of the Board of Directors, as stated above, at least one of the members of the ACC must have knowledge and experience in accounting, auditing or both for the diligent performance of their duties, and independent directors Manuel Gil Madrigal and Álvaro Vázquez de Lapuerta comply with this requirement. In addition, all members of the Committee shall have relevant technical expertise in relation to the sector in which the Company operates.

The professional profile and experience of ACC members is available on the Society's corporate website (www.fcc.es).

4. FUNCTIONING

The functioning of the Committee is governed by the following basic principles: responsibility, scepticism, constructive dialogue that promotes the freedom of expression and critical attitude of its members, continuous dialogue with internal audit, the statutory auditor and management, sufficient analytical capacity and the ability to seek and obtain the advice of external experts when deemed appropriate by the Committee.

The Secretary of the ACC and, as the case may be, the Deputy Secretary, shall assist the Chairman and ensure the proper functioning of the ACC, taking care to duly reflect in the minutes the course of the meetings, including all deliberations and the resolutions ultimately passed. Minutes of each meeting shall be drawn up by the Secretary or acting secretary and signed by the Secretary of the Committee with the approval of the Chairman.

The ACC is validly constituted when the majority of its members are present or represented, and its resolutions are adopted by an absolute majority of its members present or represented, with the Chairman having the casting vote in the event of a tie, in accordance with articles 37.3 of the Regulations of the Board of Directors and 40.6 of the Bylaws.

Articles 40.5 of the Bylaws and 37.6 of the Regulations of the Board provide that the ACC shall meet at the discretion of its chairman, or at the request of two of its members, as often as necessary to perform its duties and at least once every quarter.

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

5. REMIT

The ACC is vested with the powers set out in Articles 40.4 of the Bylaws and 37.4 of the Regulations of the Board of Directors, in accordance with Article 529 quaterdecies of the Corporate Enterprises Act.

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

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

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

For this purpose, and where appropriate, the ACC may submit recommendations or proposals to the Board of Directors and set a deadline for their follow-up;

- (iv) establish appropriate relations with the external auditor to receive information on issues that may pose a threat to their independence, for scrutiny by the Committee, and any other relating to the process of conducting accounts audits. It shall also, where appropriate, authorise services other than those prohibited, under the terms provided for in the regulations governing account auditing activities on the system of independence, as well as any other communications provided for in account auditing legislation and in auditing standards;
- (v) ensure the independence of the external auditor by establishing, in particular, appropriate measures: 1) to ensure that the engagement of advisory and consultancy services with said auditor or companies in its group does not entail a risk to its independence, for which purpose the Committee shall request and receive annually from said auditor a declaration of its independence in relation to the Company or entities directly or indirectly related to it, as well as detailed and individualised information on additional services of any kind rendered and the

corresponding fees received from those entities by the external auditor or by the persons or entities related to it, in accordance applicable law and regulations governing the auditing of accounts; 2) for the Company to notify the CNMV of the change of auditor, accompanied by a statement and description of any disagreements with the outgoing auditor, and, in the event of resignation of the external auditor, to examine the circumstances giving rise to such resignation; and 3) to ensure that the Company and the external auditor comply with current rules on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence, and to ensure that the external auditor's remuneration for its work does not compromise its quality or independence; and

- (vi) seek to ensure that the Company's auditor also audits the companies that make up the wider group.
- c) Each year, prior to the issuance of the account auditing report, issue a report expressing an opinion on whether the independence of the auditors or audit firms may have been compromised. This report shall contain, in any case, a reasoned assessment on the provision of each and every one of the additional services referred to in section b) v) 1) above, taken individually and as a whole, other than the statutory audit and in relation to the system of independence or the regulations governing the account auditing activities.
- d) Supervise the Company's internal audit unit in ensuring the proper functioning of reporting and internal control systems and functionally reporting to the Chairman of the Committee. In this regard, the person responsible for the internal audit function must present its annual work plan to the Committee for approval, detailing any incidents and scope limitations that may have arisen when implementing the plan, as well as the results and the follow-up of its recommendations, and shall submit to the Committee a report on its activities at the end of each business year. The Committee must ensure that its activity is primarily focused on material risks (including reputational risks).
- e) Supervise the internal risk management and control unit, which shall have the following minimum duties:
 - (i) ensuring the proper functioning of the control and risk management systems and, in particular, that all important risks affecting the Company are properly identified, managed, and quantified;
 - (ii) actively participating in the preparation of the risk strategy and in the important decisions regarding its management; and

- (iii) ensuring that the control and risk management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.
- f) Supervise and analyse the effectiveness of the Company's internal control and the risk control and management policy approved by the Board of Directors, ensuring that it identifies or determines at least:
 - (i) the various types of risks (inter alia, operational, technological, legal, social, environmental, political and reputational, including corruption-related risks) to which the Company is exposed, including financial or economic risks, contingent liabilities and other off-balance sheet risks;
 - (ii) a tiered risk management and control model;
 - (iii) the level of risk that the Company considers acceptable;
 - (iv) the measures planned to mitigate the impact of the risks identified, should they materialise; and
 - (v) the reporting and internal control systems to be used to control and manage these risks, including contingent liabilities and off-balance sheet risks, and submit them to the Board for approval.
- g) Supervise the process of preparing and presenting separate and consolidated annual accounts and management reports, and the periodic financial information to be disclosed to the markets; and submit recommendations or proposals to the Board of Directors with a view to safeguarding their integrity by ensuring compliance with legal requirements and generally accepted accounting principles and reporting to the Board of Directors before the latter passes resolutions on any of the following matters:
 - (i) the financial information and the management report, including, where appropriate, any non-financial information that the Company must periodically disclose, ensuring that the interim accounts are prepared on the same basis as the annual accounts and, to this end, considering the desirability of arranging a limited review by the Company's external auditors; and
 - (ii) the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the FCC Group.
- h) Ensuring that the annual financial statements that the Board of Directors submits to the General Shareholders' Meeting are drawn up in accordance with accounting regulations. Whenever the auditor includes a qualification in its audit report, the Chairman of the ACC shall clearly explain, at the General Shareholders' Meeting, the

Committee's opinion on the content and scope of said qualification. A summary of such opinion shall be made available to the shareholders at the time the meeting announcement of the General Shareholders' Meeting is published, together with all the other proposals and reports of the Board.

- i) In relation to reporting and internal control systems:
 - (i) supervise and evaluate the preparation process and the integrity of all financial and non-financial information relating to the Company and, as the case may be, to its Group, reviewing compliance with regulatory requirements, the adequate definition of the scope of consolidation and the correct application of accounting criteria;
 - (ii) periodically supervise and assess the internal control and financial and non-financial risk management systems relating to the Company and, as the case may be, its group, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks, so that the main risks are properly identified, managed and disclosed;
 - (iii) ensuring the independence and effectiveness of the internal audit function, proposing the selection, appointment and dismissal of the head of the internal audit service, as well as the internal audit service's budget, receiving regular information on its activities and verifying that senior management takes into account the conclusions and recommendations of its reports;
 - (iv) receiving regular information from the Response Committee and from the Management Control and Risk Management Department on the performance of their duties and the functioning of internal controls;
 - (v) establishing and supervising a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial, accounting or any other irregularities related to the Company that they become aware of within the Company or its group. This mechanism must guarantee confidentiality and, in any case, allow for anonymous communications to be made to protect and uphold the rights of both the complainant and the person being reported.
 - (vi) ensure that the policies and systems in place for internal control are effectively implemented in practice; and
- j) report on the related-party transactions that must be approved by the General Meeting or the Board of Directors and supervise the internal procedure established by the

Company for those matters the approval of which has been delegated in accordance with applicable law and regulations.

- k) Supervise compliance with the Company's environmental, social and corporate governance policies and rules, and also the internal codes of conduct and, in particular:
- (i) see to it that internal codes of conduct and corporate governance rules comply with regulatory requirements and are appropriate for the Company, likewise ensuring that the corporate culture is aligned with the Company's purpose and values and verifying effective compliance by persons subject to those codes and governance rules and their reporting obligations to the Company.
 - (ii) oversee compliance with the Company's corporate governance rules and internal codes of conduct, and ensure that the corporate culture is aligned with its purpose and values;
 - (iii) oversee the effective implementation of the general policy on economic-financial, non-financial and corporate reporting as well as communication with shareholders and investors, proxy advisors and other stakeholders. The Committee shall also monitor how the Company communicates and interacts with small and medium-sized shareholders;
 - (iv) regularly evaluate and review the Company's corporate governance system and environmental and social policy, in order for them to fulfil their aim of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders;
 - (v) ensure that the Company's environmental and social practices are in line with the established strategy and policy; and
 - (vi) supervise and evaluate relations with the Company's various stakeholders.
- l) Issue such reports and proposals as may be requested by the Board of Directors or by the Chairman of the Board and such others as it deems appropriate for the best performance of its functions and, in particular, (i) issue a report on proposed amendments to the Regulations of the Board, in accordance with the provisions of article 4.3 thereof; (ii) decide on requests for information that the Directors, in accordance with article 26.3 of the Regulations of the Board, send to this Committee; and (iii) request, where appropriate, the inclusion of items on the agenda of Board meetings under the conditions and within the deadlines established in article 34.3 of the Regulations of the Board.

6. ACTIVITIES

a) Meetings held.

The ACC met a total of nine (9) times in business year 2022, complying with the requirement established in the Company Bylaws (article 40.5) and in the Rules of the Board of Directors (article 37.6) that the ACC meets at least on a quarterly basis. The following is the schedule of ACC meetings held during business year 2022:

First quarter	Second quarter	Third quarter	Fourth quarter
23 February	26 April	28 July	3 November
24 March	15 June	13 September	13 December
			27 December

Announcements of ACC meetings were sent out in due course, in accordance with applicable rules and regulations. This information must be delivered sufficiently in advance of the meeting so that its members have time to analyse and evaluate the information. Specific meetings are also held with internal and external auditors and with members of management as and when needed. Most ACC members regularly attend the meetings.

The Company provides the necessary information and resources to the members of the Committee so that they are made duly aware of the matters to be discussed at the meetings and can actively take part, as well as for the due fulfilment of the Committee's own functions and competencies.

In particular, for the effective performance of the ACC's functions, members have the right and the duty to obtain information from the different Company executives and, in particular, from those responsible for internal governance areas, as well as to receive external advice. Thus, in 2022 the following managers and professionals formally attended ACC meetings upon the invitation of the Chairman:

- General Administration Department: eight times.
- FCC General Administration and Finance Division, seven times.
- Information Systems and Technologies Division, once.
- General Internal Audit Division, eight meetings.
- Legal Advisory Division, four times.
- HR Division, twice.

- Tax Department, three times.
- *Compliance Officer* of the FCC Group, five times.
- Representatives of the statutory auditor, four times.
- FCyC Division, once.
- Representatives of the firm Deloitte (external advisor), once.

The ACC duly complies, through its Secretary, with its obligation to draw up minutes of its meetings, which duly reflect the proceedings of the meetings and the content of the deliberations and the resolutions adopted. Resolutions were adopted unanimously in all cases.

b) Significant activities carried out.

Within the framework of Recommendation 6 of the Good Governance Code of Listed Companies and in the Annual Corporate Governance Report for the 2022 business year, the actions taken by the ACC during the year are described below:

(i) In relation to the external audit:

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

(ii) In relation to corporate governance:

- Submitting a favourable report on the FCC Annual Corporate Governance Report for 2021.
- Supervising compliance with the Company's environmental, social and corporate governance policies and rules, and also the internal codes of conduct.
- Approving the proposed update of the FCC Code of Ethics and Conduct for submission to the Board.
- Reporting favourably to the Board, the approval of the FCC Group's Sustainability Policy.
- Approving the FCC Group's Competition Policy, for presentation to the Board. Submission to the CNMV and the Stock Exchanges of the information required by legislation currently in force.
- Approving, in compliance with Article 34.9 of the Board Regulations, the self-assessment report on the functioning of the Company's ACC for 2021, to be submitted to the Board of Directors.
- Approving the ACC's activities report for 2021.
- Reporting, globally, on communications received through the Internal Whistleblowing Channel and the actions carried out to this end. An internal communication channel and procedure is in place, allowing employees and third parties to confidentially raise concerns and report misconduct.
- It has favourably reported to the Board for the approval of the FCC Group Proposal Policy.

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

- Supervising the process of preparing and presenting the separate and consolidated annual accounts and management report, as well as the financial information to be periodically disclosed to the markets.
- Issuing a favourable report on the annual, half-year and quarterly financial information, and on the process of preparing it.
- Submitting a favourable report to the Board on the preparation of FCC's annual accounts and management report (both separate and consolidated) for 2021.
- Submitting a favourable report to the Board on the amounts to be allocate to Legal Reserve and Voluntary Reserves.

- In relation to the proposal to the Board of Directors of the Company, for submission by the latter to the General Shareholders' Meeting, of a flexible dividend (scrip dividend), the review by the members of the Committee of the compensation mechanism for shareholders to ensure that the options of (i) transferring the free allotment rights to the Company by virtue of the Purchase Commitment were economically equivalent, was particularly relevant; and (ii) receiving such amount in New Shares, i.e. without, in economic terms, favouring or penalising any of such options.
- Report favourably to the Board on FCC's Non-Financial Reporting Statement (Sustainability Report) for the 2021 business year.
- It has reported favourably on the work necessary to comply with the legal obligations for the implementation and reporting of an Environmental Sustainability model, which complies with the requirements of the EU Taxonomy model.
- Report favourably on the adequacy of the information contained in the "Interim Statement", referring to the first and third quarters of 2022, in accordance with the provisions of article 20, section 1, of Royal Decree 1362/2007, of 19 October, and the provisions that develop it, recommending its approval by the Board of Directors and its submission to the CNMV and Stock Exchanges.
- Reporting favourably on the adequacy of the information contained in the financial statements for the first half of 2022 ("Condensed annual accounts" and "Interim Management Report") in respect of the Article 11 et seq. of Royal Decree 1362/2007 of 19 October, and its implementing provisions.
- Submitting a favourable report on the process of preparing the consolidated interim Management Report of FCC, as provided for in Article 11 of Royal Decree 1362/2007, and the consolidated financial statements at 30 September 2022, recommending their approval by the Board of Directors and their submission to the CNMV and stock exchanges.
- It has reported favourably on the purchase of land for business operations.

(iv) In relation to risk management and control:

- It has supervised the Company's risk control and management policy, reviewing the identification of the most relevant risks and the adoption of the necessary measures to mitigate their impact.
- Take note of the matters relating to Tax Risk Reports, Legal Risk Reports and Labour Risk Reports.
- Taking note of matters relating to the anti-money laundering and counter terrorism financing manual.

- Pursuant to article 24.4 of the Regulations of the Board and in accordance with the provisions of article 529 duovicies(3) of the Corporate Enterprises Act, issuing a report prior to the approval, by the General Shareholders' Meeting or by the Board of Directors, of a Related Party Transaction, assessing whether the transaction is fair and reasonable from the point of view of the Company and, if applicable, of the shareholders other than the related party. Likewise, supervising the internal procedure established in the Company for those related-party transactions whose approval has been delegated in accordance with applicable regulations.

(v) *In relation to internal audit:*

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

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

In relation to the independence of the external auditors, the Committee has received from ERNST & YOUNG written confirmation of their independence from the Audit and Control Committee, as well as information regarding the non-audit services that the external auditor has provided to the Company and its Group during business year 2022. This statement expressly indicates that the auditor did not, in 2022, fall within any of the causes of incompatibility established for this purpose in the Spanish Audit Act; and in view of the information available, the Committee has not identified any factors that may jeopardise the independence of the auditor ERNST & YOUNG.

Further details can be found in the Report of the Audit and Control Committee on Statutory Auditors' Independence for business year 2022.

8. ASSESSMENT AND CONCLUSIONS

The ACC has issued this report on its activities and operation during the 2022 business year so that the Board of Directors may evaluate it, in compliance with the provisions of article 34.9 of the Regulations of the Board of Directors, which incorporates recommendation 36 of the Good Governance Code of Listed Companies and article 529 nonies of the Corporate Enterprises Act.

The aforementioned assessment concludes that the ACC duly fulfils its formal obligations and organises and functions effectively for the performance of its duties and the ultimate achievement of its aims. Notwithstanding the foregoing, this Committee shall inform the Board of Directors, whenever it deems appropriate, of those aspects of improvement that may contribute to a better performance by the Committee of its functions.

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

This *report on the activities of the Audit and Compliance Committee* was drawn up by the Committee on 21 April 2023 and approved by the Board of Directors of the Company at its meeting held on the same date.