



**ACTIVITIES REPORT OF THE APPOINTMENTS AND REMUNERATION  
COMMITTEE OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**

**BUSINESS YEAR 2022**

## Contents

1. INTRODUCTION.....	3
2. REGULATIONS AND PRACTICAL GUIDELINES FOLLOWED .....	3
3. COMPOSITION .....	3
4. FUNCTIONING .....	4
5. REMIT .....	5
6. ACTIVITIES.....	7
7. ASSESSMENT AND CONCLUSIONS.....	10
8. DATE OF DRAFTING OF THE REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS.....	10

## **1. INTRODUCTION**

The Appointments and Remuneration Committee (the '**Committee**' or '**ARC**') of Fomento de Construcciones y Contratas, S.A. ("**FCC**" or the "**Company**"), in accordance with Articles 41.6 of the Bylaws and 38.7 of the Regulations of the Board of Directors, prepares this report on its activities and operation during business year 2022 (the "**ARC Report**"), which will be made available to the 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 ARC are regulated in the Bylaws (article 41) and in the Regulations of the Board of Directors (article 38), based on articles 529 terdecies and 529 quindecies of the revised text of the Corporate Enterprises Act and on the recommendations of the Good Governance Code of Listed Companies approved by the CNMV on 18 February 2015 and revised on 26 June 2020.

In performing its duties, the ARC is based on the provisions of the Code of Good Governance and has also taken into account the basic principles and recommendations of the ARC's Technical Guide 1/2019 on Appointments and Remuneration Committees (the "Technical Guide 1/2019"). In particular, this report includes the information described in section three, paragraph 11 of Technical Guide 1/2019.

## **3. COMPOSITION**

Pursuant to Articles 41.1 of the Bylaws and 38.1 of the Regulations of the Board of Directors, the Board of Directors must have an Appointments and Remuneration 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 four (4) and a maximum of six (6) directors, appointed by the Board of Directors, for a period not exceeding their term of office as directors and notwithstanding that they may be re-elected indefinitely, insofar as they were also re-elected as directors.

All members of the ARC must be non-executive directors, of whom at least two (2) must be independent directors and another two (2) proprietary directors. The Committee shall appoint the Chairman from among its independent members. The Committee shall also have a Secretary with the right to speak but not to vote. The Secretary need not be a director.

As at 31 December 2022, the composition of the ARC was as follows and remained unchanged during 2022:

<b>Name</b>	<b>Category</b>	<b>Position</b>	<b>Date of last appointment</b>
<b>Mr Álvaro Vázquez de Lapuerta</b>	Independent director	Chairman	08/05/2019
<b>Dominum Desga, S.A., represented by Ms Esther Alcocer Koplowitz</b>	Proprietary director	Voting member	02/06/2020
<b>Mr Juan Rodríguez Torres</b>	Proprietary director	Voting member	02/06/2020
<b>Mr Manuel Gil Madrigal</b>	Independent director	Voting member	08/05/2019
<b>Felipe Bernabé García Pérez</b>	Secretary	Non-member	

The professional profile and experience of ARC members is available on the Society's corporate website ([www.fcc.es](http://www.fcc.es)).

#### **4. FUNCTIONING**

The functioning of the Committee is governed by the following basic principles: independence and scepticism, constructive dialogue promoting freedom of expression, internal dialogue and sufficient analytical capacity and the use of external expert advice when deemed appropriate by the Committee.

The ARC Secretary assists the Chairman and ensures the proper functioning of the ARC, taking care to duly reflect in the minutes the course of the meetings, the content of the deliberations and the resolutions adopted. 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 ARC 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 38.3 of the Regulations of the Board of Directors and 41.5 of the Bylaws.

The Bylaws (article 41.4) and the Regulations of the Board (article 38.7) provide that the ARC 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 a quarter.

Pursuant to Article 41.6 of the Bylaws, the ARC shall draw up an action plan for the year, which it shall report to the Board of Directors, as well as a report on its activity during the year, which shall serve as the basis for the assessment conducted by the Board of Directors.

## **5. REMIT**

The ARC is vested with the powers set out in Articles 41.3 of the Bylaws and 38.4 of the Regulations of the Board of Directors, pursuant to Article 529 quincecies of the Corporate Enterprises Act.

The ARC shall have powers of information, advice and proposal within its competencies, and in addition to the functions established by law, the bylaws or in accordance with the Regulations of the Board of Directors, it shall be responsible for the following:

- a) Evaluate the skills, knowledge and experience required of the Board of Directors. For these purposes, it shall define the duties and skills required of the candidates to fill each vacancy and shall assess the time and dedication necessary for them to discharge their duties effectively, ensuring that the non-executive directors have sufficient time available for the proper performance of their duties.
- b) Examine and organise the succession of the Chairman of the Board of Directors and the CEO and, where applicable, make proposals to the Board of Directors so that this succession takes place in an orderly and suitably planned manner.
- c) Present to the Board of Directors proposals for the appointment of independent directors for their appointment by co-option or for their submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of said directors by the General Shareholders' Meeting.
- d) Report on proposals for the appointment of the remaining directors for their appointment by co-option or for their submission to the decision of the General Shareholders Meeting, as well as proposals for their re-election or removal by the General Shareholders Meeting.
- e) Report on proposals for the appointment and removal of senior officers, as well as propose the basic conditions of their contracts, which the chief executive proposes to the Board, proposing the persons or positions that should be considered senior officers

of the Company, in addition to those contemplated in article 2.2 of the Regulations of the Board, and preparing the proposals for reprimands referred to in article 19.2.d) of the Regulations of the Board.

It shall likewise issue a preliminary report on appointments to positions or posts the annual remuneration of which is equal to or higher than the figure established by the Committee itself in each case, which must be reported to the Board of Directors.

- f) Propose to the Board of Directors the remuneration policy for directors and general managers or those who discharge senior management duties under the direct supervision of the Board, the Executive Committee or the Chief Executive Officer, as well as the individual remuneration and other contractual terms of executive directors, while verifying compliance therewith.

It shall also report and make proposals on multi-year incentive plans affecting the Company's senior management and, in particular, those that may be established in relation to the price of the share.

- g) Report to the Board of Directors, in advance, on the individual determination of the remuneration of each Director in his capacity as such within the framework of the bylaws and the remuneration policy, as well as on the individual determination of the remuneration of each Director for the performance of the executive duties attributed thereto within the framework of the remuneration policy and in accordance with the provisions of his/her contract.
- h) Periodically review the remuneration policy applied to directors and senior executives, including, as the case may be, share-based remuneration schemes and their application; and ensure that their individual remuneration is commensurate to that paid to other directors and senior executives of the Company. It shall likewise verify the information on remuneration of directors and senior executives contained in the various corporate documents, including the annual report on director remuneration.
- i) Prepare and keep a record of FCC directors and senior managers.
- j) “Assist the Board in its function of ensuring that the procedures for selecting its members favour diversity with respect to matters such as age, gender, disability or professional training and experience and do not suffer from implicit biases that could imply any discrimination and, in particular, that they facilitate the selection of female directors in a number that allows a balanced presence of women and men to be achieved, in such a way that the Company deliberately seeks and includes, among the potential candidates, women who meet the desired professional profile. The Board must explain, where appropriate, through the Annual Corporate Governance Report, the reason for

any low or non-existent number of female directors and the initiatives adopted to remedy that situation.

For this purpose, it should set a target for representation of the under-represented gender on the Board of Directors and develop guidance on how to achieve this target.

- k) Report on the proposals for appointment of the members of the committees of the Board of Directors.
- l) Report on the appointment of the Chairman of the Board and the Vice-Chairmen, and also inform on the appointment and removal of the Secretary and, as the case may be, the Vice-Secretary of the Board.
- m) Verify the relevant categories of directors as set out in Article 6.3.
- n) Report, in advance, to the Board of Directors on all matters provided for by law, the Bylaws and the Regulations of the Board.
- o) Receive and keep the register of situations referred to in section g) above and the personal information provided by Directors, as established in article 25 of the Regulations of the Board.
- p) Request, if applicable, the inclusion of points in the Agenda of the Board meetings, with the conditions and within the deadlines set forth in article 34.3 of the Rules of the Board.
- q) Ensure that any conflicts of interest do not undermine the independence of any external advice provided to the Committee.

## 6. ACTIVITIES

### a) Meetings held.

The ARC has met a total of six (6) times during business year 2022. The schedule of ARC meetings held during business year 2022 is reported below:

First quarter	Second quarter	Third quarter	Fourth quarter
23 February	26 April	-	3 November
24 March	14 June		13 December

Announcements of ARC 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. ARC 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, and to ensure that the ARC is effectively able to discharge its duties, members have the right and the duty to gather information from the different executives of the Company and, in particular, from those responsible for the areas of internal governance. Thus, in 2022 the following managers and professionals formally attended ARC meetings upon the invitation of the Chairman:

- FCC Administration and Finance Division: six times.
- HR Division, five times.

The ARC duly complies, through its Secretary, with its obligation to take minutes of its meetings, in which the course of the meeting, including all deliberations and resolutions passed, are duly reflected. 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 ARC during the year are described below:

*(i) In relation to corporate governance:*

- Report on the functioning of the ARC in 2021.
- Report ratifying the current categories (proprietary, independent and executive) of the members of the Board.
- Report on the Chairman of the Board of Directors and Report on the Chief Executive Officer so that the Board of Directors may assess their performance in 2021.
- Report on the ARC's activities during business year 2021.

*(ii) In relation to the Remuneration Policy:*

- Submit a favourable report on the Report-Proposal on the statutory remuneration of the Board of Directors for the 2021 business year.
- Submit a favourable report on the FCC Group's proposed salary policy for 2022.
- Approve the Variable Remuneration Plan for 2022.



- Approve the application of the Variable Remuneration Plan for the 2021 business year.
- Propose to the Board of Directors, for subsequent submission to the Ordinary General Shareholders' Meeting, the "Annual Report on Remuneration of Directors of Fomento de Construcciones y Contratas, S.A., corresponding to business year 2021".
- Report favourably to the Board, so that it may submit it to the Ordinary General Shareholders' Meeting, the Directors' Remuneration Policy for business years 2022, 2023, 2024 and 2025.
- It has proposed the individual remuneration and other contractual conditions of the executive directors, verifying compliance therewith, as well as the terms and conditions of the chief executive officer's contract, which are in line with the Company's remuneration policy.
- It has reported to the Board of Directors, in advance, on the individual determination of the remuneration of each Director in his capacity as such within the framework of the bylaws and the remuneration policy, as well as on the individual determination of the remuneration of each Director for the performance of the executive duties attributed thereto within the framework of the remuneration policy and in accordance with the provisions of the corresponding contract.
- It has regularly reviewed the remuneration policy applied to Directors and Senior Executives, including, where applicable, share-based remuneration schemes and their application, and ensured that their individual remuneration is proportionate to that paid to the other Directors and Senior Executives of the Company, as well as verified the information on remuneration of Directors and Senior Executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

(iii) With regard to the Appointments Policy:

- It has assessed the skills, knowledge and experience required on the Board, defining the roles and skills required of the candidates to fill each vacancy and assessing the time and dedication necessary for them to perform their duties well, ensuring that non-executive directors have sufficient time available for the proper performance of their duties.
- It has reported on the appointment of Senior Executives and other positions that fall within the first three levels, as well as those that have a remuneration equal to or greater than €75,000.

- Approved the Report to the Board provided for in article 529 decies of the Corporate Enterprises Act, regarding the proposed re-election of Pablo Colio Abril.
- It has reported favourably on the proposed re-election as Executive Director of Pablo Colio Abril.
- It has reported favourably on the proposal for the re-election of Pablo Colio Abril as a member of the Executive Committee of FCC.
- It has reported favourably on the re-election of Pablo Colio Abril as Managing Director of FCC.
- It has approved the Company's staff selection procedure.

It is hereby stated for the record that during the 2022 business year there were no deviations in the performance of the Committee's duties with respect to the procedures in place at the Company; nor did the Committee report to the Board of Directors on any irregularities relating to those matters that fall within the Committee's remit, as it was not aware of any such irregularities having occurred.

## **7. ASSESSMENT AND CONCLUSIONS**

The ARC 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 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.

This assessment process has concluded that the ARC 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.

## **8. DATE OF DRAFTING OF THE REPORT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS**

This *Activities Report of the Appointments and Remuneration Committee for 2022* was drawn up by the Committee on 21 April 2023 and presented to the Company's Board of Directors at its meeting held on the same date.

