



REPORT BY THE BOARD OF DIRECTORS OF FOMENTOS DE CONSTRUCCIONES Y CONTRATAS, S.A. ON THE AMENDMENT TO THE RULES OF THE BOARD OF DIRECTORS FOR THE PURPOSES OF ARTICLE 115 OF SECURITIES MARKET LAW

1. PURPOSE OF THE REPORT

In accordance with article 115 of Law 24/1998, of 28 July, of the Securities Market, the Board of Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereinafter “FCC” or the “Company”) approved at its meeting on 5 May 2009 the following Report with a view to informing the General Meeting of Shareholders of amendments introduced in the Rules of the Board of Directors since the last General Meeting of Shareholders.

2. JUSTIFICATION OF THE PROPOSAL

The amendments introduced in the Rules of the Board of Directors affect articles 7, 32 and 42, and were approved by the Board of Directors at its meeting on 5 May 2009.

Article 7.2.b) on the competences of the Board of Directors has been amended to eliminate the list of parent companies of FCC Group to avoid the need to amend the Rules whenever the Group's organisational structure changes.

Article 32.3 on the remuneration of executive directors has been modified so as to clarify, in coherence with the Articles of Incorporation, that executive director remuneration for discharging executive functions is compatible with, and independent of, the remuneration for Board membership.

Article 42 on the Appointments and Remuneration Committee was amended to expressly include, among the competences of the Commission in section 3.f), the power to propose to the Board the distribution among its members of the remuneration decided by the General Meeting of Shareholders, as envisaged in article 32.1 of the Rules of the Board of Directors.

For comparison purposes, the current and proposed wording of articles 7, 32 and 42 of the Rules of the Board of Directors is set out below:

CURRENT WORDING	PROPOSED WORDING
<p>Article 7. Powers of the Board of Directors. Powers that may not be delegated</p> <p>1. The Board of Directors is competent to make decisions about any matter not attributed by Law or the Articles to the General Meeting; it has the highest powers and faculties to manage, direct, administer and represent the Company, focusing fundamentally on overseeing the day-to-day management of the Company that is entrusted to the executive directors and senior managers, and on all matters of particular importance to the Company.</p> <p>2. In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary</p>	<p>Article 7. Powers of the Board of Directors. Powers that may not be delegated</p> <p>1. The Board of Directors is competent to make decisions about any matter not attributed by Law or the Articles to the General Meeting; it has the highest powers and faculties to manage, direct, administer and represent the Company, focusing fundamentally on overseeing the day-to-day management of the Company that is entrusted to the executive directors and senior managers, and on all matters of particular importance to the Company.</p> <p>2. In any event, through the passage of resolutions which must be approved in each case as stipulated by law and the Articles of Incorporation, the plenary</p>

Board of Directors has exclusive powers over the following formal list of matters, which may not be delegated:

a) Appointment and removal of the Chairman, Vice-Chairman, Managing Directors, Secretary and Vice-Secretary of the Board of Directors and, at the proposal of the Managing Director, appointment, removal and, when appropriate, indemnisation clauses for the senior officials in the company's functional areas (Administration, Finance, Human Resources, and the General-Secretariat), of members of the Management Committee and, in general, the Company's Senior Executives.

b) Propose to respective Boards of Directors, at the initiative of the Managing Director and through the Company's representatives, the appointment, removal and, when appropriate, indemnity clauses of the Chairmen and General Managers of the parent companies of FCC Group (FCC Construcción, S.A.; FCC Medio Ambiente, S.A.; Aqualia Gestión Integral del Agua, S.A., FCC Versia, S.A, Cementos Pórtland Valderrivas, S.A. and Realia Business, S.A.), acting in this connection in pursuit of the

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<p>corporate interest of each of the aforementioned subsidiaries.</p> <p>c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation, and revoking such powers.</p> <p>d) Appointment and removal of Board members as members of the various Committees envisaged in these Rules.</p> <p>e) Supervising the Board's Delegated Committees.</p> <p>f) Appointing Board members by co-option to fill vacancies that arise, until the next General Meeting is held.</p> <p>g) Accepting the resignation of board members.</p> <p>h) Authorising the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring any interim dividends.</p> <p>i) 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</p>	<p>corporate interest of each of them the aforementioned subsidiaries.</p> <p>c) Delegating faculties to any of the members of the Board of Directors in the terms established by law and the Articles of Incorporation, and revoking such powers.</p> <p>d) Appointment and removal of Board members as members of the various Committees envisaged in these Rules.</p> <p>e) Supervising the Board's Delegated Committees.</p> <p>f) Appointing Board members by co-option to fill vacancies that arise, until the next General Meeting is held.</p> <p>g) Accepting the resignation of board members.</p> <p>h) Authorising the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring any interim dividends.</p> <p>i) 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</p>
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<p>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.</p> <p>j) 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.</p> <p>k) The general organising powers of the Board of Directors, particularly the power to amend these Rules.</p> <p>l) 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.</p>	<p>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.</p> <p>j) 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.</p> <p>k) The general organising powers of the Board of Directors, particularly the power to amend these Rules.</p> <p>l) 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.</p>
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Article 32. Remuneration of directors.

1. Based on a proposal by the Appointments and Remuneration Committee, the Board will distribute among its members the remuneration decided by the General Meeting of shareholders, as provided in the Articles of Incorporation and in line with the criteria envisaged in this article, each director being entitled to receive the remuneration established by the Board of Directors.

Without prejudice to the foregoing, the Company will arrange civil liability insurance for its directors.

2. The Board will draft a report on the directors' remuneration policy for the current year and for future years, as the case may be, to be made available to shareholders from the date of notice of the General Meeting of Shareholders. The report will include all aspects referred to in the last paragraph of section 2, except those potentially entailing the disclosure of commercially sensitive information, while also referring to any changes in remuneration

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policy with respect to the previous year, with a global summary of the policy in the previous year, and details of the role of the Appointments and Remuneration Committee in designing the remuneration policy, along with the identity of any external advisors engaged by that Committee.

In setting the remuneration policy, the Board must apply the following criteria: (i) external directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence; (ii) remuneration comprising the delivery of shares in the Company or other companies in the Group, share options or other share-based instruments, variable remuneration linked to the Company's performance or membership of pension schemes should be confined to executive directors except where directors are obliged to retain the shares until the end of their tenure; (iii) in the case of remuneration linked to Company earnings, they should take account of any qualifications in the external auditor's report that lead to a reduction in such earnings; (iv) in the case of variable awards, remuneration policies

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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.

The remuneration policy approved by the Board must necessarily address the following issues, where they arise: (i) the amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment to which they give rise; (ii) variable components, in particular the types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items; performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration; the main parameters and grounds for any system of annual bonuses or other, non-cash benefits; and an estimate of the sum total of variable payments arising from the proposed remuneration policy, as a function of degree of compliance with pre-set targets or benchmarks; (iii) The main characteristics of providential systems (e.g. supplementary pensions, life insurance and similar arrangements),

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with an estimate of their amount or annual equivalent cost; (iv) and the conditions to apply to the contracts of executive directors exercising senior management functions, including duration, notice periods and 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.

3. The remuneration paid to the executive directors for the performance of their functions will be disclosed as part of the information included in the Annual Corporate Governance Report.

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3. The remuneration paid to the executive directors for discharging their executive functions, which, as provided by article 37 of the Articles of Incorporation, is compatible with, and independent of, the remuneration for Board membership, will be disclosed as part of the information included in the Annual Corporate Governance Report.

Article 42. Appointments and Remuneration Committee

1. FCC's Board of Directors will establish, on a permanent basis, an Appointments and Remuneration Committee comprising at least three (3) directors, the majority of its members being external directors; the Committee will appoint a Chairman from among its non executive members. The term of the members of the Appointments and Remuneration Committee may not exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely so long as they are also re-appointed as directors.

2. The Appointments and Remuneration Committee will govern its own affairs in accordance with the Articles of Incorporation and these Rules. The Committee will 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

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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 Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors. The Appointments and Remuneration Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting; it will adopt decisions by majority vote of those present or represented, and the Chairman will have a casting vote.

3. The Appointments and Remuneration 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

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 Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors. The Appointments and Remuneration Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting; it will adopt decisions by majority vote of those present or represented, and the Chairman will have a casting vote.

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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 member may suggest directorship candidates to the Appointments and Remuneration Committee for its consideration.

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) Proposing the appointment and reappointment of independent directors and advising on proposals for the appointment and reappointment of the other directors.

d) Advising on proposals to maintain independent directors in their positions after 12 years and advising on proposals for the removal of independent directors, in accordance with article 20.3.

e) Advising on the appointment and removal of senior executives proposed

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e) Advising on the appointment and removal of senior executives proposed to the Board by the chief executive, and

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 equal to or greater than the figure established by the Appointments and Remuneration Committee and reported to the Board of Directors in each case.

f) Overseeing compliance with the Company's remuneration policy and, in particular, proposing to the Board of Directors the remuneration policy for directors and senior executives, the remuneration of 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.

g) Preparing and maintaining a record of the status of directors and senior

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executives of FCC.

h) 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.

i) Advising on the proposed appointment of members of the Board of Directors committees.

j) Advising on the appointment and removal of the Secretary of the Board.

k) Verifying the qualifications of the directors under article 6.4.

l) Receiving the information provided by directors under Article 24.2 of these Rules.

m) Advising on any professional or

Shareholders in accordance with the Articles of Incorporation and these Rules.

g) Preparing and maintaining a record of the status of directors and senior executives of FCC.

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commercial transactions referred to in Article 25.3 of these Rules.

n) Advising on the use, for the benefit of a director, of business opportunities or assets of FCC which previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules.

o) Receiving and filing, in the record of status referred to in item e) above, the personal information provided by the directors as established in Article 29 of these Rules.

p) Requesting, as necessary, the inclusion of items in the agenda of Board meetings, under the conditions and by the deadlines established in Article 38.3 of these Rules.

The Appointments and Remuneration Committee must consult with the Company's Chairman and Chief Executive in matters relating to the executive directors and senior executives.

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Committee will regulate its own operations to the extent that they are not regulated in the Articles of Incorporation and these Rules, whose provisions relating to the operation of the Board of Directors will apply supplementarily inasmuch as this is possible considering the nature and functions of the Committee.

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

6. The Committee will meet periodically, at least once per quarter, 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.

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