

**ANNEX I**

**ANNUAL CORPORATE GOVERNANCE REPORT**

**LISTED COMPANIES**

ISSUER IDENTIFICATION

FISCAL YEAR 2007

Tax ID number A28037224

**Company Name:**

**FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.**

**Registered offices:**

**BALMES, 36  
08007 BARCELONA  
SPAIN**

**NOTE:**

This document is a replication of the information contained in the Annual Corporate Governance Report model (Circular 1/2007 of 17 March of the National Securities Market Commission) of Fomento de Construcciones y Contratas, S.A. approved at the Board of Directors meeting held on 24 March 2008. The information contained herein is exactly the same as that included in the approved report. Only the format has been changed in order to make it easier to read. In addition, the clarifications contained in the explanatory Annex in part G (OTHER INFORMATION OF INTEREST) on the official form are included here under the section titles to which they refer.

## A OWNERSHIP STRUCTURE

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

Last modified	Share Capital (€)	Number of Shares	Number of voting rights
28-06-2002	130,567,483.00	130,567,483	130,567,483

State whether there are different classes of shares with different rights:

Yes  NO

Class	Number of Shares	Par value	Par value of voting rights	Different rights

### A.2. Details of direct and indirect significant shareholders and the number of shares held at the end of the fiscal year, excluding directors:

Name or company name of Shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
INMOBILIARIA COLONIAL, S.A.	19,671,780	-	15.066

(\*) Through:

Name or company name of the direct owner of the shares	Number of voting rights	% of total voting rights

Indicate the most significant changes in the shareholder structure during the fiscal year:

Name or company name of Shareholder	Date of transaction	Description of transaction

### A.3. Complete the following tables on the members of the Board of Directors who own shares in the Company with voting rights:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	11,350	0	0.009
B-1998, S.L.	59,871,785	8,653,815	52.48
MIGUEL BLESA DE LA PARRA	2,900	0	0.002
CARTERA DEVA, S.A.	100	0	0
JUAN CASTELLS MASANA	9,409		0.007
DOMINUM DESGA, S.A.	4,132	0	0.003
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	10	0	0
EAC INVERSIONES CORPORATIVAS S.L.	32	0	0
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	8,390	0	0.006
FELIPE BERNABÉ GARCÍA PÉREZ	7,098	0	0.005
IBERSUIZAS ALFA, S.L.	1	0	0
LARRANZA XXI, S.L.	10	0	0
RAFAEL MONTES SÁNCHEZ	45,926	22.142	0.052
MARCELINO OREJA AGUIRRE	10,162	0	0.008

ANTONIO PÉREZ COLMENERO	11,087	0	0.008
MARIANO MIGUEL VELASCO	3,000	0	0.002
BALDOMERO FALCONES JAQUOTOT	1,000		0
ROBERT PEUGEOT	10	0	0

(\*) Through:

Name or company name of the direct owner of the shares	Number of direct voting rights	% of total voting rights
AZATE, S.A.	8,653,815	6.628
JOSEFA FERNÁNDEZ MAYO (SPOUSE OF RAFAEL MONTES)	22,142	0.017

% Total voting rights controlled by the Board of Directors	52.59
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**Complete the following table on the members of the Board of Directors who own direct shares in the Company:**

Name or company name of Director	Number of direct option rights	Number of indirect option rights	Equivalent number of shares	% of total share capital
—	—	—	—	—

NOTE: FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter FCC) is controlled by B-1998, S.L., which owns 52.483% of FCC's share capital. Of that amount, 59,871,785 are direct shares son and 8,653,815 are indirect shares through its subsidiary Azate, S.A.

Fomento de Construcciones y Contratas, S.A. (FCC) is controlled by B1998, S.L. which is in turn controlled by Esther Koplowitz Romero de Juseu (EK), who holds 73.37% of its share capital:

- Directly with 54.6107% and
- Indirectly with 18.7601%, through Dominum Desga, S.A. (0.0001%), and Dominum Dirección y Gestión, S.A. (18.76%), both wholly-owned by EK.

Furthermore, EK owns 123,313 direct shares in FCC and 39,172 indirect shares in FCC through the companies Dominum Desga, S.A. (4,132) and Ejecución y Organización de Recursos, S.L. (35,040), wholly-owned by EK.

The company B-1998, S.L. is partially owned by different investors (hereinafter the investors) in the amount of 26. 63%:

- Cartera Deva, S.A. (5.01%)
- Ibersuizas Holdings, S.L. (10,55%)
- Simante, S.L. (5,73%)
- Larranza XXI, S.L. (5,34%)

NOTE: On 1 February 2008, Esther Koplowitz purchased the interest held by Ibersuizas Holdings, S.L. in B-1998, S.L.

**A.4. Indicate, where applicable, the relationships of a family, commercial, contractual or corporate nature that exist between significant shareholders to the extent that they are known by the Company, except those which are irrelevant or the result of the Company's ordinary business activities:**

Name of Shareholder	Type of relationship	Brief Description
—	—	—

**A.5. Indicate, where applicable, the relationships of a commercial, contractual or corporate nature that exist between significant shareholders and the company and/or its group, except those which are irrelevant or the result of the Company's ordinary business activities:**

Name of Shareholder	Type of relationship	Brief Description
—	—	—

**A.6. Indicate shareholders' agreements that have been notified to the company pursuant to article 112 of the Stock Market Act. Describe them briefly and list the shareholders bound by the agreements:**

	Yes	No
<b>Participants in the shareholders' agreement</b>	<b>% of capital stock affected</b>	<b>Brief description of the agreement</b>
ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	RELEVANT EVENT OF 30/07/04 WWW.CNMV.ES (SEE NOTE).
ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	RELEVANT EVENT OF 13.01.05 WWW.CNMV.ES (SEE NOTE).
ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	RELEVANT EVENT OF 13.01.05 WWW.CNMV.ES (SEE NOTE).
ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	RELEVANT EVENT OF 19.07.07 WWW.CNMV.ES (SEE NOTE).
ESTHER KOPLOWITZ ROMERO DE JUSEU	52.483	RELEVANT EVENT OF 26.12.07 WWW.CNMV.ES (SEE NOTE).

NOTE: On 30 July 2004, a Relevant Event was published on the website of the CNMV which referred to the acquisition of a part of the interest held by EK in the company B-1998, S.L. by the companies Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A, and the French Peugeot family through the company Simante, S.L.

On 13 January 2005, the Group published as a relevant event the fact that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the company Larranza XXI, S.L. (a company of the Bodegas Faustino) on the transfer to the latter of a minority shareholding held by the former in the company B-1998, S.L., a company which in turn possesses, directly or indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Also on 13 January 2005, the Group published as a relevant event the fact that the company Dominum Dirección y Gestión, S.A. Sociedad Unipersonal (wholly-owned by Esther Koplowitz Romero de Juseu) reached an agreement with the investment companies company Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Ibersuizas Holdings, S.L., Cartera Deva, S.A., Arzubi Inversiones, S.A. and EBN Banco de Negocios, S.A. on the transfer to the latter of a minority shareholding held by the former in the company B-1998, S.L., a company which in turn possesses, directly or indirectly, 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

On 19 July 2007, the Group published as a relevant event the novation of the agreements of the shareholders of B-1998, S.L., which did not alter the total direct and indirect interest of Esther Koplowitz Romero de Juseu in B-1998, S.L., or the agreements between the parties relative to the governance of B-1998, S.L. directly or of Fomento de Construcciones y Contratas, S.A. indirectly or any provision relative to the control of either company.

On 26 December 2007, the Group published as a relevant event the reorganisation of the ownership of the company B-1998, S.L. Esther Koplowitz Romero de Juseu, through the company DOMINUM DIRECCIÓN Y GESTIÓN, S.A., 100% of whose capital she owns, signed a purchase-sale agreement with IBERSUIZAS HOLDINGS, S.L., effective on 20 January 2008, for 10.55% of the shares of B-1998, S.L., which owns 52.483% of the share capital of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

The price of the transaction was a 381.5 million euros which means that the underlying FCC shares were valued at 55.94 euros per share.

This transaction carried out at the request of Esther Koplowitz, which increases her ownership in FCC, resulted in the disinvestment of the Ibersuizas Group in the share capital of B-1998, S.L. and consequently of the FCC Group. Ibersuizas Holdings, S.L. will cease to be part of the shareholders' agreement that regulates the relations between the shareholders of B-1998, S.L. At the same time, on the effective date of the agreement indicated above, Ibersuizas Holdings, S.A. will step down as a member of the Board of Directors of B-1998, S.L. and Ibersuizas Alfa, S.L. will step down as a member of the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Following this reorganisation, the shareholdings in B-1998, S.L. are as follows:

Esther Koplowitz (directly or indirectly): 83.92%  
Eurocis, S.A. 5.01%  
Simante, S.L. 5.73%  
Larranza XXI, S.L. 5.34%  
Total 100.00%

The Relevant Events highlight the principal agreements relative to the control of the companies (FCC and B-1998, S.L.) reached by EK and the investors since the respective acquisitions:

- EK will continue to control B-1998, S.L., and therefore Azate, S.A. and FCC.
- The Board of Directors of B-1998, S.L. will be composed of twelve directors. The Investors will be entitled to appoint 4 directors but may never appoint more than one-third of the members of the Board of Directors of B-1998, S.L.
- EK will be entitled to appoint the majority of members of the Board of Directors of FCC and its subsidiaries. The investors as a whole may appoint up to 3 directors but never more than one-third of the members of the Board of Directors of FCC.
- EK will be entitled to designate the Chairman of the Board of Directors of FCC and the Managing Directors of FCC and at least two-thirds of the members of its Executive Committee.
- The Pay-Out of FCC will be at least 50%.

There are also numerous agreements between EK and the Investors designed to protect the latter's investment in B-1998, S.L. as minority shareholders. They are described below:

- WITH REGARD TO B-1998, S.L.:

With regard to B-1998, S.L. and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:

-amendments of the Articles of Association which involve moving the registered offices abroad, changing the business objective or increasing or reducing share capital, except when such transactions are imposed by legal imperative or when capital reductions are carried out through the acquisition of shares in B-1998, S.L., owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, by B-1998, S.L. for subsequent amortisation

or when they are carried out by means of the amortization of the shares in B-1998, S.L. owned directly or indirectly by EK or Dominum Dirección y Gestión, SA, and charged to the reserves which are only accessible to EK.

- Transformations, mergers and spin-offs in any of their forms or the overall assignment of assets and liabilities;
- The dissolution or winding up of B-1998, S.L.;
- The suppression of preferential rights in capital increases and the exclusion of shareholders;
- Any change to the administration system of B-1998, S.L.;
- The establishment or modification of the dividend policy agreed by the Investors in respect of the statutory or extrastatutory rights attached to the shares owned by the Investors;
- Any encumbrance of any relevant assets of B-1998, S.L. and specifically of FCC shares or shares in any other company in which B-1998, S.L. may hold an interest now or in the future;
- Any increase in the annual overhead costs which exceeds those shown on the Company's balance sheet ending 31 December 2003, plus the annual increase in the Consumer Price Index, plus two percentage points. For calculation purposes, the remuneration received by B-1998, S.L., as a consequence of being part of the Board of Directors of FCC (hereinafter, "FCC Board Remuneration") will be excluded as will the remuneration received by members of the Board of Directors of B-1998, S.L. to the extent that it does not exceed the remuneration of the Board of Directors of FCC;
- the granting or maintenance of powers which could entail the use of FCC stocks;
- the indebtedness of B-1998, S.L. and the giving or receiving of guarantees totalling more than 500,000;
- the creation or acquisition of direct subsidiaries (excluding FCC subsidiaries) or the taking of interests in companies other than those in which B-1998, S.L. currently holds an interest.

- WITH REGARD TO FCC:

With regard to FCC and notwithstanding the fact that as a general rule the resolutions (of the General Meeting and the Board of Directors) are governed by the principle of a simple majority of the share capital, provisions are made for a number of special circumstances where the approval of the minority shareholders will be required:

- Amendments of the Articles of Association which involve moving the registered offices abroad or increasing or reducing share capital, except when such transactions are imposed by legal imperative;
- Changes to the business objective inasmuch as they involve the incorporation of activities unrelated to the construction, services, cement and real estate sectors;
- Transformations, mergers and spin-offs in any of their forms.
- The merger of FCC Construcción, S.A., Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. as a consequence of which B-1998, S.L. no longer holds an indirect share of more than 50% of the voting rights in the company formed by the merger;
- The suppression of preferential subscription rights in capital increases;
- The modification of the administration system;
- The disposal, encumbrance or acquisition of FCC assets unrelated to the Company's business objective, provided that they are relevant, and any such actions included within the business objective of FCC when the value of the individual operation or a group of operations is equal to or greater than 700,000,000 euros (plus the annual increase in the Consumer Price Index) or any significant change to the current structure of the FCC Group or which represents more than 10% of the consolidated assets of the FCC Group;
- Any other transactions involving a variation of more than 20% of the capital and reserves of FCC or 10% of the consolidated assets of the FCC Group;

- The granting of powers which permit the disposals, encumbrances or acquisitions referred to above; the foregoing in no way limits the right of EK to appoint and remove the Managing Director of FCC;
- The indebtedness of FCC and the giving or receiving of guarantees by FCC (excluding the guarantees required as part of the normal business operations and project financing) which exceed 2.5 times the amount of the gross operating results shown on the last consolidated balance sheet of FCC.

If it is not possible to reach a consensus between EK and the Investors needed to pass the resolutions under the special circumstances referred to above, they will take the necessary actions required to maintain the pre-existing situation.

For further information, please see the full contents of the shareholders' agreements which are available on the website of the National Securities Market Commission under the heading of Relevant Events reported by the Company on 30 July 2004, 13 January 2005, 19 July 2007 and 26 December 2007.

**Indicate any concerted actions among the company's shareholders of which the company is aware. If so, describe them briefly.**

**Yes                      No**

Participants in the concerted action	% of capital stock affected	Brief description of the agreement
—	—	—

- The Company has no knowledge of the existence of concerted actions.

**Please provide the details of any modification or termination of such shareholders agreements or concerted actions during the fiscal year.**

On 1 February 2008, Esther Koplowitz purchased the interest held by Ibersuizas Holdings in B-1998, the majority shareholder of Fomento de Construcciones y Contratas (FCC) with 52.483%. The agreement was reached on 24 December 2007. The share capital of B-1998 is currently distributed as follows: Esther Koplowitz (83.92%), Simante, represented by Robert Peugeot (5.73%), Larranza XXI (Bodegas Faustino), represented by Lourdes Martínez (5.34%) and Eurocis, represented by José Aguinaga (5.01%).

**A.7. Indicate any individual or legal entity that controls or has the ability to control the Company pursuant to article 4 of the Stock Market Act: If so, identify them:**

**Yes                      No**

Name
ESTHER KOPLOWITZ ROMERO DE JUSEU

**Comments**

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (FCC) is controlled by B-1998, S.L. by 52.483%, which is in turn controlled by Esther Koplowitz Romero de Juseu (EK), who holds 83.92% of its share capital:

- Directly with 54.6107% and
- Indirectly with 29.32%, through Dominum Desga, S.A. (0.0001%), and Dominum Dirección y Gestión, S.A. (29.32%), both wholly-owned by EK.

Furthermore, EK owns 123,313 direct shares in FCC and 39,172 indirect shares in FCC through the companies Dominum Desga, S.A. (4,132) and Ejecución y Organización de Recursos, S.L. (35,040), wholly-owned by EK.

**A.8. Complete the following table on the Company's treasury stock:**

As of the end of the fiscal year:

Number of direct shares	Number of indirect shares (*)	% of total capital stock
375,986	5,362,969	4.395

(\*) Through:

Name or company name of the direct owner of the shares	Number of direct shares
COMPANÍA AUXILIAR DE AGENCIA Y MEDIACION, S.A.	316,098
ASESORIA FINANCIERA Y DE GESTIÓN, S.A.	5,046,871
<b>Total:</b>	<b>5,362,969</b>

Please provide the details of any significant variations during the fiscal year according to the provisions of Royal Decree 1362/2007:

Date of notice	Total direct shares acquired	Total indirect shares acquired	% of total capital stock
29-06-2007	0	617,466	0.473
23-07-2007	0	1,394,034	1.068
21-09-2007	0	1,225,363	0.938
29-11-2007	0	1,332,660	1.021

<b>Gains / (losses) of treasury stock disposed of during the period</b>	<b>0</b>
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**A.9. Detail the conditions and terms of the mandate that the general meeting has given to the board of directors to buy or sell treasury stock.**

Resolution of the General Meeting of Shareholders of 28.06.07:  
FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. and the companies of the Group meeting any of the circumstances contained in article 42, parts 1 and 2, of the Commerce Code are authorised to acquire treasury stock by purchasing such stock on any stock exchange where the stock is traded, at the market price on the date of purchase, which must be between the minimum and maximum values indicated below:

- Maximum value: the highest quoted price in the three months immediately prior to the acquisition date, plus ten percent.
- Minimum value: the lowest quoted price in the last three months immediately prior to the acquisition date, less ten percent.

By virtue of this authorisation, the Board, the Executive Committee or the Managing Director may acquire the treasury stock provided that at the time of purchase the total treasury stock, including that purchased, does not exceed 5% of the capital stock pursuant to the terms of article 75.2 of the Revised Text of the Public Corporations Act.

The term of the authorisation shall be 18 months from today's date.

The acquisition of treasury stock, which must be fully paid up, must allow the Company to record the provision stipulated in part 3 of article 79 of the Public Corporations Act, without decreasing the capital or the legal or unavailable reserves.



The authorisation to buy treasury stock granted to the Board by resolution of the General Meeting of Shareholders held on 29.06.06 is hereby null and void.

**A.10. Describe any legal or statutory restriction on voting rights and the legal restrictions on the acquisition or transmission of share capital.**

Indicate any legal restrictions on exercising voting rights:

Yes  No

Maximum percentage of voting rights that may legally be exercised by a shareholder	
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Indicate any statutory restrictions on exercising voting rights:

Yes  No

Maximum percentage of voting rights that may be exercised by a shareholder pursuant to the articles of association.	
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Description of the legal and statutory restrictions on exercising voting rights.
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**A.11. State whether the General Meeting has agreed to adopt neutralisation measures in response to a public takeover bid pursuant to the terms of Law 6/2007.**

Yes  No

Where applicable, explain the measures approved and the terms under which the terms will be ineffective.

## B ADMINISTRATIVE STRUCTURE OF THE COMPANY

### B0.1. Board of Directors

**B.1.1. State the maximum and minimum number of directors according to the Articles of Association:**

Maximum number of directors	22
Minimum number of directors	5

**B.1.2. Complete the following table on the members of the Board:**

Name or company name of Director	Representative	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN		DIRECTOR	30-06-1991	21-06-2005	GENERAL MEETING
B-1998, S.L.	ESTHER KOPLOWITZ ROMERO DE JUSEU	DIRECTOR	17-12-1996	28-06-2007	GENERAL MEETING
MIGUEL BLESA DE LA PARRA		DIRECTOR	29-06-2006	29-06-2006	GENERAL MEETING
CARTERA DEVA, S.A.	JOSÉ AGUINAGA CÁRDENAS	DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
JUAN CASTELLS MASANA		DIRECTOR	21-06-2000	21-06-2005	GENERAL MEETING
DOMINUM DESGA, S.A.	ESTHER ALCO CER KOPLOWITZ	DIRECTOR	27-09-2000	29-06-2006	GENERAL MEETING
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	ALICIA ALCO CER KOPLOWITZ	DIRECTOR	26-10-2004	21-06-2005	GENERAL MEETING
EAC INVERSIONES CORPORATIVAS S.L.	CARMEN ALCO CER KOPLOWITZ	DIRECTOR	30-03-1999	23-06-2004	GENERAL MEETING
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA		DIRECTOR	18-12-2003	21-06-2005	GENERAL MEETING
FELIPE BERNABÉ GARCÍA PÉREZ		DIRECTOR	30-03-1999	21-06-2005	GENERAL MEETING
IBERSUIZAS ALFA, S.L.	LUIS CHICHARRO ORTEGA	DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
LARRANZA XXI, S.L.	LOURDES MARTÍNEZ ZABALA	DIRECTOR	13-01-2005	21-06-2005	GENERAL MEETING
RAFAEL MONTES SÁNCHEZ		CHAIRMAN	06-03-1992	23-06-2004	GENERAL MEETING
MARCELINO OREJA AGUIRRE		DIRECTOR	21-12-1999	21-06-2005	GENERAL MEETING
MAX MAZIN BRODOVKA		DIRECTOR	29-06-2006	29-06-2006	GENERAL MEETING
ANTONIO PÉREZ COLMENERO		DIRECTOR	30-03-2005	21-06-2005	GENERAL MEETING
ROBERT PEUGEOT		DIRECTOR	15-09-2004	21-06-2005	GENERAL MEETING
BALDOMERO FALCONES JAQUOTOT		DIRECTOR	18-12-2007	18-12-2007	CO-OPTATION
MARIANO MIGUEL VELASCO		DIRECTOR	28-06-2007	28-06-2007	GENERAL MEETING

LUIS MANUEL PORTILLO MUÑOZ		DIRECTOR	28-06-2007	28-06-2007	GENERAL MEETING
CESAR ORTEGA GÓMEZ		DIRECTOR	28-06-2007	28-06-2007	GENERAL MEETING

<b>Total number of directors</b>	21
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NOTE: Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

NOTE: On 6 February 2008, the CNMV was notified that the Director, Dominum Dirección y Gestión, S.A., formerly represented by Alicia Alcocer Koplowitz, is now represented by Carmen Alcocer Koplowitz, and the Director, EAC Inversiones Corporativas, SL, formerly represented by Carmen Alcocer Koplowitz, is now represented by Alicia Alcocer Koplowitz.

**List any directors removed from the Board of Directors during the fiscal year:**

Name or company name of Director	Date of resignation
IBERSUIZAS HOLDINGS, S.L.	17/05/2007
FRANCISCO MAS SARDA-CASANELLES	18/12/2007

Note: On 31 January 2008, Ibersuizas Alfa, S.L. voluntarily stepped down from the Board of Directors of FCC, S.A.

**B.1.3. Complete the following tables on the directors:**

**EXECUTIVE DIRECTORS**

Name or company name of Director	Committee that proposed appointment	Position in the Company's organization
BALDOMERO FALCONES JAQUOTOT	APPOINTMENTS AND REMUNERATIONS	VICE PRESIDENT AND CEO
FELIPE BERNABÉ GARCÍA PÉREZ	APPOINTMENTS AND REMUNERATIONS	GENERAL SECRETARY
ANTONIO PÉREZ COLMENERO	APPOINTMENTS AND REMUNERATIONS	CORPORATE HUMAN RESOURCES AND MEDIA MANAGER

Total number of executive directors	3
% of Board members	14.28

NOTE: Baldomero Falcones was appointed to the Board of Directors of FCC, S.A. at the session held on 18 December 2007, although he did not begin to perform his executive functions until 1 January 2008.

**EXTERNAL NOMINEE DIRECTORS**

Name or company name of Director	Committee that proposed appointment	Name of the significant shareholder represented or which proposed the appointment
B-1998, S.L.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
DOMINUM DESGA, S.A.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.

Name or company name of Director	Committee that proposed appointment	Name of the significant shareholder represented or which proposed the appointment
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
EAC INVERSIONES CORPORATIVAS S.L.	—	B-1998, S.L.
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
MARCELINO OREJA AGUIRRE	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
IBERSUIZAS ALFA, S.L.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
MARIANO MIGUEL VELASCO	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
CARTERA DEVA, S.A.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
ROBERT PEUGEOT	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
LARRANZA XXI, S.L.	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
JUAN CASTELLS MASANA	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
MIGUEL BLESA DE LA PARRA	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
LUIS MANUEL PORTILLO MUÑOZ	APPOINTMENTS AND REMUNERATIONS	B-1998, S.L.
RAFAEL MONTES SÁNCHEZ	—	B-1998, S.L.

Total number of nominee directors	15
% of Board members	71.43

### **EXTERNAL INDEPENDENT DIRECTORS**

Name or company name of Director	Profile
CESAR ORTEGA GÓMEZ	MANAGING DIRECTOR OF BANCO SANTANDER, HE HOLDS A DEGREE IN BUSINESS AND ECONOMICS AND A MASTER'S DEGREE IN TAX CONSULTING FROM ICADE. HAS COMPLETED COURSES OF STUDY IN LAW AND PHILOSOPHY. WAS A PARTNER IN ARTHUR ANDERSEN ASESORES LEGALES Y TRIBUTARIOS AND GARRIGUES ABOGADOS FOR 12 YEARS. SITS ON THE BOARDS OF DIRECTORS OF THE GRUPO EMPRESARIAL SANTANDER, S.L., BANCOS LATINOAMERICANOS SANTANDER, S.L., SANTUSA HOLDING, S.L., SANTANDER HOLDING GESTIÓN, S.L. AND SANTANDER INVESTMENT, S.A.
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	PH.D. IN ECONOMICS, PROFESSOR OF HISTORY AND ECONOMIC INSTITUTIONS AT THE SCHOOL OF ECONOMIC SCIENCE AT THE UNIVERSITY COMPLUTENSE DE MADRID; DIRECTOR OF THE ROYAL ACADEMY OF HISTORY; DIRECTOR OF REPSOL YPF, S.A. DIRECTOR OF THE BANK OF SPAIN FROM 1980-1988; FORMER DIRECTOR OF THE MAGAZINE "MONEDA Y CRÉDITO"

MAX MAZIN BRODOVKA	STUDIED PLANNING AND STATISTICS (ECONOMICS BRANCH). HAS BEEN: CHAIRMAN OF THE INTERNATIONAL RELATIONS COMMITTEE OF CEOE, FOUNDER AND PRESIDENT OF THE INDEPENDENT BUSINESS ASSOCIATION, CO-FOUNDER AND VICE-PRESIDENT OF CEOE, HONORARY PRESIDENT OF CEIM, PRESIDENT OF THE CEIM FOUNDATION, MEMBER OF THE BOARD OF THE UNIVERSIDAD COMPLUTENSE DE MADRID, FOUNDER OF HOTELES TRYP, S.A., FOUNDER OF THE WORLD TRADE CENTRE OF SPAIN AND PRESIDENT FOR SEVEN YEARS.
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Total number of independent directors	3
% of Board members	14.28

**OTHER EXTERNAL DIRECTORS:**

Name or company name of Director	Committee that proposed appointment
—	—

Total number of external directors	
% of Board members	

**Details of why they cannot be considered nominee or independent directors and their links to the company or its directors or to the company's shareholders:**

Name or company name of Director	Reasons	Company, director or shareholder with whom there is a relationship

**Indicate any changes to the types of directors during the fiscal year:**

Name or company name of Director	Date of change	Previous Type	Current Type
RAFAEL MONTES SÁNCHEZ	18/12/2007	EXECUTIVE	NOMINEE

**B.1.4. Explain the reasons why nominee directors have been appointed at the behest of shareholders who possess less than 5% of the share capital, where applicable:**

Name or company name of Shareholder	Justification:

**State whether formal requests for the appointment of board members have been responded to affirmatively from shareholders whose ownership percentage is equal to or greater than that of others at whose behest nominee directors would have been appointed. If so, explain why such requests have been responded to affirmatively:**

Yes

No

Name or company name of Shareholder	Explanation

**B.1.5. State whether any director has stepped down before the end of his mandate, whether the director has explained his reasons for doing so to the Board and by what means. If the reasons were given in writing to the entire Board, explain below the reasons given:**

Name of Director	Reason
FRANCISCO MAS SARDA-CASANELLES	Voluntary resignation
IBERSUIZAS HOLDINGS, S.L.	Voluntary resignation

Note: On 31 January 2008, Ibersuizas Alfa, S.L. voluntarily stepped down from the Board of Directors of FCC, S.A.

**B.1.6. Indicate the powers vested in the Managing Director(s), if any:**

Name or company name of Director	Brief Description
BALDOMERO FALCONES JAQUOTOT	SEE NOTE

NOTE: Article 35.2 of the Regulations of the Board establishes that “*the Board of Directors may permanent delegate the powers of the Board in one or more of its members, with the exception of those which are indelegable under the law, the Articles of Association or the Regulations.*”

*In order to be valid, the permanent delegation of the powers of the Board of Directors and the appointment of the Director or Directors to whom such powers are delegated, regardless of the office they hold, shall require the favourable vote of at least two-thirds of the components of the Board of Directors.*

*The Managing Director is responsible for representing and directing the Company’s business, always in keeping with the decisions and criteria established by the General Meeting of Shareholders and the Board of Directors, within the scope of their respective authorities.*

*The effective representation and direction of the Company’s business includes but is not limited to:*

- *Supporting the Board of Directors in the definition of the Group’s strategy.*
- *Preparing the Business Plan and Annual Budgets to be submitted to the Board of Directors for its approval.*
- *Preparing and submitting to the Board of Directors or to the Executive Committee for approval, depending on whether the individual amount is higher or lower than eighteen million euros, respectively, proposals for investments, disinvestments, credits, loans, guarantees, bonds and other types of financial facilities.*
- *Hiring and firing of company personnel with the exception of the appointments to be made by the Board of Directors pursuant to the terms of these Regulations.*

*Once a year, at the first Board meeting of the year, the Managing Director will report to the Executive Committee on the actual level of compliance with the forecasts in terms of the proposed investments submitted to the Committee and to the Board of Directors.*

Article 7.2 of the Regulations of the Board establishes that:

*In any event, the Board of Directors, through the adoption of resolutions which must be approved in each case as stipulated by law and the Articles of Association, shall be obliged to address the following issues constitute the formal list of issues that may only be addressed by the Board and may be delegated:*

- a. *Appointing and removing the Chairman, Vice Presidents, Managing Directors, Secretary and Assistant Secretary of the Board of Directors and proposing to the respective Boards of Directors through the company's representatives on those Boards the appointment and revocation of the Chairmen and Managing Directors of the tier one specialised subsidiaries (Fcc Construcción, S.A., Fcc Medio Ambiente, S.A., Cementos Portland Valderrivas, S.A., Realía Business, S.A. and Fcc Versia, S.A.) and appointing and removing members of the Steering Committee.*
- b. *Delegating powers to any of the members of the Board of Directors in the terms established by law and the Articles of Association and revoking such powers.*
- c. *Appointing and removing Board members to sit on the different Committees discussed in these Rules.*
- d. *Supervising the Delegated Committees of the Board.*
- e. *Appointing Board members by co-optation when vacancies arise, until the next General Meeting is held.*
- f. *Accepting the resignation of board members.*
- g. *Formulating the annual accounts and the dividend payment policy for presentation to and approval by the General Meeting and agreeing on the payment of interim dividends.*
- h. *Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the Managing Director, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise.*
- i. *Approving investments and financing policy, particularly the approval of investments, disinvestments, credit lines, loans, surety or guarantee lines, and other financial facilities within the limits that the Board of Directors itself establishes as well as investments and any other type of transactions whose specific circumstances make them strategic.*
- j. *Organising the Board of Directors in general and modifying these Regulations in particular.*
- k. *The powers vested in the Board of Directors by the General Meeting, which may only be delegated with the express consent of the General Meeting."*

Furthermore, part 1 of article 8 (General Functions – Equilibrium in the Performance of Functions) establishes that *"the Board of Directors is responsible for performing all acts as may be necessary to attain the business objectives set forth in the Articles of Association, in accordance with the applicable laws"*. Part 2 states that *"The fact that the Board may empower certain members of the Board within the limits allowed by the law does not deprive the Board of those powers"*.

At its meeting held on 18 December 2007, the Board of Directors delegated Baldomero Falcones Jaquotot with numerous powers, effective 1 January 2008, which included the following: Financial powers, relations with customers and suppliers, labour relations, powers of administration and disposition in relation to companies and association of a legal nature and internal order. This delegation of powers facilitates Group management and expedites the external manifestation of the company's will.

**B.1.7. Identify the board members who hold administrative posts or sit on the boards of other companies that are part of the publicly-traded group of companies:**

Name or company name of Director	Name of Company or Group	Title
CARTERA DEVA, S.A.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	REALIA BUSINESS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	CEMENTOS ALFA, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	CEMENTOS LEMONA, S.A.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	LEMONA INDUSTRIAL, S.A. UNIPERSONAL	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	REALIA BUSINESS, S.A.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	CEMENTOS LEMONA, S.A.	VICE PRESIDENT
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	CORPORACIÓN UNILAND, S.A.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	LEMONA INDUSTRIAL, S.A. UNIPERSONAL	VICE PRESIDENT
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	RB BUSINESS HOLDING S.L.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	GIANT CEMENT HOLDING INC.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	WASTE RECYCLING GROUP LIMITED	DIRECTOR
IBERSUIZAS ALFA, S.L.	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
RAFAEL MONTES SÁNCHEZ	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
RAFAEL MONTES SÁNCHEZ	CEMENTOS PORTLAND VALDERRIVAS, S.A.	DIRECTOR
RAFAEL MONTES SÁNCHEZ	REALIA BUSINESS, S.A.	DIRECTOR
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	CEMENTOS ALFA, S.A.	DIRECTOR
JUAN CASTELLS MASANA	WASTE RECYCLING GROUP LIMITED	DIRECTOR
ROBERT PEUGEOT	FCC CONSTRUCCIÓN, S.A.	DIRECTOR
ROBERT PEUGEOT	ALPINE HOLDING GMBH	OVERSIGHT COMMITTEE
ROBERT PEUGEOT	WASTE RECYCLING GROUP LIMITED	DIRECTOR
ANTONIO PÉREZ COLMENERO	PER GESTORA INMOBILIARIA, S.L.	DIRECTOR

**B.1.8. Please provide the details of any board members who sit on the boards of directors of other companies quoted on the Spanish stock exchange, other than companies of your group, of which the company has been notified:**

Name or company name of Director	Name of the publicly listed company	Title
MARCELINO OREJA AGUIRRE	ACERINOX, S.A.	DIRECTOR
MIGUEL Blesa DE LA PARRA	IBERIA L.A.E., S.A.	VICE PRESIDENT
MARIANO MIGUEL VELASCO	INMOBILIARIA COLONIAL, S.A.	MANAGING DIRECTOR
LUIS PORTILLO MUÑOZ	RIOFISA, S.A.	CHAIRMAN

**B.1.9. State and, where necessary, explain whether the company has established rules on the number of board members on its board of directors:**

Yes

No



NOTE: Article 24.3 of the Rules of the Board of Directors establishes that "before accepting any management position or a position on the governing body of another company or entity, the Director shall inform the Appointments and Remunerations Committee".

Article 22.3 establishes that "Directors must inform the Appointments and Remunerations Committee of their other professional obligations in case they interfere with the dedication required of a director, and the Board of Directors must establish, based on a proposal by the Appointments and Remunerations Committee, the number of boards to which directors may belong".

**B.1.10. With regard to recommendation number 8 of the Unified Code, indicate which of the company's general policies and strategies the plenary Board has reserved for its own approval:**

	Yes	No
<b>Investment and financing policy</b>	<b>X</b>	
<b>Definition of the structure of the group of companies</b>	<b>X</b>	
<b>Corporate governance policy</b>		
<b>Corporate responsibility policy</b>		
<b>The strategic or business plan and the management objectives and annual budgets</b>	<b>X</b>	
<b>The remuneration policies and performance evaluations of executives</b>	<b>X</b>	
<b>The risk management and control policy and periodic tracking of internal information and control systems</b>	<b>X</b>	
<b>The dividend policy and the policy on treasury stock, especially limits</b>	<b>X</b>	

**B.1.11. Complete the following tables regarding the aggregate remuneration paid to board members during the fiscal year.**

**a) In the company to which this report refers:**

Breakdown of Remuneration	Data in thousands of euros
Fixed	2,645
Variable	565
Allowances	6
Allowances for meeting attendance	2,020
Stock options and/or other financial instruments	0
Other	0
<b>Total:</b>	<b>5,236</b>

Other Benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension plans and funds: Contributions	0
Pension plans and funds: Obligations assumed	0
Life insurance premiums	0
Guarantees provided by the company to directors	0

**b) For sitting on the boards of other boards of directors and/or occupying executive positions in Group companies:**

Breakdown of Remuneration	Data in thousands of euros
Fixed	0
Variable	0

Allowances	0
Allowances for meeting attendance	1,368
Stock options and/or other financial instruments	0
Other	0
<b>Total:</b>	<b>1,368</b>

<b>Other Benefits</b>	<b>Data in thousands of euros</b>
Advances	0
Loans granted	0
Pension plans and funds: Contributions	0
Pension plans and funds: Obligations assumed	0
Life insurance premiums	0
Guarantees provided by the company to directors	0

**c) Total remuneration by director type:**

<b>Type of Director</b>	<b>By Company</b>	<b>By Group</b>
Executive	3,700	630
External nominee	1,199	684
External independent	337	54
Other external	0	0
<b>Total:</b>	<b>5,236</b>	<b>1,368</b>

**d) Profits earned by the parent company:**

<b>Total remuneration paid to directors (thousands of euros)</b>	6,604
<b>Total remuneration paid to directors/profits earned by the parent company (expressed in %)</b>	0.895

**B.1.12. List the executive staff members who are not executive directors and indicate the total remuneration paid to them during the fiscal year:**

<b>Name</b>	<b>Title</b>
IGNACIO BAYÓN MARINÉ	CHAIRMAN, REALIA BUSINESS, S.A.
JOSÉ LUIS DE LA TORRE SÁNCHEZ	CHAIRMAN, FCC SERVICIOS
DON ANTONIO GÓMEZ CIRIA	CORPORATE INTERNAL AUDITS MANAGER
JOSÉ IGNACIO MARTÍNEZ-YNZENGA CÁNOVAS DEL CASTILLO	CHAIRMAN, CEMENTOS PORTLAND VALDERRIVAS
JOSÉ MAYOR OREJA	CHAIRMAN, FCC CONSTRUCCIÓN, S.A.
VICTOR PASTOR FERNÁNDEZ	CORPORATE FINANCE MANAGER
JOSÉ LUIS VASCO HERNANDO	CORPORATE ADMINISTRATION MANAGER
GÉRARD RIES	DEPUTY DIRECTOR GENERAL OF INTERNATIONAL CORPORATE DEVELOPMENT AND STRATEGY
JOSÉ EUGENIO TRUEBA	CORPORATE ADMINISTRATION AND FINANCE MANAGER

NOTE: In the month of June 2007, José Eugenio Trueba stepped down from his post as the Corporate Administration and Finance Manager and was replaced that some month by Víctor Pastor Fernández.

<b>Total remuneration paid to executive staff (thousands of euros)</b>	5,663
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NOTE: Pursuant to the criterion of uniformity, the indemnity discussed in part B.1.13. is not included.

**B.1.13. Please indicate whether there are guarantee clauses for cases of dismissal or control changes in favour of executive staff members, including executive directors of the company or the group. Indicate whether these contracts must be submitted to and/or approved by the governing bodies of the company or group:**

Number of beneficiaries	9
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	Board of Directors	General Meeting
Body that authorises the clauses	X	

	Yes	NO
Is the General Meeting informed of the clauses?	X	

NOTE: The body which authorises the guaranteeing or reinforcing clauses in the Executive Committee.

As indicated in the notes to the income statements for each fiscal year that are prepared by the Board of Directors and submitted to the General Meeting for approval, an insurance policy was taken out to cover the payment of contingencies relative to death, permanent disability, retirement and other items payable to the executive directors and executive staff members listed in parts B. 1. 3 and B0.10.12, respectively.

In particular, the contingencies eligible for indemnification are those which result in the extinction of the labour relationship for any of the following reasons

- a) Unilateral decision of the company
- b) Dissolution or disappearance of the parent company for any reasons, including merger or spin-off.
- c) Death or permanent disability.
- d) Other causes of physical or legal disability.
- e) A substantial change in professional conditions.
- f) Resignation at the age of 60 at the director's request and with the company's approval.
- g) Resignation at the age of 65 years by unilateral decision of the director.

The consolidated income statement of the FCC Group includes a premium payment in the amount of 970,000 euros, and income in the amount of 4,108,000 euros from refunds on insurance premiums paid. It also shows an indemnity payment in the amount of 4,000,000 euros.

In addition, and in order to satisfy the contingencies covered by the policy, in fiscal year 2007 the insurance company paid the sum of 7,341,000 euros.

**B.1.14. Describe the process for setting the remuneration of the members of the Board of Directors and the relevant clauses of the Articles of Association in this regard.**

**Process for setting the remuneration of the members of the Board of Directors and the relevant clauses of the articles of association**

Article 37 of the Articles of Association states that:

*The post of board member is remunerated. The remuneration shall consist of a share of the liquid profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. on the Group's consolidated annual accounts. This amount will be paid to the Board of Directors once all*

legal reserves have been covered and a minimum dividend of four percent (4%) has been paid to shareholders. The remuneration for each financial year will be decided by the General Meeting of Shareholders.

The Board will distribute among its members the remuneration resolved at the General Meeting of Shareholders, taking into account the functions and responsibilities of each one in the Board or its Delegate Committees and other criteria envisaged in the Rules of the Board of Directors, including, within the amount referred to in the previous paragraph of this article, fixed remuneration as well as attendance fees, variable remuneration and benefit schemes".

Article 42.3, letter e) of the Regulations of the Board establishes that one of the responsibilities of the Appointments and Remunerations Committee is that of "overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the individual remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares".

**Indicate whether the plenary Board has reserved the approval of the following decisions for the Board:**

	Yes	No
The appointment and removal of executive staff members and their indemnity clauses, at the propose of the CEO.	X	
The remuneration to be paid to directors and the additional remuneration to be paid to executive directors and other contractual conditions.	X	

**B.1.15. State whether the Board of Directors approves a detailed remuneration policy and specify the questions it decides on:**

	Yes	No
The amount of the fixed components, with an itemised breakdowns, of the allowances paid to directors and their commissions and an estimate of the fixed annual remuneration resulting therefrom.	X	
Variable remuneration or bonuses	X	
Main characteristics of surety systems with an estimate of their equivalent annual cost.	X	
The contractual conditions of executive directors who perform executive functions, including	X	

**B.1.16. State whether the Board submits a policy on the remuneration of board members to the General Meeting for a vote, as a separate item on the meeting agenda on a consultative basis. Explain the aspects of the report with regard to the remuneration policy approved by the Board for future years, the most significant changes in those policies compared to those of previous fiscal years and an overall summary of how the remuneration policy was applied during the fiscal year. Provide details of the role played by the Remuneration Committee and if any external consultants were used and, if so, the identity of the external consultants.**

Yes

No

Questions regarding remuneration policy addressed in the report.

Role played by the Remuneration Committee

	Yes	No
Were external consultants used?		
Identity of the external consultants		

**B.1.17. Please identify the members of the Board of Directors who are at once board members, directors or employees of companies which are significant shareholders in the publicly-traded company and/or its group companies:**

Name or company name of Director	Name of the significant shareholder	Title
CARTERA DEVA, S.A.	B-1998, S.L.	DIRECTOR
JUAN CASTELLS MASANA	B-1998, S.L.	DIRECTOR
DOMINUM DESGA, S.A.	B-1998, S.L.	DIRECTOR
DOMINUM DIRECCIÓN Y GESTIÓN, S.A.	B-1998, S.L.	DIRECTOR
EAC INVERSIONES CORPORATIVAS S.L.	B-1998, S.L.	DIRECTOR
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	B-1998, S.L.	DIRECTOR
IBERSUIZAS HOLDINGS, S.L.	B-1998, S.L.	DIRECTOR
LARRANZA XXI, S.L.	B-1998, S.L.	DIRECTOR
RAFAEL MONTES SANCHEZ	B-1998, S.L.	DIRECTOR
ROBERT PEUGEOT	B-1998, S.L.	DIRECTOR
FELIPE BERNABÉ GARCÍA PÉREZ	B-1998, S.L.	NON-MEMBER SECRETARY
MARIANO MIGUEL VELASCO	INMOBILIARIA COLONIAL	CHAIRMAN

**Describe any relevant relationships other than those mentioned above between the members of the Board of Directors and significant shareholders and/or companies of the group:**

Name of the related director	Name of related significant shareholder	Description of relationship
CARTERA DEVA, S.A.	B-1998, S.L.	B-1998, S.L. SHAREHOLDERS' AGREEMENT
LARRANZA XXI, S.L.	B-1998, S.L.	B-1998, S.L. SHAREHOLDERS' AGREEMENT
ROBERT PEUGEOT	B-1998, S.L.	SHAREHOLDERS' AGREEMENT WITH B-1998, S.L. INDIRECTLY THROUGH SIMANTE, S.L.
IBERSUIZAS HOLDINGS, S.L.	B-1998, S.L.	SHAREHOLDERS' AGREEMENT WITH B-1998, S.L.

**B.1.18. State whether there were any changes during the year to the Rules of the Board of Directors:**

Yes No

## **Description of changes:**

At its meetings held on 31 January 2007 and 17 May 2007, the Board of Directors amended certain articles of the Rules of the Board of Directors.

### **I. Changes made at the meeting held on 31 January 2007.**

The Board of Directors agreed to amend article 42 part 3 b) of the Rules of the Board to include in the functions of the Appointments and Remunerations Committee the obligation to report in advance all appointments to positions or offices within FCC with annual gross salaries of 120,000 euros and authorised the Committee to update this figure periodically.

### **II. Changes made at the meeting held on 17.05.07.**

#### **➤ Justification of the reform and effective date.**

The reform of the Rules of the Board of Directors was structured around two fundamental themes.

On the one hand, to adapt the Rules to the Unified Code of Good Governance (Unified Code) published by the Comisión Nacional del Mercado de Valores (CNMV), while bearing in mind the singularities and specific needs of the Company when carrying out such adaptation.

On the other hand, to clarify and supplement the technical aspects of certain provisions of the Rules in order to make them easier to interpret and apply.

#### **1. Adaptation of some provisions of the Rules of the Board of Directors to the recommendations and definitions of the Unified Code of Good Governance.**

The changes introduced into the Rules of the Board are based on the following *principles*:

- *Adaptation, to the extent possible, to the recommendations of the Unified Code, while at the same time*
- *Preserving the necessary unity and cohesion of the Board and its Committees in the best interest of the Company, as the Unified Code itself recognises and requires,*
- *And bearing in mind the capital structure of FCC and its circumstances and specific singularities.*

This means that in certain cases there are sound reasons for not incorporating all of the recommendations in some cases or for incorporating them only partially.

In particular, and based on the aforementioned principles, the Board fully incorporated 49 of the recommendations of the Code and partially incorporate 3, on the understanding that there are six recommendations which should not be incorporated at this time, although the Board of Directors may continue pondering to what extent the singularities and special needs of the Company make it advisable to review the criteria used when assuming the recommendations of the Unified Code.

More specifically, recommendations 9 (maximum size of the Board), 12 and 13 (proportion of nominee to independent directors and the representation of the latter), 29 (incorporation of the principle of rotation of independent directors) 41 (directors' individual remuneration) and 54 (composition and chairmanship of the supervisory and control committees) have not been incorporated.

At the same time, the Board has partially complied with recommendations 2 (with the agreement regulating the relations between FCC and Cementos Portland Valderrivas still

pending), 3 (does not include “subsidiarisation” operations) and 44 (composition and chairmanship of supervisory and control committees).

- *Concentration of proposed modifications to the texts of the Rules of the Board of Administration, thereby trying to avoid, to the extent possible, having to carry the recommendations of the Unified Code to FCC’s Articles of Association.* Since the Regulations of the Board of Directors can be amended at any time by agreement of the board members, it is easier and faster to adapt them to the Company’s changing circumstances, reporting all changes immediately to the General Meeting.

According to these principles and in order to assume the recommendations and definitions of the Unified Code, certain provisions of the Rules of the Board of Directors, specifically those indicated below, have been revised:

- Article 2 relative to the scope of application and distribution of the Rules.
- Article 6 relative to the qualitative composition of the Board.
- Article 7 relative to the powers of the Board.
- Article 8 relative to the powers of the Board that may not be delegated.
- Article 15 relative to the relations with auditors.
- Article 16 relative to the appointment, ratification and re-election of Directors.
- Article 17 relative to the designation of independent Directors.
- Article 20 relative to the removal of Directors.
- Article 22 relative to the general obligations of the Board.
- Article 24 relative to the non-competition obligations of the Board.
- Article 25 relative to conflicts of interest of Directors.
- Article 31 relative to the assistance of experts.
- Article 32 relative to the remuneration of Directors.
- Article 34 relative to the Chairman of the Board.
- Article 36 in relation to the Secretary of the Board.
- Article 38 relative to Board meetings.
- Article 39 relative to Board committees.
- Article 40 relative to the Executive Committee.
- Article 41 relative to the Audit and Control Committee.
- Article 42 relative to the Appointments and Remunerations Committee.

## 2. Technical improvements to certain provisions of the Rules of the Board of Directors.

Some technical improvements have also been introduced into certain provisions of the Regulations in order to clarify and supplement some aspects of the provisions to make them easier to interpret and apply. In some cases, the introduction of improvements to certain articles has coincided with the assumption of certain recommendations of the Unified Code.

In this regard, the following articles in particular have been revised for technical reasons:

- Article 2 relative to the scope of application and distribution of the Rules.
- Article 7 relative to certain aspects of the Board’s powers.
- Article 8 relative to the powers of the Board that may not be delegated.
- Article 13 in relation to the Secretary of the Board.
- Article 14 relative to Board meetings.
- Article 18 relative to Board committees.
- Article 28 relative to the Executive Committee.
- Article 38 relative to the Audit and Control Committee.
- Article 44 relative to the corporate website.
- Article 45 relative to the contents of the corporate website.

Finally, certain minor adaptations of style or wording have been incorporated into both the technical changes and those relative to the recommendations of the Unified Code for a better understanding of the provisions of the Rules in question.

#### Effective date of the reform.

The changes made to the Regulations of the Board of Directors approved by the Board at its meeting held on 17 May 2007, which were reported to the General Meeting, took effect pursuant to the resolution passed by the Board at the meeting, on 1 December 2007 in order to allow the different changes to be implemented progressively.

#### 1. Modification of article 2 of the Rules of the Board of Directors

The changes refer essentially to the binding definition of “executive” contained in the Unified Code definitions and also include some technical improvements which on the one hand are intended to clarify that the Rules apply directly to the Board, its Committees, its members and FCC executives and only to extent specifically foreseen to the executive staffs of the member companies of the FCC Group and on the other hand to establish a definition of the FCC Group for the purposes of the Rules of the Board of Directors.

#### 2. Modification of article 6 of the Rules of the Board of Directors

With this modification, the Board has incorporated the Binding Definitions contained in the Unified Code relative to the different classes of directors and the full contents of recommendations 10 (“Functional Structure”), 11 (“Other Directors”) and 14 (Explanation of the types of Directors”) establishing, respectively, that there is a broad majority of external director son the Board and that the number of executive directors is the required minimum; that the Company explains the reasons why there are external Directors who cannot be classified as nominee or independent directors; and that the Board explains each Director's classification to the General meeting, which must then approve or ratify the appointment, reviewing the classifications each year in the Annual Corporate Governance Report. This report also includes information the reasons why nominee directors may have been appointed at the request of a shareholder who possesses less than 5% of the share capital or why the Board has not acquiesced to formal requests for representation on the Board by shareholders with percentages equal to or greater than those of other shareholders whose requests have been granted.

#### 3. Modification of article 7 of the Rules of the Board of Directors

Part 1 and 2 of article 7 have been modified to comply with certain aspects of Recommendation 8 relative to the Board's powers, having also introduced certain improvements to the wording in order to facilitate the interpretation and application of these sections.

With the changes made to article 7.2.h, we have complied fully with Recommendation 2 relative to the listing of different member companies of the same group and have also made a technical improvement by clarifying the scope of the group's relations.

Finally, in terms of the technical improvements made, in part 2.g relative to the Board's powers, we have included the Board's ability to agree on interim dividend payments and have removed from the rubric of article 7 the expression “catalogues of undelegable powers” since this matter is address in both articles 7 and 8.

#### 4. Modification of article 8 of the Rules of the Board of Directors

The changes introduced into article 8 are intended to incorporate certain aspects of Recommendation 8 relative to the powers of the Board of Directors (part 3) and to partially comply with Recommendation 3 relative to the powers of the General Meeting (part 6).

A technical improvement was introduced into part 3.a with regard to the reference to the FCC Group.



#### 5. Technical improvement to article 13 of the Rules of the Board of Directors

As a technical improvement, we have modified the second paragraph of article 13.1 to accommodate information requests starting seven calendar days before the General Meeting.

Also as a technical improvement, we have eliminated parts 2 and 3 which are incorporated into the Rules of the General Meeting.

#### 6. Technical improvement to article 14 of the Rules of the Board of Directors

Part 1.d of article 14 has been modified, incorporating a reference to the laws in force, although operations with treasury stock must necessarily be reported by legal imperative when they involve 1% or more of the share capital.

#### 7. Modification of article 15 of the Rules of the Board of Directors

The provisions of Recommendation 53 (relative to the Audit Committee) are fully complied with by adding to part 3 of article 15 that the Board of Directors will try to present the accounts with no provisos or reservations and that where such provisos or reservations do exist, the Chairman of the Audit and Control Committee and the auditors must explain them.

#### 8. Modification of article 16 of the Rules of the Board of Directors

Article 16 has been modified to comply fully with Recommendation 25 relative to the orientation and refresher programmes for Directors and Recommendation 27 relative to the selection, appointment and re-election of Directors. Furthermore, the contents of Recommendations 4 and 28 have been incorporated in relation to the information on Directors which the companies must make public when announcing the General Meeting and which must be kept up to date on the website.

#### 9. Modification of article 17 of the Rules of the Board of Directors

With the inclusion of a new second paragraph in article 17, we have partially complied with Recommendation 29, which notes that while independent Directors may not hold office for a consecutive period of more than 12 years, the possibility exists of making an exception to this rule when there is justification to do so based on the favourable report of the Appointments and Remunerations Committee.

#### 10. Technical improvement to article 18 of the Rules of the Board of Directors

The changes made to article 18 are technical improvements intended, on the one hand, to adapt the maximum term of an administrator's office to the legal reform of Law 19/2005 of 14 November on European public limited companies domiciled in Spain and, on the other hand, to specifically provide for the possibility of re-elections. Part 4 has been incorporated into part 3 to preclude any doubts regarding its interpretation.

#### 11. Modification of article 20 of the Rules of the Board of Directors

With the changes made to article 20 we are in full compliance with Recommendations 31, 32 and 34, and the second paragraph of Recommendation 33 relative to the removal and resignation of Directors.

#### 12. Modification of article 22 of the Rules of the Board of Directors

Recommendation 7 has been fully integrated into article 22 relative to protecting the company's best interest as a common purpose of all Directors; Recommendation 26 which refers to Directors' dedication to the performance of their functions; and the first paragraph of Recommendation 33 on the obligation of Directors to oppose proposed resolutions of the Board which they deem to be contrary to the Company's interests.

Recommendation 20 relative to the sessions of the Board of Directors has been partially complied with by providing that absenteeism by Directors at Board meetings be reduced to what is absolutely necessary and that if their presence is required they should appoint a proxy with the pertinent instructions.

#### 13. Technical improvement to article 24 of the Rules of the Board of Directors

A technical improvement has been added to part 1 of article 24 to clarify that the Director's competence refers not to the Group but rather to the member companies of the Group.

#### 14. Modification of article 25 of the Rules of the Board of Directors

With the modifications introduced into article 25 we have fully complied with part c of Recommendation 8 ("Powers of the Board") in relation to the so-called "related operations", i.e., the operations carried out by the Company with Directors, significant shareholders or representatives on the Board or with persons related to them. The binding definition Significant Shareholder found in the Unified Code has been incorporated into part 2.b.

#### 15. Technical improvement to article 28 of the Rules of the Board of Directors

The modification introduced into article 28 is a technical improvement in the sense that the Directors' have the obligation to be loyal to the Company, which implicitly encompasses all member companies of the FCC Group.

#### 16. Modification of article 31 of the Rules of the Board of Directors

Article 31 has been modified to adapt the wording of the provision to the text of recommendation 24 relative to the rights of Directors to receive the assistance of experts at the Company's expense if necessary.

#### 17. Modification of article 32 of the Rules of the Board of Directors

Article 32 has been modified extensively to incorporate the contents of Recommendations 35 to 40 in relation to the approval of the Directors' remuneration, the criteria used to do so and provisions for a consultative vote of the General Meeting on the subject.

The changes made to part 3 refer to an adaptation to the terms of the current Annual Corporate Governance Report.

#### 18. Modification of article 34 of the Rules of the Board of Directors

With the changes made to article 34, we have complied fully with Recommendations 16 and 17, relative, respectively, to the functions of the Chairman of the Board and the delegation of an independent Director with certain powers when the Chairman of the Board is also the Managing Director or Chief Executive Officer.

#### 19. Modification of article 36 of the Rules of the Board of Directors

We have fully integrated the contents of Recommendation relative to the functions of the Secretary of the Board and the terms of the last paragraph of Recommendation 33 relative to the Secretary's opposition to proposed resolutions that run contrary to the company's interest.

#### 20. Modification of article 38 of the Rules of the Board of Directors

With the changes made to article 38, we are in full compliance with the provisions of Recommendations 19 and 21 relative to the meetings of the Board of Directors and Recommendation 22 relative to the periodic evaluation by the Board of its own operations and that of its Committees and the performance by the Chairman of his functions.

Some changes have also been made which introduce technical changes in relation to different aspects such as meeting announcements, the possibility of holding immediate Board meetings in emergency situations and meeting minutes.

#### 21. Modification of article 39 of the Rules of the Board of Directors

With the changes introduced into article 39, we have incorporated the contents of parts a), d) and e) of Recommendation 44 ("Supervisory and Control Committee") in relation to the designation of members, the possibility of obtaining external advice and the drafting of minutes on the one hand and Recommendation 51 by providing for the Committees' ability to call any employee or director of the Company to appear before them.

#### 22. Modification of article 40 of the Rules of the Board of Directors

The contents of Recommendations 42 and 43 relative to the structure of the participation of the different Directors on the Executive Committee and the Committee's obligation to inform the Board of Administration, respectively, have been incorporated into article 40.

#### 23. Modification of article 41 of the Rules of the Board of Directors

Article 41 has been extensively revised to accommodate Recommendations 46, 47, 48, 49, 50 and 52, all relative to the Audit Committee. Recommendation 45 was also incorporated into this article, assigning to the Audit and Control Committee the function of overseeing compliance with the internal codes of conduct and the rules of good corporate governance.

In addition, the subject matter addressed in article 41 has been reorganised.

#### 24. Modification of article 42 of the Rules of the Board of Directors

Article 42 has also been extensively revised to fully incorporate Recommendations 55, 56, 57 and 58 relative to the Appointments and Remunerations Committee.

As in case of article 41, the subject matter addressed in this article has been reorganised.

#### 25. Inclusion of a new Chapter IX in the Rules of the Board of Directors.

A new Chapter, IX, has been introduced entitled "Corporate Website information Policy" in compliance with the provisions of article 117.2 of the Stock Market Act and Order

ECO/3722/2003, of 26 December, on the annual corporate governance report and other instruments of information of public listed companies and other entities.

## 26. Inclusion of a Final Provision in the Rules of the Board of Directors.

### Final Provision: Effective date of the reform.

The changes made to the Regulations of the Board of Directors approved by the Board at its meeting held on 17 May 2007, which were reported to the General Meeting, will take effect pursuant to the resolution passed by the Board at the meeting, on 1 December 2007 in order to allow the different changes to be implemented progressively.

### **B.1.19. State the procedures for appointing, re-electing, evaluating and removing directors. Describe the competent bodies, the procedures to be followed and the standards applied in each one of these procedures.**

The General Meeting is responsible for appointing and removing directors. Directors may be re-elected one or more times for five-year terms.

Under the shareholders' agreements referred to in part A.6. of this report, with regard to the FCC Directors corresponding to B-1998, S.L., the investors may appoint four (4) directors to the Board of Directors of FCC.

EK or EK's chosen representative will be entitled to appoint all of the members of the Board of Directors of FCC which B-1998, S.L. is entitled to appoint, other than those whom the investors are entitled to appoint.

Chapter IV of the Regulations of the Board entitled "Appointment and Removal of Directors" regulates the following:

#### Article 16. "Appointment, Ratification or Re-election of Directors"

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

#### Article 18. Term of Office

*"1. The term of office of directors will be that established in the Articles of Incorporation, which may not be more than six years, although directors may be re-appointed.*

*2. The Directors appointed by co-optation will occupy their posts until the next General Meeting is held. This period of time will not count toward the term established in the preceding paragraph.*

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

*4. The Board of Directors, at its discretion, may waive or reduce this limitation for outgoing directors."*

Article 19. "Re-election of Directors"

Prior to the submitting any Director to the General Meeting of Shareholders for re-election, the Appointments and Remunerations Committee must issue a report evaluating the quality of work and devotion to the post of the proposed Directors during their previous mandate.

Article 20. "Removal of Directors"

"1. *The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.*

Article 21. "Nature of the Resolutions of the Board on this Subject"

"Pursuant to the provisions of Article 25 of these Rules, the Directors being proposed for appointment, re-election or dismissal will abstain from participating in the deliberations referring to them and from voting."

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

Article 20 of the Regulations of the Board establishes that:

1. *The Directors will step down from the Board when their mandates have expired or when decided by the General Meeting of Shareholders making use of the legal and statutory powers vested in it.*

2. *The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases:*

a. *When they no longer occupy the positions or perform the functions associated with their appointment as executive directors.*

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

c. *When they are affected by circumstances of incompatibility or legal prohibition.*

d. *When at least two thirds of the Board members are in favour of the Director's resignation:*

- *when the Director is admonished by the Board for having infringed his obligations as a Director, following the proposal or report of the Appointments and Remunerations Committee or*

- *when his or her permanence on the Board may jeopardise the Company's credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in article 124 of the Limited Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.*

**B.1.21. Explain whether the Chairman of the Board is also the Chief Operating Officer of the Company. If so, state the measures that have been taken to limit the risk of power accumulating in one person:**

Yes

No

State and explain whether rules have been established empowering one of the independent directors to request a meeting or the inclusion of new items on the meeting agenda to coordinate and express the concerns of the external directors and the direct the evaluation by the Board of Directors:

Yes  No

<b>Explanation of the rules</b>

**B.1.22. Are special quorums required to take any type of decision, other than the legally-mandated quorums?**

Yes  No

Describe how resolutions are passed by the Board of Directors, indicating the attendance quorum required and the type of majority needed to pass resolutions:

**Adoption of Resolutions**

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

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

**B.1.23. Explain whether there are any special requirements, other than those relative to directors, for being appointed Chairman.**

Yes  No

<b>Description of requirements</b>
—

**B.1.24. Indicate whether the Chairman casts the deciding vote:**

Yes  No

<b>Matters in which there is a deciding vote</b>
—

**B.1.25. State whether the Regulations of the Board set an age limit for Directors:**

Yes  No

**B.1.26. Indicate whether the Articles of Association or the Regulations of the Board establish a limited term of office for independent directors.**

Yes  No

Maximum number of years of mandate	12
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NOTE: See point F.29

**B.1.27. If there are very few or no female directors, explain the reasons for this and the initiative adopted to correct the situation:**

<b>Explanation of the reasons and the initiatives</b>

**In particular, state whether the Appointments and Remunerations Committee has established procedures to ensure that the selection process is not implicitly flawed in such a way as to impede the selection of female directors and to deliberately search for female candidates who meet the requirements:**

Yes No

<b>Indicate the principal procedures</b>
Article 42.3.g of the Rules of the Board of Directors establishes that one of the functions of the Appointments and Remunerations Committee is to "ensure that the procedures for filling vacancies on the Board are not subject to implicit bias against the selection of female directors, so as to ensure that the Company deliberately seeks and short-lists women with the necessary professional profile, and the Annual Corporate Governance Report must disclose the reason why there are few or no female directors and the initiatives adopted to correct this situation".

**B.1.28. State whether there are formal procedures for delegating votes in the Board of Directors. If so, describe them briefly.**

There are no formal procedures for delegating votes in the Board of Directors.

**B.1.29. State the number of Board of Directors meeting held during the fiscal year. Also state how many times the Board of Directors met without the Chairman in attendance:**

Number of Board meetings	9
Number of meeting without the Chairman in attendance	0

**State the number of meetings held by the different Board committees during the fiscal year:**

Number of meetings of the Executive or Delegated Committee	7
Number of meetings of the Audit and Control Committee	10
Number of meeting of the Appointment and Remunerations Committee	6
Number of meetings of the Strategy and Investment Committee	0

**B.1.30. State the number of Board of Directors meeting held during the fiscal year without all members in attendance. In your calculation, remember proxies who did not have specific instructions will be considered absences:**

<b>Number of absences by directors during the fiscal year.</b>	27
<b>% of absences compared total votes during the fiscal year.</b>	15

**B.1.31. Indicate whether the individual and consolidated annual income statements presented to the Board for its approval are previously certified.**

Yes  No

**Identify the person or people who has or have certified the individual and consolidated income statements of the Company to be formulated by the Board:**

<b>Name</b>	<b>Title</b>
Baldomero Falcones Jaquotot	MANAGING DIRECTOR
José Luis Vasco Hernando	CORPORATE ADMINISTRATION MANAGER
Víctor Pastor Fernández	CORPORATE FINANCE MANAGER

**B.1.32. Explain any mechanisms established by the Board of Directors to avoid the individual and consolidated annual income statements being submitted to the General Meeting of Shareholders with provisos in the Auditor's Report.**

Among other things, the Audit Committee is responsible for reviewing the procedures used to prepare the financial and economic information Publisher by the FCC Group periodically. Since this function is particularly crucial inasmuch as the annual information is concerned, prior to the annual income statements being drafted by the Board of Directors, the Audit and Control Committee requests the participation of the external auditors to explain to the committee the conclusions of their work so that once formulated by the Board the external auditor's report contains no provisos.

**B.1.33. Is the Secretary of the Board also a Director?**

Yes  No

**B.1.34. Explain the procedure for appointing and removing the Secretary of the Board, indicating whether the appointment and the removal of the Secretary have been reported by the Appointments Committee and approved by the plenary Board:**

<b>Appointment and removal procedure</b>
Art. 36 of the Rules of the Board: "His or her appointment and removal should be approved by a plenary board meeting based on a proposal by the Appointments and Remunerations Committee".

NOTE: The current Secretary was named before the Appointments and Remunerations Committee was created.



	Yes	No
Does the Appointments Committee report the appointment?	X	
Does the Appointments Committee report the removal?	X	
Does the plenary Board approve the appointment?	X	
Does the plenary Board approve the removal?	X	

**Is the Secretary of the Board especially entrusted with overseeing compliance with good governance recommendations?**

Yes                      No

Comments

**B.1.35. Indicate the mechanisms implemented by the Company to preserve the independence of auditors, financial analysts, investment banks and rating agencies, if any.**

These mechanisms are regulated under article 41 of the Regulations of the Board entitled "Audit and Control Committee":

"...

2. 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 economic-financial information, internal controls and the independence of the external auditors.

3. In particular, the Audit and Control Committee's powers include but are not limited to:

...

- Making proposals to the Board of Directors, for submission to the General Meeting of Shareholders, on the appointment of external auditors referred to in Article 204 of the revised text of the Limited Liability Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December.
- Supervising the company's internal audit services.
- Overseeing the company's financial information process and internal control systems.
- Requesting and receiving information from the external auditors on matters which could jeopardize the independence of the external auditors and on any other questions related to the auditing process and in relation to any and all communications foreseen in the auditing legislation and in auditing standards.
- Guaranteeing the independence of its own members in relation to the Company's external auditors.
- Overseeing compliance with legal requirements and the correct application of generally accepted accounting standards.
- Supervising the preparation of the individual and consolidated Income Statements and the Directors' Report for their formulation by the Board of Directors in accordance with the law.
- Informing the Board on the accuracy and reliability of the individual and consolidated Income Statements and Directors' Report and of the financial information periodically disseminated to the markets.

- Evaluating the reports on proposed amendments of these Rules, in accordance with the provisions of part 3, Article 4.
- Deciding on how to proceed in relation to the information rights of the Directors who come to the Committee for assistance, in accordance with the provisions of Article 30 of these Rules. Requesting, as necessary, the inclusion of agenda items at Board meetings, under the conditions and by the deadlines established in article 38.4 of these Rules.
- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.

...

4. To perform its functions to the best of its ability, the Audit and Control Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.

5. The Audit and Control Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.

...

9. Members of the administrative staff and other employees of the F.C.C. Group will be required to attend the Committee meetings and to collaborate and provide access to information at the request of the Committee. The Committee may also request the attendance of FCC's auditors at its sessions.

10. The Audit and Control Committee shall have access to all of the documentation and information needed to perform its functions.

11. For all other matters not specifically regulated hereunder, the provisions of Articles 38 and 39 of the Articles of Association and on a supplementary basis the provisions of the Articles of Association relative to the Board of Directors shall apply.

12. The members of the Audit and Control Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers will attend the meetings with voice but without vote”.

**B.1.36. State whether the Company changed external auditors during the fiscal year. If so, identify the incoming and outgoing auditors:**

Yes  No

Outgoing auditors	Income auditors

**If there were disagreements with the outgoing auditors, explain them:**

Yes  No

Explanation of disagreements
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**B.1.37. Indicate whether the auditor do work for the Company and/or the Group other than auditing work and, if so, whether they declare the amount of the fees received for such work and the percentage which such work represents out of the total fees billed to the Company or the Group.**

Yes  No

	Company	Group	Total:
Fees paid for work other than auditing work performed (thousands of euros)	150	146	296
Fees paid for work other than auditing work performed as a percent of the total fees invoiced by the auditing firm (en %)	49,3	4,0	7,5

**B.1.38. State whether the auditors' report on last year's annual accounts contained provisos. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such provisos.**

Yes  No

Explanation of the reasons
----------------------------

**B.1.39. State how many years in a row the current auditors have been auditing the Company's annual income statements and/or those of the Group. Also state the percentage which the number of years audited by the current firm represents compared to the total number of years for which the income statements have been audited:**

	Company	Group
Number of years in a row	18	18

	Company	Group
No. of years audited by the current auditors / no. of years the company's / group's accounts have been audited (%)	100 %	100 %

**B.1.40. Indicate the interests held by the members of the Board of Directors of the Company in the capital of companies with identical, analogous, or complementary types of activities as those making up the business objective of the Company or the Group which have been notified to the Company. Also indicate their titles or the functions they perform in these companies:**

Name or company name of Director	Name of company	% ownership	Title or functions
LUIS PORTILLO MUÑOZ	INVERSIONES PORMU, S.A.	98.361	—
LUIS PORTILLO MUÑOZ	DTH SANCTI PETRI,S.L.	0.08	DIRECTOR
LUIS PORTILLO MUÑOZ	LANDSHIP INVESTMENT, S.L.	1.67	DIRECTOR
LUIS PORTILLO MUÑOZ	DEVELOPMENT RESOURCE, S.L.	0.34	DIRECTOR
LUIS PORTILLO MUÑOZ	PAIZ Y DÍAZ, S.L.	0.01	CO-DIRECTOR
LUIS PORTILLO MUÑOZ	RECREEO LAS LOMAS, S.L.	12.90	DIRECTOR
LUIS PORTILLO MUÑOZ	ESTERQUIZ, S.L.	0.003	—
LUIS PORTILLO MUÑOZ	INMOBILIARIA COLONIAL, S.A.	0.0001	—
LUIS PORTILLO MUÑOZ	RIOFISA, S.A.	—	CHAIRMAN
LUIS PORTILLO MUÑOZ	SFL	0.0002	CHAIRMAN

**B.1.41. Describe the procedures, if any, that exist for directors to receive the advice of external advisers:**

Yes  No

**Details of Procedures**

Article 31 of the Rules of the Board on "Expert Assistance" establishes that:

*"1. In order to assist them in discharging their duties, external directors are entitled to obtain the necessary assistance from the Company to discharge their duties and, where necessary, to obtain advice, at FCC's expense, from legal, accounting and financial consultants and other experts.*

*2. Requests for external advisers or experts shall be submitted to the Chairman of F.C.C. and will be authorised by the Board of Directors if, in the Board's opinion:*

*a. it is necessary for the proper performance by independent Directors of their assigned duties.*

*b. the cost is reasonable, in view of the importance of the problem and the assets and income of FCC and*

*c. The technical assistance cannot be properly provided by internal FCC experts or technical personnel.*

3. Requests for expert assistance by any of the Board Committees may not be denied, except when a majority of the Board members considers that the conditions foreseen in part 2 of this Article are not met.

**B.1.42. Describe the procedures, if any, that exist for directors to receive the information they need to prepare for Board meetings well enough in advance:**

Yes  No

**Details of Procedures**

Article 38 of the Rules of the Board on "Board of Directors Meetings" develops this procedure by establishing that:

*"1. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC require, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items not initially envisaged in the agenda, which proposal must be made not less than thirteen days prior to the date scheduled for the meeting. The calendar of the ordinary meetings will be set by the Board at the beginning of each year. The calendar may be modified by decision of the Board itself or of the Chairman, who will notify the directors of the change at least ten days in advance of the original meeting date, or of the modified meeting date if it is earlier.*

*2. The announcement of the ordinary sessions will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or the Secretary or Assistant Secretary by order of the Chairman.*

*Notwithstanding the provisions of Article 30 of the Articles of Association, every effort will be made to announce the meetings not less than ten days in advance. Along with the announcement of each meeting, the Directors will be provided with the meeting agenda and the pertinent documentation to enable them to form an opinion and vote on the issues placed before them for their consideration.*

*In emergency situations, at the Chairman's discretion, an immediate meeting of the Board of Directors may be called, in which case the meeting agenda will be limited to the urgent matters.*

3. The Chairman will decide the meeting agenda. The Chairman will decide the meeting agenda. The directors and the Board Committees may ask the Chairman to include items on the agenda in the terms envisaged in section 1 of this article, and the Chairman will be obliged to include them.

When a specific item is included on the meeting agenda at the request of the Directors, then the Directors who requested the inclusion of that item shall forward the pertinent documentation along with their request or identify the pertinent documentation so that it can be forwarded to the rest of the Board members.

Given the confidentiality obligations of the Board members, every effort will be made to ensure that the importance and reserved nature of the information is not used as a pretext - except under certain exceptional circumstances as determined by the Chairman - not to abide by this rule.

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

**B.1.43. State whether the Company has establishes rules that oblige directors to report and, if necessary, step down in situations which could damage the Company's reputation and, if so, give details:**

Yes  No

**Explain the rule:**

Article 29 of the Rules of the Board of Director son Directors' Duty of Disclosure establishes that Directors must disclose the following to F.C.C.'s Appointments and Remunerations Committee through the Corporate Responsibility Department or any unit that takes its place: d. Legal, governmental, or any other type of claim which, due to its significance, could have a serious negative effect on the reputation of F.C.C."

Moreover, article 20.2.d. on the Removal of Directors establishes that "The Directors shall make their positions available to the Board of Directors and officially resign at the Board's request in the following cases: when his or her permanence on the Board may jeopardise the Company's credibility and reputation, and directors must inform the Board of any criminal charges against them and any subsequent events during trials. In any event, if any director is tried for any of the corporate crimes described in article 124 of the Limited Companies Act, the Board will examine the case as soon as possible and, based on the specific circumstances, will decide whether or not the director must resign, and it must give a justification in the Annual Corporate Governance Report.

**B.1.44. State whether any member of the Board of Directors has report to the Company any criminal charges filed against him for any of the crimes listed in article 124 of the Public Limited Companies Act:**

Yes  No

## B.2. Committees of the Board of Directors

### B.2.1. List all Committees of the Board of Directors and their members:

#### EXECUTIVE OR DELEGATED COMMITTEE

Name	Title	Type
RAFAEL MONTES SÁNCHEZ	CHAIRMAN	EXECUTIVE
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	MEMBER	NOMINEE
DOMINUM DESGA, S.A. REPRESENTED BY ESTHER ALCOCER KOPLOWITZ	MEMBER	NOMINEE
JUAN CASTELLS MASANA	MEMBER	NOMINEE
CARTERA DEVA, S.A. REPRESENTED BY JOSÉ AGUINAGA CÁRDENAS	MEMBER	NOMINEE
FRANCISCO VICENT CHULIÁ	NON-MEMBER SECRETARY	NON-MEMBER

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

#### AUDIT AND CONTROL COMMITTEE

Name	Title	Type
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	CHAIRMAN	NOMINEE
DOÑA CARMEN ALCOCER KOPLOWITZ on behalf of EAC INVERSIONES CORPORATIVAS, S.L.	MEMBER	NOMINEE
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	MEMBER	INDEPENDENT
JUAN CASTELLS MASANA	MEMBER	NOMINEE
JOSÉ MARIA VERDÚ RAMOS	NON-MEMBER SECRETARY	---

NOTE: On 6 February 2008, the CNMV was notified that the Director, Dominum Dirección y Gestión, S.A., formerly represented by Alicia Alcocer Koplowitz, is now represented by Carmen Alcocer Koplowitz, and the Director, EAC Inversiones Corporativas, SL, formerly represented by Carmen Alcocer Koplowitz, is now represented by Alicia Alcocer Koplowitz.

#### APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Title	Type
ESTHER ALCOCER KOPLOWITZ on behalf of DOMINUM DESGA, S.A.	CHAIRMAN	NOMINEE
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	MEMBER	NOMINEE
RAFAEL MONTES SÁNCHEZ	MEMBER	NOMINEE
ANTONIO PÉREZ COLMENERO	MEMBER	EXECUTIVE
JOSÉ AGUINAGA CÁRDENAS on behalf of CARTERA DEVA, S.A.	MEMBER	NOMINEE
ROBERT PEUGEOT	MEMBER	NOMINEE
GONZALO ANES Y ÁLVAREZ DE CASTRILLÓN	MEMBER	INDEPENDENT
MAX MAZIN BRODOVKA	MEMBER	INDEPENDENT
JOSÉ MARIA VERDÚ RAMOS	NON-MEMBER SECRETARY	----

## STRATEGY COMMITTEE

Name	Title	Type
ESTHER KOPLOWITZ ROMERO DE JUSEU on behalf of B-1998, S.L.	CHAIRMAN	NOMINEE
ESTHER ALCO CER KOPLOWITZ on behalf of DOMINUM DESGA, S.A.	MEMBER	NOMINEE
FERNANDO FALCO FERNÁNDEZ DE CÓRDOVA	MEMBER	NOMINEE
LOURDES MARTÍNEZ ZABALA on behalf of LARRANZA XXI, S.L.	MEMBER	NOMINEE
ROBERT PEUGEOT	MEMBER	NOMINEE
JOSÉ AGUINAGA CÁRDENAS on behalf of CARTERA DEVA, S.A.	MEMBER	NOMINEE

### B.2.2. State whether the following are functions of the Audit and Control Committee:

	Yes	No
Supervising the preparation process and the integrity of the Company's and Group's financial information, ensuring compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting principles.	X	
Periodically reviewing the internal control and risk management systems so that the principal risks are adequately identified, managed and made known.	X	
Ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment and re-election of the person responsible for internal auditing services; receiving information periodically on internal audit activities and verifying that executive management are taking the conclusions and recommendations in the reports into account.	X	
Establishing and supervising a mechanisms that enables employees to confidentially and, where deemed appropriate anonymously, report potentially important irregularities, particularly of a financial or accounting nature, which they witness taking place in the Company.	X	
Submitting to the Board proposals for the selection, appointment, re-election and replacement of the external orders and the contracting conditions.	X	
Receiving from the external auditors on a regular basis information on the audit plan and results of its executions and verifying that executive management are taking the recommendations into account.	X	
Ensuring the Independence of the external auditors.	X	
For groups, encouraging the external auditors to assume the responsibility for auditing the accounts of the member companies of the Group.	X	

### B.2.3. Describe the organisation and operation of each one of the Board committees and their responsibilities.

#### \*\*EXECUTIVE COMMITTEE

The regulations are set out in 36 of the Articles of Association of FCC, part of which is transcribed below:

*"... The Executive Committee will be convened by the Chairman himself or upon the request of two Committee members. The notice will be sent by letter, telegram, e-mail or fax to each of the Committee members at least 48 hours in advance of the meeting date. The Executive Committee may be convened immediately for reasons of urgency, in which case the meeting agenda will be limited to the issues which caused the urgency.*

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

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

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

*The deliberations will be directed by the Chairman. If the Chairman is absent, the meeting will be chaired by a committee member chosen by majority vote of those in attendance.*

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

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

*In the event of a tie, the matter will be forwarded to the Board of Directors. In this case, the members of the Executive Committee will request that a meeting be convened as provided for in article 30 herein..."*

Furthermore, article 40 of the Regulations of the Board establishes that:

2. *"....The Board of Directors will appoint the members of the Executive Committee, ensuring that the participative structure of the different categories of directors is similar to that of the Board itself. The Secretary of the Board of Directors will also be the Secretary of the Executive Committee.*

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

4. *The members of the Executive Committee will step down from the Committee when they are no longer Directors or when decided by the Board.*

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

6. *In the absence of the Chairman of the Executive Committee, his functions will be performed by the Committee member chosen to replace him.*

7. *The Executive Committee will hold ordinary session every month in which no meeting of the Board of Directors is scheduled, except in the month of August, and may meet on an extraordinary basis as required. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to cast their votes.*

8. *The Executive Committee will be convened as established in Article 35 of the Articles of Association, although every effort will be made, except in the event of a justified emergency, to ensure at least ten days' of advance notice. Along with the announcement of each meeting, the members of the Executive Committee will be provided with the pertinent information they need to form an opinion and to cast their votes.*

9. *The Executive Committee will be validly constituted when at least one-half plus one of its members are present or represented at the meeting.*

10. *For all other matters, the Executive Committee shall be governed by the pertinent provisions of the Articles of Association and on a supplementary basis by the provisions of the Articles of Association and these Regulations relative to the Board of Directors.*



## **\*\*AUDIT AND CONTROL COMMITTEE**

Its rules of operation are established in article 41 of the Regulations of the Board. It will be composed of at least three members appointed by the Board of Directors taking into account their knowledge and experience in the fields of accounting, auditing or risk management. All of its members will be external directors and a Chairman will be chosen from among the members for a term of office not to exceed four years. There may also be a Vice President. The term of office of Committee members may not exceed their terms of office as Directors, although they may be re-elected indefinitely as long as they continue to be Directors.

The Secretary and Assistant Secretary, if any, shall be chosen by the Committee and need not be board members.

The Committee members may seek the advice of external professionals. These advisers will attend the meetings with voice but without vote.

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

Its principal responsibilities include:

- Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- Serving as a channel of communication between the Board of Directors and the external auditors and evaluating the results of each audit.
- Supervising the Company's internal audit services.
- Analysing the risk management and control policy.
- Supervising the preparation of the individual and consolidated Income Statements, Directors' Report and the financial information distributed to the markets periodically.

## **\*\*APPOINTMENTS AND REMUNERATIONS COMMITTEE**

The organisation and operation of this committee is regulated in article 42 of the Rules of the Board.

"1. FCC's Board of Directors will establish, on a permanent basis, an Appointments and Remunerations Committee comprising at least three (3) directors, the majority of its members being external directors. *The term of office of the Appointments and Remunerations Committee members may not exceed their terms of office as Directors, although they may be re-elected indefinitely as long as they continue to be Directors.*

*2. The Committee will also designate a Secretary, who need not be a member of the Committee, to aid the Chairman and provide for the smooth operation of the Committee, duly reflecting, in the meeting minutes, the business transacted, the deliberations and the resolutions adopted; the minutes must be signed by the members of the Committee who attended the meeting in question. The members of the Appointments and Remunerations Committee will step down from the Committee when they step down as Directors or when decided by the Board of Directors.*

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

*4. The Appointments and Remunerations Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association or in these Rules.*

*The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.*

*6. The Committee will meet periodically and when convened by the Chairman or requested by two committee members and at least quarterly. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.*

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

*a) Evaluating the balance of skills, knowledge and experience on the board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding the time and dedication necessary for them to properly perform their duties. Any director may suggest directorship candidates to the Appointments and Remunerations Committee for its consideration to fill vacancies on the Board.*

*b) Examining or organising appropriately the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.*

*c) Advising on proposals for appointment or re-appointment of directors.*

*d) Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and proposing the candidates for senior executive positions in the Company, in addition to those envisaged in article 2.2. of these rules, and making the proposals for reprimands envisaged in article 20.2.d of these Rules. The Committee will also issue a report before any appointment to a position or office whose annual remuneration is 120,000 euro or greater; the Appointments and Remunerations Committee is authorised to review that figure periodically, and must report its decision to the Board of Directors.*

*e) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the individual remuneration of the executive directors and the other conditions of their contracts, and the basic conditions for the contracts for senior executives, advising and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares.*

*f) Preparing and maintaining a record of the situation of Directors and Executives of FCC*

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

*h) Informing on the proposed appointment of members of the Board of Directors committees.*

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

*j) Informing on the professional or commercial transaction referred to in Article 25.4 of these Rules, if any.*

k) *Informing on the business opportunities previously studied and ruled out by the FCC Group but taken advantage of by Directors for their own benefit or of the use of assets belonging to the FCC Group referred to in parts 1 and 3 of Article 27 of these Regulations.*

**\*\*STRATEGY COMMITTEE**

It is regulated in article 43 of the Regulations of the Board. This Committee:

*"1. ... Is composed of the members appointed by the Board of Directors for a term of office no longer than that of their mandate as Directors, notwithstanding the fact that they may be re-elected indefinitely as long as they continue to be Board members. The majority of the members of the Strategy Committee will be external Directors.*

*2. The Strategy Committee will choose a Chairman from among its non-executive members. It will also designate a Secretary, who may or may not be a member of the Committee, to aid the Chairman and provide for the smooth transaction of the Committee, duly reflecting the contents of the sessions and the deliberations in the meeting minutes and the resolutions passed.*

*3. The members of the Strategy Committee will step down from the Committee when they step down as Directors or when decided by the Board of Directors.*

*4. The Strategy Committee is responsible for supporting the Board of Directors in determining the Group's strategy following the guidelines set out by the Board and for preparing the pertinent reports and proposals.*

*"6. To perform its functions to the best of its ability, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Regulations shall apply.*

*7. The members of the Strategy Committee may be assisted during their meetings by up to two advisers per Committee member, as required. These advisers will attend the meetings with voice but without vote.*

*8. The Strategy Committee will meet periodically and when convened by the Chairman or requested by two committee members. Each year, the Committee will draft an action plan for the coming year which it will submit to the Board.*

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

*10. It shall attend the Committee meetings and to collaborate and provide access to information to any member of the executive staff of FCC at their request.*

*11. The Strategy Committee shall have access to all of the documentation and information needed to perform its functions.*

*12. The Strategy Committee shall regulate its own transactions to the extent that they are not regulated in the Articles of Association. The provisions contained therein relative to the transactions of the Board of Directors shall apply on supplemental basis inasmuch as this is possible due to the nature and functions of the Committee.*

**B.2.4. Indicate the advisory and consultative powers and any powers delegated to each one of the committees:**

The delegation powers of the Board Committees are regulated in article 40 of the Rules of the Board and in article 35 of the Articles of Association.

Article 40 of the Regulations of the Board states that all of the functions and powers necessary to conduct the company's business are permanently delegated in the Executive Committee, with the sole exception of those which are indelegable pursuant to the provisions of article 141, part 1 of the Public Corporations Act.

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

According to articles 35 and 36 of the Articles of Association, the Executive Committee may not grant general powers concerning the following questions:

- Convening the General Meeting and setting the meeting agenda.
- Approval of interim dividends.
- Supervision of delegated committees.

Article 40, part 1 of the Regulations of the Board establishes that *"The Board may permanently delegate all of the powers of the Board in the Executive Committee with the exception of those which are undelegable under the law, the Articles of Association or these Regulations". Unless otherwise stipulated in the contents of the delegation conferred by the Board, the Executive Committee will have the power to decide on investments, disinvestments, credits, loans, guarantees, bonds and other financial facilities for unitary amounts less than eighteen million euros.*

With regard to the advisory and consulting powers of the committees, see point B.2.3.

**B.2.5. Indicate whether there are regulations governing the Board committees, where they are available for consultation and any changes made to them in the fiscal year. Also indicate whether reports on the activities of each committee have been prepared voluntarily.**

The Rules of the Board approved on 17 May 2007 regulate the functions of the different Board committees: Executive Committee (article 40), Audit and Control Committee (article 41), Appointment and Remuneration Committee (article 42) and Strategy Committee (article 43).

As established in article 38.6 of the Rules of the Board, (*"The plenary Board will devote the first meeting each year to an assessment of its own operations during the preceding year, evaluating the quality of its work, the efficacy of its rules and correcting those aspects which have been shown to be dysfunctional, if any. Also, based on a report drawn up by the Appointments and Remunerations Committee, that meeting will assess the performance of the Chairman of the Board and the Company's chief executive, and the performance of the Committees on the basis of the reports issued by them."*), the Board of Directors, at its meeting held on 31 January 2008, proceeded to evaluate its operations and that of its Committees during the 2007 fiscal year,

The purpose of the evaluation was to analysed not only the actions of the Board itself and that of each and every one of its committees (Executive Committee, Audit and Control Committee, Appointments and Remunerations Committee and Strategy Committee), but also the performance of the Chairman of the Board and Chief Executive Officer.

The conclusion reached was that all had been highly satisfactory. Not only the Board but its Committees along with the Chairman of the Board and the CEO performed their duties in a most satisfactory way, organising the work in compliance with the procedures and making a commitment to continuously improving management. The evaluation also noted that the different Committees have supported the launch of numerous projects aligned with the Group's strategy, making the Board more effective and transparent in its management in order to fulfil its principal purpose: to protect the Company's interests.

**B.2.6. Indicate whether the Executive Committee reflects the percentage of participation on the Board of the different board members by type:**

Yes  No

**If not, explain the composition of the Executive Committee**

The composition of the Executive Committee is 80% external directors and 20% executive directors, while the composition of the Board of Directors is 85.72% external directors and 14.28 % executive directors.

## C LINKED TRANSACTIONS

**C.1. State whether the plenary Board has the power to approve, with a favourable report from the Audit Committee or any other entrusted with this function, transactions carried out by the Company with directors, significant shareholders or those represented on the Board or with people related to them:**

Yes  NO

**C.2. Provide the details of any relevant transactions involving a transfer of resources or obligations between the company or members of the group and the company's significant shareholders:**

Name of significant shareholder	Name of the Group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
B-1998, S.L.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	CONTRACTUAL	SERVICE PROVISION	10,8
B-1998, S.L.	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	SERVICE PROVISION	260,7
B-1998, S.L.	FCC MEDIO AMBIENTE, S.A.	CONTRACTUAL	SERVICE PROVISION	6,92
B-1998, S.L.	EURMAN, S.A.	CONTRACTUAL	SERVICE PROVISION	4,55

**C.3. Provide the details of any relevant transactions involving a transfer of resources or obligations between the company or members of the group and the company's director's or administrators:**

Name or company name of the director or administrator	Name of the Group company	Type of transaction	Type of transaction	Amount (thousands of euros)
DOMINUM DESGA, S.A.	SERVICIOS ESPECIALES DE LIMPIEZA, S.A.	CONTRACTUAL	SERVICE PROVISION	9
LARRANZA XXI	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	SERVICE PROVISION	8,600
LARRANZA XXI	FCC CONSTRUCCIÓN, S.A.	CONTRACTUAL	SERVICE PROVISION	185

**C.4. Describe the relevant transactions between the Company and members of the same Group of companies, provided that they are not eliminated in the process of preparing the financial statements and are not part of the Company's normal business transactions in terms of its object and conditions:**

Name of Company or Group	Brief description of the transaction	Amount (thousands of euros)
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NOTE: There are multiple transactions between companies of the group that are part of the Group's normal business operations, all of which are eliminated in the process of preparing the consolidated financial statements.

**C.5. Indicate any conflicts of interest according to the terms of article 127 (3) of the LSA involving members of the Board of Directors during the fiscal year.**

Yes  No

The Director Miguel Blesa de la Parra declared that he was involved, either on his own behalf or that of third parties, in the following activities which are analogous or complementary to those constituting the business objective of FCC:

- Chairman of the Board of Directors of "Caja Madrid" and "Corporación Financiera Caja de Madrid, S.A." which has a direct or indirect interest in the share capital of Realia Business S.A., a company in which FCC, S.A. holds a direct or indirect interest.

Caja Madrid owns 20% of RB Business Holdings; Corporación Financiera Caja de Madrid, S.A. owns 30% and FCC, S.A. owns 50%. RB Business Holdings holds a direct interest of 51% in Realia Business, S.A.

The Director Luis Portillo Muñoz declared that he was involved, either on his own behalf or that of third parties, in the following activities which are analogous or complementary to those constituting the business objective of FCC:

- Co-director of Alinilam, S.L.
- Director of Expo-An, SAU
- Director of Lamesash, S.L.
- Director of Plaza de Toros de Marbella, SAU
- Director of Nazaria E.C., S.L.
- Director of Inversiones Vendome, S.L.
- Chairman and CEO of Ábaco Grupo Financiero Inmobiliario, SAU
- Chairman and CEO of Las Salinas de Roquetas, S.L.
- Representative of the Director of Grupo Portival in Gestiones Empresariales Jarque, S.L.
- Co-Managing Director of Inrama Gestiones, S.L.
- Representative of the Director of Grupo Portival in Inmópolis Calidad Sevilla, SAU
- Director of Explotaciones Forestales y Cinegéticas Alta Baja, S.A.
- Director of Sociedad Herdade da Rendeira Agropecuaria, S.A.
- Director of Sociedad Agropecuaria Corujeira, S.A.
- Director of Massilia Inversiones, AS
- Director of Inversiones Tres Cantos, S.L.
- Representative of the Chairman of the Grupo Portival in Entrenúcleos Desarrollo Inmobiliario, S.L.
- Representative of the Chairman of the Grupo Portival in Dehesa de Valme, S.L.

The rest of the directors of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out on their own behalf or that of third parties any activities of an identical, analogous or complementary nature to those making up the Company's business objectives.

The rest of the members of the Board of Directors do not own stockholdings in other companies with business activities that are identical, similar or complementary to those of Fomento de Construcciones y Contratas, S.A.

The rest of the directors of Fomento de Construcciones y Contratas, S.A. or persons acting on their behalf have not participated during the fiscal year in transactions with the Company or with a company belonging to the group outside of the ordinary business of the Company or under other than normal market conditions.

With regard to the members of the Board of Directors of FCC who occupy administrative positions or sit on the boards of other companies of the Group, please see part B.1.7.

These directors occupy positions or perform functions and/or hold interests of less than 0.01% in other companies of the FCC Group, in which Fomento de Construcciones y Contratas, S.A., directly or indirectly, has a majority of votes.

**C.6. Describe the mechanisms in place to detect and resolve possible conflicts of interest between the Company and/or its group and its directors, executives or significant shareholders.**

Parts 3, 4, 5 and 6 of Article 25 of the Rules of the Board establish that directors must inform the Board, well in advance through the Corporate Responsibility Department or any other which may replace it, of any situation which may give rise to a conflict of interest with the interests of the Company or those of the member companies of the FCC Group or associated enterprises. According to article 25.4, *"the express authorisation of the Board of FCC will be required, based on the report of the Appointments and Remunerations Committee, in the following cases:*

*a. The provision of professional services by a Director to any company of the FCC Group other than those rendered by executive Directors in the performance of their duties as company employees.*

*b. The sale, transmission or any other arrangement involving an economic consideration of any kind by a Director, a significant shareholder or shareholder represented on the Board, or persons related to them, to any company of the FCC Group of supplies, materials, goods or rights in general. For the purposes of this provision, related persons are understood as those included in article 127.5 LSA.*

*c. The transfer of suppliers, material, goods or rights outside the normal course of business by companies of the FCC Group to a director, significant shareholder, a shareholder represented on the Board of persons related to them.*

*d. Provision of goods or services by companies of the FCC Group to a director, significant shareholder, a shareholder represented on the Board of persons related to them under lower than market conditions, even when they are part of the company's ordinary business.*

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

*a) They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.*

*b) They are performed at market prices or rates generally set by the person supplying the goods or services.*

*c) Their amount is no more than 1% of the company's annual revenues.*

*6. In any event, all transactions of any kind carried out by Directors with FCC, its subsidiaries or associated companies shall be reported in the Annual Corporate Governance Report. This obligation extends to the transactions between the Company and its direct or indirect significant shareholders.*

According to article 25.2 *"A personal interest on the part of the Director is likewise considered to exist when it affects:*

*a) The Director's spouse or a person to whom the Director is related by consanguinity or affinity up to and including the 4<sup>th</sup> degree or*

*b) A company in which the Director holds a significant interest. An interest is considered to be significant when the director, alone or in union with relatives, as defined in a) above, owns more than 5% of the capital."*



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

Yes  No

Publicly listed subsidiaries
REALIA BUSINESS, S.A. CEMENTOS PORTLAND VALDERRIVAS, S.A.

**State whether the respective areas of activity and business relations between them as well as those of the publicly listed subsidiary with the rest of the Group companies have been publicly defined with precision:**

Yes  No

Define the business relations between the parent company and the publicly listed subsidiary and between the latter and the rest of the Group companies.
See point F.2

**Identify the mechanisms in place to resolve possible conflicts of interest between the publicly listed subsidiary and the rest of the Group companies:**

Mechanisms to resolve conflicts of interest
See point F.2

## **D RISK CONTROL SYSTEMS**

### **D.1. General description of the risk control policy of the Company and/or Group, detailing and evaluating the risks covered by the system and explaining why the systems adequately cover each type of risk.**

The organisational structure of the FCC Group, the planning systems and the management processes governing its transactions are designed to control the different business risks faced by the Group. In this regard, risk management is part of the Group's management process and, as such, involves all members of the organisation. There are preventive policies, supervision and control policies and corrective action policies in place to meet the organisation's objectives.

The main risks covered by the system are listed below.

1 Market risks.

2 Operating Risks.

- 2.1 Contracting Risks
- 2.2 Production Process Risks
- 2.3 Environmental Risks.

3 Organisational Risks.

- 3.1 Labour Risks
- 3.2 Information System Risks

4 Financial Management Risks

- 4.1 Interest Rate Risks
- 4.2 Exchange Rate Risks
- 4.3 Solvency Risk
- 4.4 Liquidity Risk
- 4.5 Concentration Risk
- 4.6 Financial derivatives of risk coverage
- 4.7 Industrial and Shareholding Risks

#### **1. Management of Market Risks.**

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

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

Strategic planning within the FCC Group is a process in which the objectives to be achieved in each activity are identified based on the improvements to be introduced, market opportunities and the level of risk that is considered acceptable. This process is the basis for the drafting of operating plans that specify the goals to be achieved each year.

The goals established during the planning process are reviewed periodically to analyse the deviations at different levels of responsibility and take the appropriate corrective action.

The General Regulations of organisation and operation provide the framework for all members of the organisation, the authority delegated at different hierarchical levels and the basic principles to be observed in operating processes. These principles are the basis of the specific regulations governing these processes.

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

## **2. Management of Operational Risks**

### *2.1. Management of Contracting Risks.*

For the FCC Group, the risks and opportunities that arise during the contracting process are one of the main challenges faced by the organisation. To deal with these challenges, the organisation has established formal policies and procedures that focus on:

a) Keeping technological capacity up to date at all times

The FCC Group is aware that doing business in a highly competitive market such as the one it operates in makes it necessary to offer the client added value through technical and economic capabilities. In this regard, the FCC Group is active in the area of technological research and innovation and places a great deal of emphasis on continuous personnel training:

b) The technical quality, economic viability and competitiveness of proposals.

The process of preparing, presenting and monitoring proposals is subject to different levels of authorisation within the organisation, assigning the principal tasks in this area to specific departments with highly qualified technical staffs.

### *2.2 Management of Production Risks.*

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

a) Quality systems.

The different activities of the FCC Group are subject to formal quality control systems that are well-rooted within the organisation which have enabled it to obtain ISO 9000 certification and to pass the periodic evaluations by external professionals.

Based on general principles and basic criteria, the quality control systems are based on the assignment of responsibilities, the definition and documentation of processes and guidelines for detecting and correcting deviations.

The quality committees are the maximum executive bodies in this area and are responsible for establishing guidelines, monitoring compliance and system review. One of the responsibilities of the quality assurance departments is to conduct quality assurance audits of the different operating units.

b) Ongoing personnel training

The FCC Group has a training program in place based on specific training plans which offer both basic training and recycling, as well as training programs to cover specific needs as they arise. The quality assurance committees are responsible for establishing training plans, approving the implementation of training plans and ensuring that they are properly applied.

c) Ongoing support of operating units by technical departments with highly qualified staff.

d) The design and documentation of purchasing and subcontracting processes which guarantee the quality of the supplies and the efficacy and efficiency of the contracting system.

e) Economic and budget control systems for each operating unit that serve as the basis for economic planning: measuring, recording and evaluating production costs; analysing and monitoring deviations and quantifying and controlling the resources invested.

### *2.3 Management of Environmental Risks*

The FCC Group has a UNE-EN ISO 14001 certified environmental management system based on:

- a) Compliance with the regulations applicable to the environmental aspects of its activities.
- b) Establishment and attainment of the continuous improvement targets that exceed legislative and contractual requirements.
- c) Minimising the environmental impact through proper operational control.
- d) Ongoing analysis of risks and possible improvements.

The basis prevention tool for controlling this risk is the environmental plan prepared by each operating unit which consists of:

- a) Identifying the environmental aspects of the business and applicable laws.
- b) Environmental impact evaluation criteria
- c) The measures needed to minimise the impact.
- d) A system for tracking measuring the stated objectives.

## **3. Management of Organisational Risks.**

### *3.1 Management of Labour Risks.*

One of the FCC Group's priorities in the conduct of its business is to guarantee the health and safety of its personnel and to comply with all labour legislation, placing the utmost importance on occupational risk prevention systems. These systems are formalised and organised on the basis of:

- a) The assignment of functions and responsibilities.
- b) Compliance with the procedures integrated in the production process for evaluating risks and implementing prevention plans (safety plans).
- c) Ongoing training supported by specialists in the field.
- d) Regular reviews of the planned measures in the different operating units by prevention specialists.
- e) A safety audit system involving internal and external professionals.

### *3.2 Management of Information System Risks*

In 2007, the Group began the process of adapting and transforming its information systems. This transition process began with a strategic systems plan intended to strengthen the governance of IT systems, renew obsolete systems and implement methodologies and processes designed to minimise technological risks.

Overseen by the Information Safety and Risk Management Department, a set of methods, systems and processes has been designed with the intention of protecting information and of preventing and/or mitigating risks through access control and data recovery policies and systems. In keeping with these initiatives, there are now disaster protection and recovery processes and systems in place in most of the critical business applications (ERP, Cash, Consolidations, etc.).

The FCC Group, aware of the importance of information safety, has decided to develop a body of regulations designed to ensure the confidentiality, integrity and availability of the information processed in its systems.

The FCC Group's Information Safety Policy contains the general principles relative to the safety of the information handled by the member companies of the Group. As a consequence of this policy, safety measures have been implemented to mitigate the inherent data processing risks.

#### **4. Financial Risk Management Policies**

The concept of financial risk refers to the fluctuations experienced by the financial instruments contracted by the Group due to political, market and other factors and which have repercussions on the consolidated balance sheet.

The risk management philosophy of the FCC Group is consistent with the business strategy, seeking the maximum solvency and efficiency at all time. To do so, stringent financial risk management and control criteria have been established which consists of: identifying, measuring, analysing and controlling the risks incurred in the course of FCC's operations. The Risk Policy is correctly integrated into the Group's organisation.

The hedging risk policy implemented by the FCC Group is not of a speculative nature but rather intended to cover the risk associated with the transaction.

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

##### *4.1. Interest Rate Risk*

The interest rate changes that occur due to market fluctuations cause changes in the financial burden associated with the Group's debt. In order to maintain a position that is more favourable to the Group's interests, FCC has an active interest rate risk management policy.

Given the nature of the FCC Group's business, which is closely linked to inflation, the Group's financial policy consists of ensuring, to the extent possible, that both the current financial assets, which provide a large part of the natural coverage of the financial liabilities, and the Group's debt are partially references to adjustable interest rates.

Even so, by the end of the year the FCC Group had covered 51% of the Group's Total Net Debt, including project financing, through a system of operations with different terms using different instruments.

With regard to the policy that the instrument used at origin be catalogued, FCC has covered the materialised interest rate fluctuations primarily through IRS or Interest Rate Swap agreements, wherein the Group companies pay fixed and receive floating.

Given the volatility of money markets, FCC maintains an active policy of interest rate risk management in order to stay in a position that is most favourable to the Group's interests at any given time.

##### *4.2. Exchange Rate Risks:*

One of the most serious consequences for the FCC Group of doing business in international markets is the expose of net currency positions against the euro or one foreign currency against another when the investment and financing of an activity cannot be done in the same currency.

The general policy of the FCC Group is to reduce, to the extent possible, the negative effect which the exposure to different currencies has on its financial statements in terms

of both transactional changes and changes in net worth. Therefore, the FCC Group manages the way in which interest rate risk can affect the balance sheet and the income statement:

- Conversion Risk:

This risk has an impact on the FCC Group's income statement due to the possibility of future cash flows being altered by exchange rate fluctuations upon conversion (when the cash flows in foreign currencies are converted into the local currency). In this regard, the cash flows denominated in local currency are not exposed to conversion risks.

The Group actively manages exchange rate risks by contracting financial operations in the same currency in which the asset is denominated, i.e., the financial required for the local business of the company in the country where the investment originates always attempts to arrange the financing in the local currency to ensure the "matching" of the cash flows generated with the financing. However, there are times when this is not possible due to the monetary weakness of the country of origin of the investment and where there is no possibility of long-term financing in that country's currency, in which case it is done in the consolidation currency or in the most closely correlating currency.

At this time, 78,8% of the total net debt of the FCC Group is financed in euros, with the exchange rate risk being concentrated primarily in pounds, dollars and Czech crowns. The Group's principal investments in currencies other than the euro are in these currencies.

The percentage of each foreign currency other than euros and the percentage of the Group's total financing which they represent are listed below:

CURRENCY	PERCENTAGE
<b>Pound</b>	66.89%
<b>Czech crown</b>	14.64%
<b>US dollar</b>	12.71%
<b>Other non-euro European currency</b>	2.22%
<b>Latin America</b>	1.93%
<b>Other</b>	1.61%

- Transaction Risk:

This risk has an impact on the FCC Group's balance sheet due to the fluctuation of foreign currency transactions already recognised on the balance sheet.

The goal of transaction risk management is to continuously protect the balance sheet against adverse movements of the exchange rate curves.

The net operating assets in each currency are itemised below. Considering that the consolidated net indebtedness is referenced to the same currency as the asset, the different between the two refers to the part of the net operating asset in each currency financed with capital and reserves.

	2007							Total:
	Euros	US dollar	Pound	Czech crown	Other non-euro European currency	Latin America	Other	
Net operating assets	9,032,655.0	464,737.0	2,025,070.0	285,782.0	110,088.0	278,464.0	61,391.0	12,258,187.0
Consolidated indebtedness	6,278,499.5	214,681.6	129,732.0	247,187.6	37,500.9	32,612.4	27,162.1	7,967,376.1
<b>Net worth – shareholders' equity</b>	<b>2,754,155.5</b>	<b>250,055.4</b>	<b>895,338.0</b>	<b>38,594.4</b>	<b>72,587.1</b>	<b>245,851.6</b>	<b>34,228.9</b>	<b>4,290,810.9</b>
% of total	64.2%	5.8%	<b>20.9%</b>	0.9%	1.7%	5.7%	0.8%	

This shows the importance of the euro (64.3% of total) and the pound (20.78% of total).

#### 4.3. Solvency Risk:

The most representative ratios for the purposes of measuring solvency are those indicated below:

	<b>CONSOLIDATED</b>
<b>Ratio of NET DEBT to Normalised EBITDA</b>	
Ratio of net debt with recourse (corporate) to EBITDA with recourse (corporate)	<b>2.71</b>
Ratio of total net debt to total annualised EBITDA	<b>3.63</b>
<b>LEVERAGE RATIO</b>	<b>64.9</b>
<b>RATIO OF NET FINANCIAL COST TO OPERATING CASH FLOW</b>	<b>32.3</b>

For the purposes of calculating the (net debt/Ebitda) ratio for companies acquired during the year, the EBITDA has been normalised and annualised for a complete fiscal year.

#### 4.4. Liquidity Risk:

In order to mitigate the liquidity risk, the FCC Group operates in different markets at all times to facilitate the arrangement of financing.

Despite the unfavourable changes experienced by financial markets starting in the second half of 2007, the FCC has maintained an excellent position, anticipating possible adversities and paying close attention to the evolution of the different factors which may help to solve the liquidity crisis in the future as well as the different financing sources and their characteristics.

The details of the financing lines granted at the consolidated level are shown below, taking into account only the long and short term debt with credit institutions and excluding the items stated as debt without recourse and financial leases:

<b>2007 (thousands of euros)</b>			
	<b>Amount</b>	<b>Available balance</b>	<b>Drawdown</b>
<b>Consolidated</b>	8,114,453.1	2,311,860.3	5,802,592.8

Not only is the Group expected to be able to maintain the existing lines but could also extend them in the future if necessary.

#### 4.5. Concentration Risk:

This is the risk associated concentrating financing operations with common characteristics such as:

- **Financing sources:** The FCC Group obtains financing from more than 150 domestic and international financing institutions.
- **Markets/Geography (domestic, foreign):** The FCC Group operates in many domestic and international markets, with 78.8% of its debt concentrated in euros and 21.2 % in different international markets with different currencies.
- **Products:** The FCC Group uses a number of different financial products including loans, credit lines, debentures, syndicated operations and discounts, among others.

- **Currency:** The FCC Group finances its activities in a variety of currencies. While the euro, dollar and pound account for the heaviest concentration, the investments tend to be financed in the local currency whenever this is possible in the country of origin.

#### 4.6. *Financial derivatives of risk coverage*

A financial derivative is a financial instrument or other contract whose value changes in response to certain variables such as interest rates, the price of a financial instrument, exchange rates, credit rating or other variables which may be non-financial in nature.

Financial derivatives, in addition to generating profits or losses, can under certain conditions offset part or all of the exchange rate risk, interest rate risk or the risk associated with value of balances and transactions.

The classes of accounting coverage are as follows:

- Reasonable value.
- Cash flow.
- Exchange risk of net foreign investments.

According to the recently introduced IAS 39, in order to be considered hedge instrument, the financial derivative must meet the following requirements:

- Identification and formal documentation at origin of the hedging relation as well as the object of it and the strategy assumed by the company with regard to the hedge.
- Documentation identifying the elements being covered, the hedging instrument and the nature of the risk involved.
- Prospective (analytical) demonstration of the effectiveness of the hedge.
- Objective and verifiable ex-post measurement.

At 31 December 2007, the FCC Group had interest rate hedging operations valued at 4,508,315 thousand euro, primarily in the form of Interest Rate Swaps (IRS) wherein the companies of the Group pay fixed and receive floating interest rates.

#### 4.7. *Management of patrimonial and industrial risks*

As part of the patrimonial and industrial risk management policy of the FCC Group, the Company adheres to an active risk management policy to manage the risks that have a direct effect on the Company's assets, either as a result of their destruction or the generation of obligations to third parties.

The ongoing risk management process consists of:

- a) Identifying and assessing the risks and their economic consequences.
- b) Eliminating risks where possible by adopting the pertinent safety and prevention measures.
- c) Transferring the risks that cannot be eliminated or minimised to the insurance sector by taking out insurance policies.
- d) Financing the risks that have not be eliminated or transferred by means of active self-insurance policies.

It is, in short, a risk analysis process involving the entire Group in which the potential losses are quantified and the measures needed to eliminate and/or minimise them are determined, optimising them in economic terms and choosing the most appropriate coverage mechanisms with the ultimate goal of maintaining or guaranteeing the net worth and economic results of the company as a way of generating value for shareholders.



**D.2. State whether any of the different types of risks materialised during the fiscal year (operational, technological, financial, reputational, fiscal, etc.) affecting the Company and/or Group:**

Yes  No

**If so, describe the circumstances under which this occurred and whether the established control systems were effective.**

Risk materialised during the fiscal year	Underlying circumstances	Effectiveness of control systems

**D.3. Indicate whether there a committee or other governing body in charge of establishing and supervising these control mechanisms.**

Yes  No

**If so, describe its functions.**

Name of the committee or body	Description of functions
Audit and Control Committee	In charge of establishing and supervising the company's control policies (see B.2.3.). Risk management is part of the Group's overall management framework and involves all members of the organisation, accompanied by preventive, supervisory and control policies. There are different people responsible for designing the processes at different levels of the organisation and committees or bodies in charge of ensuring that the established controls work properly.

**D.4. Identification and description of the processes for ensuring compliance with the regulations affecting the Company and/or Group.**

The FCC Group has procedures in place to guarantee compliance with the regulations governing each one of the Group's economic activities, with different departments specialising in the regulations applicable to each company and the Group (business, labour, tax, environmental laws, etc.) These departments are in charge of:

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

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

**E GENERAL MEETING**

**E.1. Indicate and describe any differences between the minimum quorum requirements set out in the Public Limited Companies Act (LSA) and the quorum needed to hold the General Meeting.**

Yes  No

	<b>Quorum % different than established in article 102 LSA for general matters</b>	<b>Quorum % different than established in article 103 LSA for special matters 103</b>
<b>Quorum required on first meeting date</b>	<b>50</b>	
<b>Quorum required on second meeting date</b>	<b>45</b>	<b>45</b>

**Description of the differences**

The Ordinary and Extraordinary General Meeting will be validly convened:

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

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

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

**E.2. Describe the system for passing resolutions and how it differs from the system set out in the Public Limited Companies Act (LSA):**

Yes  No

**Describe how it is different from the system contained in the Public Corporations Act.**

	<b>Reinforced majority other than that stipulated in article 103.2 LSA for the situations described in 103.1</b>	<b>Others situations of reinforced majority</b>
<b>% established by the company to pass resolutions</b>		

<b>Description of the differences</b>

**E.3. List the shareholders' rights with regard to General Meetings that differ from those established in the Public Corporations Act.**

There are no differences with respect to the method contained in the Public Corporations Act.

**E.4. Indicate the steps taken, if any, to encourage the participation of shareholders in General Meetings.**

The General Assembly Regulations includes a series of measures intended to foster shareholder participation in the General Meeting. These measures are defined in the shareholders' information rights regulated in the following articles:

Article 6. Information available once the meeting is announced

The company will make available to the shareholders, once the General Meeting is announced, at its headquarters, at the office of the CNMV and the stock exchanges where its shares are traded and on its corporate website:

- a) The full text of the meeting announcement.
- b) The text of the resolutions proposed by the Board of Directors in relation to the agenda items.

When the proposal refers to the appointment or ratification of Directors, the following information must also be included: (i) the professional and biographical profile; (ii) other Boards of Directors on which the candidate sits, whether or not publicly listed companies; (iii) the director's category indicating, for nominee directors, the shareholder who has proposed the appointment ratification or re-election or to whom the candidate is related; (iv) date of first appointment as a company director and subsequent reappointments; (v) and the shares and options to company shares held by the candidate.

- c) The legally-mandated documentation or information which must be made available to shareholders on the agenda items starting on the date of the meeting announcement.
- d) Information on the channels of communication between the Company and its shareholders for gathering information or making suggestions.

Article 7. The right to information prior to the General Meeting

1. Shareholders may, up to and including the seventh day prior to the first scheduled date of the General Meeting, ask questions or request information or explanations relative to the items contained on the agenda or the information available to the public which has been forwarded by the Company to the National Securities Market Commissions since the last General Meeting of Shareholders.
2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Investor Relations Department at the Company's registered offices, hand delivered or by post or courier. The provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.
3. The information requests regulated in this article will be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Meeting of Shareholders but prior to the start of the meeting.
4. The Chairman may deny the requested information when, in his or her opinion, the publication of the requested information could be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital.
5. The Board of Directors may authorise any one of its members as well as its Secretary and Assistant Secretary, through the company's "Stock Market and Investor Relations Department", to respond to the information requests submitted by shareholders.

#### Article 14. Information

1. The Directors must provide the information requested by shareholders, except under the circumstances foreseen in article 7.4 of these regulations or when the requested information is not available during the meeting. In this case, the information will be provided in writing within seven days of the meeting date, to which end the shareholders will indicate the mailing addresses where the information should be sent.
2. The requested information or clarifications will be provided by the Chairman or, at the Chairman's request, by the Chairman of the Audit Committee, the Secretary, a Director or any employee or expert on the subject at hand, in accordance with article 9.2 of these Regulations .

#### Article 15. Voting on Proposals

1. Once the shareholders' questions have been answered as provided for herein, a vote will be held on the proposed resolutions on agenda items and others which need not legally be included on the agenda.
2. The Secretary will ask the shareholders if they wish to hear a reading of the proposed resolutions, the text of which is contained in the documentation provided to shareholders prior to entering the General Meeting and can also be found on the company's website. If any of the shareholders or the Chairman requests a reading, the proposed resolution will be read. The attendees will be told the agenda item to which the proposed resolution being voted on pertains.
3. Notwithstanding alternative systems that may be used at the Chairman's request, the procedure for voting on the proposed resolutions will be as follows:

- a) The system for voting on the proposed resolutions relative to the agenda items will be by a negative deduction system. This means that for each proposal, the votes corresponding to all of the shares present and represented will be considered favourable votes, deducting those corresponding to the shares whose owners or representatives state that they are voting against or abstaining, in addition to those corresponding to the delegations received by the Board of Directors, recording the votes against and abstentions, for the proposal in questions. Negative votes and abstentions will be computed separately.
  - b) The system for voting on the proposed resolutions relative to items not on the agenda, when such voting is legally possible, will be by a positive deduction system. This means that for each proposal, the votes corresponding to all of the shares present and represented will be considered votes against, deducting those corresponding to the shares whose owners or representatives state that they are voting for the proposal or abstaining.
  - c) When technically possible and provided that the compliance with all legal requirements can be guaranteed, the Board of Directors may use electronic vote counting systems.
  - d) Pursuant to the terms of Article 5 of these Rules, if the meeting announcement mentions the possibility of distance voting using one or several distance voting methods, and notwithstanding the specific instructions established therein for each one, in order to be valid and accepted the Company, the ballot must contain the following information, at the very least:
    - (i) Date of the General Meeting and Agenda.
    - (ii) Name of the shareholder.
    - (iii) Number of shares possessed by the shareholder.
    - (iv) The shareholder's vote on each one of the agenda items.
  - e) Separate votes must be held on substantially independent matters so that shareholders may exercise their voting preferences separately. In particular, this rule applies to the adoption of resolutions on: (i) the appointment or ratification of Directors, which must be voted on individually; (ii) and in the case of amendments to the Articles of Association, each article or group of substantially independent articles.
  - f) Where legally permissible and as long as all other requirements are met, financial intermediaries appearing as shareholders but acting for and on behalf of different clients may split their votes following their clients' instructions.
4. The statements containing the votes made to the notary public or the voting committee, as provided for in paragraph 3 above, may be made individually for each one of the proposals or jointly for several or all of them, indicating to the notary or the committee the shareholder's or proxy's identity, the number of shares controlled and the yea or nea vote or abstention.

**E.5. State whether the Chairman of the General Meeting is the same person as the Chairman of the Board of Directors. If so, describe any measures that have been adopted to guarantee the independence and efficacy of the General Meeting.**

Yes  No

## **Details of Measures**

According to article 10.2 of the General Meeting Rules: “2. The General Meeting is chaired by the Chairman or Vice Presidents of the Board. If there is no pre-established order, the order will be determined by the number of years in office”. In the absence of the Vice Presidents as well, the Meeting will be chaired by the oldest director.

Measures to guarantee the independence and smooth transaction of the General Meeting:

The General Meeting Rules contain a detailed set of measures to guarantee the independence and smooth operation of the General Meeting which can be consulted on the Company's website.

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

1. Shareholders may, up to and including the seventh day prior to the first scheduled date of the General Meeting, ask questions or request information or explanations relative to the items contained on the agenda or the information available to the public which has been forwarded by the Company to the National Securities Market Commissions since the last General Meeting of Shareholders.

2. Information requests may be made by e-mail to the address provided for this purpose on the Company's website for each General Meeting of Shareholders or in writing to the Stock Market and Investor Relations Department at the Company's registered offices, hand delivered or by post or courier. The provisions of this article are understood without prejudice to the shareholders' right to obtain a printed copy of the documents and to request that the documents be sent to them, free of charge, when so stipulated by law.

3. The information requests regulated in this article will be answered, once the identity and status of the requesting shareholder is verified, up to the date of the General Meeting of Shareholders but prior to the start of the meeting.

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

5. The Board of Directors may authorise any one of its members as well as its Secretary and Assistant Secretary, through the company's "Stock Market and Investor Relations Department", to respond to the information requests submitted by shareholders.

Article 23 of the Articles of Association establishes the shareholder's right to request information:

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

Any information or explanations requested verbally from the Chairman by the shareholders in relation to the items on the agenda during the General Meeting itself

before the Meeting turns to the items contained in the agenda, or requested in writing up to the seventh day before the scheduled meeting date, will be provided verbally during the General Meeting by any one of the directors in attendance, at the Chairman's request. If the requested information or explanations refer to items falling under the jurisdiction of the Audit Committee, they shall be provided by any one of the members or advisors to the Committee in attendance at the meeting. If in the Chairman's opinion it is not possible to provide the shareholder with the requested information or explanations during the Meeting, they will be provided in writing to the requesting shareholder within seven calendar days of the Meeting date.

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

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

The Company has a website which contains the legally-required information and through which the Company can respond to the shareholders' requests for information, according to the legislation in force at any given time.

**E.6. Indicate the changes (if any) made to the General Meeting Regulations during the fiscal year.**

Reform of some clauses of the General meeting Rules to adapt them to the Unified Code of Good Governance.

The following articles of the General Meeting Rules have been amended:

- (i) Article 5 of the General Meeting Rules relative to the meeting announcement;
- (ii) Article 6 of the General Meeting Rules relative to the information available as from the announcement of the meeting date;
- (iii) and Article 15 of the General Meeting Rules relative to the system for voting on proposals.

Technical improvements to certain provisions of the General Meeting Rules.

The changes made in 2007 introduced technical improvements to certain articles of the Rules in order to clarify and supplement the technical aspects of certain provisions of the Rules in order to make them easier to interpret and apply.

The following articles were amended:

- (i) Article 8 of the General Meeting Rules relative to the delegation system
- (ii) And Article 9 of the General Meeting Rules relative to the right and obligation to attend the General Meeting.

Finally, some minor style or wording changes were also made to make the articles of the General Meeting Rules in question easier to understand.

Detailed justification of the proposed amendments to the General Meeting Rules.

Justification of the amendment of Article 5:

The proposed change incorporates the first paragraph of the 5th recommendation of the Unified Code of Good Governance.

Justification of the amendment of Article 6: The proposed change incorporates the first 4th recommendation of the Unified Code.

Justification of the amendment of Article 8: The proposed change incorporates technical improvements.

Justification of the amendment of Article 9: The proposed change incorporates technical improvements.

Justification of the amendment of Article 15: The proposed change incorporates the 5<sup>th</sup> and 6<sup>th</sup> recommendations of the Unified Code.

**E.7. Indicate the attendance rates at General Meetings held during the fiscal year referred to in this report:**

**Attendance rates**

Meeting date	% physically present	% represented	% distance votes		Total:
			Electronic votes	Other	
28-06-2007	68.181	7.114			75.269

**E.8. Briefly describe the resolutions passed at the general meetings held during the fiscal year in question and the percentage by which each was passed.**

1.- Annual financial statements of the Company and Consolidated Group and Performance of the Board of Directors:

Votes against	0
Abstentions	0.23349366
Votes for	99.7665063
Votes cast	100

2.- Allocation of Fiscal Year 2006 profits:

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

3 A.- Amendment of Articles 18 and 23 of the Articles of Association

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

3 B.- Amendment of Articles 26, 27, 28, 29, 35 and 37 of the Articles of Association

Votes against	0.00458644
Abstentions	0
Votes for	99.9954136
Votes cast	100



3 C.- Rubric of Section 3 of Titles Three and amendment of Articles 38 and 39 of the Articles of Association

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

4 A.- Amendment of Articles 5, 6 and 8 of the General Meeting Rules

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

4 B.- Amendment of Articles 9 and 15 of the General Meeting Rules

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

5. A.- Setting the number of directors on Board of Directors members at 21

Votes against	0.81408219
Abstentions	0.00120128
Votes for	99.1847165
Votes cast	100

5. B.- Re-election of B-1998, S.L. as nominee director

Votes against	1.90945309
Abstentions	0.00120128
Votes for	98.0893456
Votes cast	100

5. C.- Re-election of Francisco Mas-Sardá Casanelles as independent director

Votes against	1.88466757
Abstentions	0.00120128
Votes for	98.1141311
Votes cast	100

5. D.- Appointment of César Ortega Gómez as independent director

Votes against	0,8749632
Abstentions	0,00120128
Votes for	99.1238355
Votes cast	100

5. E.- Appointment of Luis Manuel Portillo Muñoz as nominee director

Votes against	2.46204997
Abstentions	0.00120128
Votes for	97.5367487
Votes cast	100

5. F.- Appointment of Mariano Miguel Velasco as nominee director

Votes against	1.91166036
Abstentions	0.00120128
Votes for	98.0871384
Votes cast	100

4.- Authorisation to acquire treasury stock:

Votes against	0
Abstentions	0.00120128
Votes for	99.9987987
Votes cast	100

8. Re-election of the Auditors of the Company and the Consolidated Group.

Votes against	0.15568787
Abstentions	0.00458644
Votes for	99.8397257
Votes cast	100

9.- Authorisation of directors to execute resolutions:

Votes against	0
Abstentions	0
Votes for	100
Votes cast	100

10. - Approval of the meeting minutes:

This agenda item was not voted on because the minutes of the Meeting were drafted by the Notary Public of Barcelona, José Javier Cuevas Castaño.

**E.9. State whether there are any restrictions in the Articles of Incorporation establishing the minimum number of shares needed to attend the General Meeting:**

Yes  No

<b>Number of shares needed to attend the General Meeting</b>	<b>1</b>
--	----------

**E.10. Indicate and give the reasons for the Company's policies relative to voting by proxy at the General Meeting.**

Notwithstanding the provisions of the Articles of Association where proxies are regulated, it is the policy of the Board of Directors not to demand unnecessary formalities in the proxy voting procedure which might hinder the rights of the shareholders who wish to exercise their right to attend the General Meeting, albeit with no impairment of the minimum guarantees needed to verify the delegation of a proxy by the shareholder.

**E.11. Indicate whether the Company is aware of the policy of institutional investor with regard to participating in Company decisions:**

Yes  No

<b>Describe the policy</b>

**E.12. Indicate the address of the corporate website and how the corporate governance contents can be accessed on the site.**

On the FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. website, [www.fcc.es](http://www.fcc.es), there are specific sections on the home page entitled "Information for Shareholders and Investors" and "Corporate Responsibility" which include the information required by Law 26/2003 of 18 July, the Order ECO/3722/2003 of 26 December and the Circular 1/2004 of 17 March of the National Securities Market Commission, ORDER EHA/3050/2004 of 15 December and Royal Decree 1333/2005 of 11 November.

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

The FCC website has been designed and programmed following the guidelines of the WAI initiative (Web Accessibility Initiative), which sets the international standards for the creation of web content world-wide. The Accessibility Consultants at Technosite, following a technical analysis of accessibility, have determined that the FCC Group's website meets all of the verification points of priority 2 and priority 1 established in the W3C's Web Accessibility Guidelines 1.0 (known as WAI Guidelines).

The site includes a link to the data notified by FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. to the website of the National Securities Market Committee.

## F. LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's level of compliance with the recommendations of the Unified Code on Good Corporate Governance.

In those cases where the Company does not comply with the recommendations, explain the recommendations, standards, practices or criteria applied by the Company.

**1. The bylaws of listed companies may not limit the number of votes held by a single shareholder, or impose other restrictions on the company's takeover via the market acquisition of its shares.**

See sections: A.9, B.1.22 , B.1.23 and E.1 , E.2.

Compliant

Explain

**2. In the exceptional event that a dominant and subsidiary company are separately listed, they must both sign and publish an agreement specifying exactly:**

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

**b) The mechanisms in place to resolve possible conflicts of interest.**

See sections: C.4 and C.7

Compliant

Partially compliant

Explain

N/A

Article 7.2 h of the Rules of the Board of Directors establishes that the Board of Directors is responsible for: "Defining the structure of the Group and coordinating, within the legal limits, the Group's general strategy in the interests of the Company and its subsidiaries with the support of the Strategy Committee and the Managing Director, and disclosing in the Annual Corporate Governance Report the respective areas of activity and any business relations between the Company and its listed subsidiaries that are part of the group, and between those companies and the other Group companies, and the mechanisms established to resolve any conflicts of interest that may arise".

On 8 May 2007, a Framework Agreement was signed to regulate the relations between FCC, Caja de Ahorros y Monte de Piedad de Madrid and Realia Business, S.A., the latter of which is a listed company, in order to regulate the relations between them and the mechanisms for resolving conflicts.

In fiscal year 2008 the Company plans to approve a document whose contents will be made public in the next Annual Corporate Governance Report in relation to the publicly listed subsidiary, Cementos Portland Valderrivas S.A., wherein its areas of activity are defined along with its business relations and the mechanisms in place for settling conflicts of interest, should they arise.

**3. Even if not expressly required under company law, Boards of Directors should submit the following decisions to the General Shareholders' Meeting for approval or ratification:**

**a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that**

were previously carried out by the originating firm, even though the latter retains full control of the former;

- b) Any disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation;

Compliant

Partially compliant

Explain

Article 8.6 of the Rules of the Board of Directors establishes that the Board must seek the Meeting's prior authorisation for the acquisition or disposal of essential operating assets when they entail a change in the company's object, and for transactions whose effect is the equivalent of liquidating the Company.

This does not include subsidiarisation operations so as not to impair the Board of Directors ability to operate, since these are operations that can require quick decisions and fleeting opportunities and are also equipped with ample legal mechanisms to protect the interests of the shareholders and the Company, notwithstanding the fact that the Board must report them to the General Meeting.

4. The proposals set out in the resolutions to be passed by the General Meeting, including the information mentioned in Recommendation 28, are made public when the General Meeting is announced.

Compliant

Explain

5. Separate votes will be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule will apply particularly to the following items:

- a) Appointment or ratification of directors, with separate voting on each candidate;
- b) Changes to the bylaws, with votes taken on all articles or groups of articles that are materially different. In any event, articles must be voted on individually if a shareholder so requests.

See sections: E.8.

Compliant

Partially compliant

Explain

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

See section: E.4.

Compliant

Explain

7. The Board of Directors shall perform its duties with unity of purpose and independence from Management, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as maximising the company's value over time.

It will ensure that the company abides by the laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs

and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

Partially compliant

Explain

**8. The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full shall approve:**

**a) The company's general policies and strategies. In particular:**

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of senior officers;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Policy on treasury shares, and the limits to apply.**

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

**b) The following decisions:**

- i) The appointment and removal of executive staff members and their indemnity clauses, at the proposal of the CEO.**

See section: B.1.14.

- ii) The remuneration to be paid to directors and the additional remuneration to be paid to executive directors and other contractual conditions.**

See section: B 1.14

- iii) The financial information listed companies must periodically disclose.**
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics; in particular, items requiring ratification by the General Meeting as specified in Recommendation 4;**
- v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the group's transparency.**

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

However, Board authorisation will not be required for related-party transactions that simultaneously meet the following three conditions:

**1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.**

**2. They go through at market rates, set on a general basis by the person supplying the goods or services.**

**3. Their amount is no more than 1% of the company's annual revenues.**

**Related-party transactions may only be approved on the basis of a favourable report from the Audit Committee. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.**

**The above powers may not be delegated -with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.**

See sections: C.1 and C.6

Compliant

Partially compliant

Explain

**9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.**

See section: B.1.1

Compliant

Explain

Article 27 of the Articles of Association states that the Board of Directors will be composed of a minimum of 5 and a maximum of 22 members. On 31 December 2007 there were 21 directors.

Given the characteristics of the Company, the size of the Board is considered to be sufficient to enable the board members to perform their functions of managing, directing and administering the Company's business and to make it possible for different types of directors to sit on the Board without jeopardising the Board's operation.

**10. The number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group, while external directors (i.e., nominee directors and independents) occupy an ample majority of board places.**

See sections: A.2 , A.3, B.1.3 and B.1.14.

Compliant

Partially compliant  Explain

**11. In the exceptional case where an external director cannot be considered either nominee or independent, the company must explain this circumstance and disclose his or her ties with the company or its managers or, alternatively, with its shareholders.**

See section: B.1.3

Compliant

Explain

N/A

**12. Among external directors, the relation between nominees and independents should reflect the proportion between the capital represented on the Board and the remainder of the company's capital.**

**This criterion of strict proportionality may be relaxed, so the weight of nominee directors is greater than would strictly correspond to the total percentage of capital they represent, in the following cases:**

**1° In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**

**2° In companies with a plurality of shareholders represented on the Board but not otherwise related.**

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

Compliant  Explain

On 31 December 2007, the ratio of nominee directors to independent directors was somewhat higher than the ratio between the capital represented by nominee directors and the rest of the capital. However, it is believed that the number of independent directors on the Board (three) is sufficient to guarantee that the floating capital's interests will be protected.

When this Annual Corporate Governance Report was approved, however, and following the resignation of Ibersuizas S.L from the board, the number of nominee directors was reduced to 14 and the ratio between nominee and independent directors reflects the ratio existing between the capital represented by those directors and the rest of the capital.

**13. The number of independent directors shall represent at least a third of all board members.**

See section: B.1.3

Compliant  Explain

Article 6.3 of the Rules of the Board of Directors establishes that there will be a suitable number of independent directors on the Board to strike a reasonable balance between independent and nominee directors and that there must be an ample majority of external directors.

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

**14. The nature of each director must be explained to the General Meeting of Shareholders, which shall make or ratify his or her appointment. Such determination shall subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report after being verified by the Appointments Committee. The Annual Corporate Governance Report must justify any appointment of a nominee director**



**representing a shareholder with an equity stake of less than 5%. Reasons should also be stated for any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others already having nominee directors.**

See sections: B.1.3 and B.1.4

Compliant  Partially compliant  Explain

**15. When women directors are few or non-existent, the Board should state the reasons for this situation and the initiatives taken to correct it. In particular, the Appointments Committee should take steps to ensure that:**

- a) The process of filling Board vacancies has no hidden bias against women candidates;**
- b) The company makes a conscious effort to include women with the target profile among the candidates for Board places.**

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

Compliant  Partially compliant  Explain

**16. The Chairman shall be responsible for the proper operation of the Board of Directors. He or she will ensure that directors are supplied with sufficient information in advance of board meetings, and will work to ensure a good level of debate. He or she will organise and coordinate regular evaluations of the Board and, when different from the chairman of the Board, the company's chief executive, along with the chairmen of the relevant committees.**

See section: B.142

Compliant  Partially compliant  Explain

**17. When Chairman and chief executive are one and the same, a Deputy Chairman will be appointed from among the company's independent directors. This Deputy Chairman will be empowered to request the calling of Board meetings or the inclusion of new business on the agenda, may organise coordinating meetings among external directors and will take charge of the Chairman's evaluation.**

See section: B.1.21

Compliant  Partially compliant  Explain

**18. Without prejudice to the general duties required of all directors, the Secretary shall take steps to ensure that the Board's actions:**

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;**

- c) **Are informed by the good governance recommendations of this Unified Code and adhere to the letter and spirit of those accepted by the company.**

**To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointments Committee and approved by a full board meeting. The relevant appointment and removal procedures must be spelled out in the board's regulations.**

See section: B.1.34

Compliant  Partially compliant  Explain

- 19. The Board of Directors must meet with the necessary frequency to properly perform its functions, and whenever the interests of FCC require, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items not initially envisaged in the agenda.**

See section: B.1.29

Compliant  Partially compliant  Explain

- 20. Director absences will 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 try to do so to another director in the same category.**

See sections: B.1.28 and B.1.30

Compliant  Partially compliant  Explain

- 21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the minute book.**

Compliant  Partially compliant  Explain  N/A

- 22. The Board will evaluate the following points on a yearly basis:**

- a) **The quality and efficiency of the Board's stewardship;**
- b) **How well the Chairman and chief executive have carried out their duties on the basis of the reports furnished by the Appointments Committee;**
- c) **The Board will also evaluate the performance of its committees on the basis of the reports furnished by the same.**

See section: B.1.19

Compliant  Partially compliant  Explain

**23. All directors shall be entitled to receive any additional information they require on matters within the Board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See section: B 1.42

Compliant  Explain

**24. All directors shall be entitled to call on the company for the advice and guidance they need to carry out their supervisory duties. The company shall establish suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.**

See section: B.1.41

Compliant  Explain

**25. Companies shall organise induction courses for new directors to supply them rapidly with the information they need on the company and its corporate governance rules. Directors will also be offered refresher courses when circumstances so advise (for instance, in the event of major regulatory changes).**

Compliant  Partially compliant  Explain

**26. Directors shall devote sufficient time and effort to perform their duties effectively. As such:**

**a) They shall apprise the Appointments Committee of any professional obligations that might detract from the necessary dedication;**

**b) Companies should limit the number of directorships their Board members can hold.**

See sections: B.1.8, B.1.9 and B. 1. 17

Compliant  Partially compliant  Explain

See section: B.1.2

Compliant  Partially compliant  Explain

Compliant  Partially compliant  Explain

**27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholder's Meeting will be approved by the board:**

**a) On the proposal of the Appointments Committee, in the case of independent directors.**

**b) Subject to a report from the Appointments Committee in all other cases.**

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

- a) **Professional experience and background;**
- b) **Other directorships held, and any professional activity in other companies, listed or otherwise;**
- c) **A reasoned explanation of the director's classification as executive, nominee or independent, as the case may be; in the case of nominee directors, stating the shareholder they represent or to whom they are affiliated.**
- d) **The date of their first and subsequent appointments as a company director and**
- e) **Shares held in the company and any options on the same.**

**29. Independent directors may not remain on the Board for more than 12 years in a row.**

See section: B.1.2

Compliant

Explain

The independent director Gonzalo Anes was appointed to the Board more than twelve years ago. He was given the status of independent director by the General Meeting of Shareholders at the time of his last re-election (2005). Since the Unified Code of Good Governance containing the recommendation was subsequent to his latest re-elected, the Board of Directors of FCC, at the proposal of the Appointments and Remunerations Committee, has agreed to ask the General Meeting of Shareholders to ratify him as an independent director at the next session.

**30. Nominee directors shall resign when the shareholders they represent dispose of the shares owned in their entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to nominee directors, they must reduce their director numbers correspondingly.**

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

Compliant  Partially compliant

Explain

**31. The Board of Directors may not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board on the proposal of the Appointments 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 enumerated section 5 of part III of the definitions of this Code.**

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

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

Compliant

Explain

- 32. Companies shall have rules requiring directors to report and if necessary to resign when the company's good reputation could be tarnished. In particular, they are obliged to report to the Board any criminal cases in which they have been charged and any subsequent legal proceedings.**

The moment a director is indicted for any of the crimes stated in article 124 of the Public Limited Companies Law<sup>42</sup>, the Board will examine and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board will disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Compliant

Partially compliant

Explain

- 33. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, independent directors should strenuously challenge any decision that might unjustifiably harm 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 term of this Recommendation will also apply to the Board Secretary in the discharge of his or her duties.

Compliant

Partially compliant

Explain

N/A

- 34. Directors who give up their place before their tenure expires, through resignation or otherwise, will state their reasons in a letter to be sent to all members of the board. As well as being filed as a significant event, the removal of any director and the motives for the same must be explained in the Annual Corporate Governance Report.**

See section: B.1.5

Compliant

Partially compliant

Explain

N/A

- 35. The company's remuneration policy, as approved by its Board of Directors, will specify at least the following points:**

a) **The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to.**

b) **Performance-related components, in particular:**

i) **The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.**

- ii) Performance evaluation criteria used to calculate entitlement to the award of shares or stock options or any performance-related remuneration; and
  - iii) The main parameters and justification for any system of annual bonuses or other, non cash benefits and
  - iv) In the case of performance-related awards, an estimate of the total remuneration resulting as a function of degree of compliance with the applicable benchmarks.
- c) Main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements) including an estimate of the equivalent annual cost.
- d) The contractual conditions of executive directors who perform executive functions, including
- i) Term of their contracts;
  - ii) Notice periods and
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

See section: B. 1. 1 5

Compliant  Partially compliant  Explain

**36. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the company's performance or membership of pension schemes shall be confined to executive directors.**

**The delivery of shares is excluded from this limitation, when such delivery is contingent on directors retaining the shares till the end of their tenure.**

See sections: A.3 , B.1.3

Compliant  Explain

**37. Director remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the post entails, but should not be so high as to jeopardise their independence.**

Compliant  Explain

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

Compliant  Explain  N/A

**39. In the case of performance-related awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.**

Compliant

Explain

N/A

40. The Board will submit a consultative report on the directors' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the agenda. The said report shall be provided to shareholders along with the Annual Accounts and Directors' Report.

The report will focus on the remuneration policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the questions referred to in Recommendation 35, except points potentially involving the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year. The report stated in the preceding Recommendation shall also provide a general summary of how remuneration policy was implemented in the prior year. The role of the Remuneration Committee in designing the policy will be reported to the Meeting and, if external advisors have been retained, the identity of the same.

See section: B.1.16

Compliant

Partially compliant

Explain

41. The report shall also provide a detail of the payments made in the period to individual directors, including:

- a) A breakdown of the remuneration obtained by each company director, to include where appropriate:

- i) Participation and attendance fees and other fixed director payments;
- ii) Additional compensation for acting as chairman or member of a Board committee;
- iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
- iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
- v) Any indemnities agreed or paid on the termination of their functions;
- vi) Any compensation they receive as directors of other companies in the group;
- vii) The remuneration executive directors receive in respect of their senior management posts;
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

- b) An individual breakdown of deliveries to directors of shares, stock options or other share-based incentives, itemised by:

- i) Number of shares or options awarded in the year, and the terms set for their execution;
- ii) Number of options exercised in the year, specifying the number of shares

involved and the exercise price;

iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;

iv) Any change in the year in the exercise terms of previously awarded options.

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits or some other measure of enterprise results.

Compliant  Partially compliant  Explain

In sections B.1.11 and following of this Annual Corporate Governance Report, the company provides the required information on Directors' remuneration (remuneration received by the directors for sitting on the Board of FCC or group companies; remuneration by type of director; guarantee clauses in favour of executive directors) and the process for establishing directors' remuneration (Board approval of a detailed report on the remuneration policies submitted by the Appointments and Remunerations Committee).

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

42. When the company has a Delegate or Executive Committee (hereafter, "Executive Committee"), the breakdown of its members by director category should roughly mirror that of the Board itself.

See sections: B.2.1 and B.2.6

Compliant  Partially compliant  Explain  N/A

43. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board members will receive a copy of the Committee's minutes.

Compliant  Explain  N/A

44. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors will form a Committee, or two separate committees, of Appointments and Remunerations.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remunerations Committee will be set forth in the board regulations, and will include the following at least:

a) The Board of Directors will appoint the members of these committees with regard to the knowledge, skills and experience of its directors and the terms of reference of each committee; will discuss their proposals and reports; and will be formally responsible for overseeing and evaluating their work;

b) These committees will be composed exclusively of external directors and will have a minimum of three members. This is without prejudice to executive directors or



senior officers attending meetings, for informational purposes, at the committees' invitation.

- c) All committees should have a majority of independent directors and be chaired by one of their number.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meeting proceedings will be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

Compliant  Partially compliant  Explain

Although not specifically established in the Rules, the Board of Directors has taken into account the knowledge, aptitudes and experience of the directors and the mission of each committee when appointing committee members. Furthermore, the Committees are expressly authorised to seek external advice and the Board has deliberated on the proposals and reports presented by the Committees who have reported on their activities at the first Board meeting subsequent to their meetings.

With regard to the Chairman and the composition of the committees, the Board, when appointing the members and chairmen of the different committees, has placed priority not so much on the class of directors but rather on the aptitudes, experience and qualifications that will enable the different committees to perform their functions.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliant  Explain

46. All members of the Audit Committee, particularly its chairman, will be appointed with regard to their knowledge and experience in accounting and auditing matters.

Compliant  Explain

47. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

Compliant  Explain

48. The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliant  Partially compliant  Explain

49. Control and risk management policy shall specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

- b) The probability of risks occurring and the determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Compliant  Partially compliant  Explain

**50. The Audit Committee's role will be:**

**1° With respect to internal control and reporting systems:**

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.
- c) Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report any irregularities they detect in the course of their work anonymously or confidentially.

**2° With respect to the external auditor:**

- a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
- c) Oversee the independence of the external auditor, to which end:
  - i) The company will notify any change of auditor to the CNMV as a significant event, stating the reasons for its decision. The company will explain any differences of opinion with the outgoing auditors.
  - ii) The Committee will ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
  - iii) The Committee will investigate the issues giving rise to the resignation of any external auditor.
- d) For groups, it will encourage the external auditors to assume the responsibility for auditing the accounts of the member companies of the Group.

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

Compliant  Partially compliant  Explain

**51. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior officer.**

Compliant  Explain

**52. The Audit Committee will report on the following points from Recommendation 8 before Board decision-making:**

- a) **The financial information listed companies must periodically disclose. The Committee shall ensure that intermediate statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) **The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) **Related-party transactions, except when a different supervisory and control committee is responsible for informing in advance.**

See sections: B.2.2 and B.2.3

Compliant  Partially compliant  Explain

**53. The Board of Directors shall present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Board Chairman and the auditors will give a clear account to shareholders of their scope and content.**

See section: B.1.38

Compliant  Partially compliant  Explain

**54. A majority of the members of the Appointments or Appointments and Remunerations Committee will be independent directors.**

See section: B.2.1

Compliant  Explain  N/A

As indicated in Recommendation 44, the Board, when appointing the members and chairmen of the different committees, has placed priority not so much on the class of directors but rather on the aptitudes, experience and qualifications that will enable the different committees to perform their functions.

The Appointments and Remunerations Committee is composed of mainly external directors, in compliance with the terms of article 42.1 of the Rules of the Board of Directors.

**55. The Appointments Committee will have the following functions in addition to those stated in earlier Recommendations:**

- a) **Evaluate the skills, knowledge and experience of the Board, define the roles and abilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**

- b) Examine or organise, in appropriate form, the succession of the Chairman and chief executive, making the pertinent recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Compliant  Partially compliant  Explain  N/A

**56. The Appointments Committee will consult with the company's Chairman and chief executive, especially with regard to executive director appointments.**

Any director may suggest to the Appointments Committee a selection of candidates for their consideration. Should the said Committee consider the candidates are valid, they will be potential candidates to fill director vacancies

Compliant  Partially compliant  Explain  N/A

**57. The Appointments Committee will have the following functions in addition to those stated in earlier Recommendations:**

- a) Make proposals to the Board of Directors regarding:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration of directors and the forms of contract the company should conclude with each executive director.
  - iii) Hiring modalities for senior officers.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14, B.2.3

Compliant  Partially compliant  Explain  N/A

**58. The Remuneration Committee will consult with the Chairman or chief executive, especially on issues involving executive directors and senior officers.**

Compliant  Explain  N/A