

CORPORATE GOVERNANCE



ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

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FISCAL YEAR 2011

TAX ID. A28037224

Name:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.

Business address:

Balmes, 36
08007 Barcelona
Spain

Note:

This document includes the information contained in the Spanish National Securities Market Commission (CNMV) model Annual Corporate Governance Report for 2011 for FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A, approved by the Board of Directors meeting on 27 February 2012. The figures in this document are identical to those in the approved Report; only the format has been modified. Additional comments included under Section G ("OTHER INFORMATION") in the official model have been incorporated into the corresponding sections of this document.

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► A. SHAREHOLDING STRUCTURE

A.1. Complete the next table about the Company's ownership structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/06/2008	127,303,296	127,303,296	127,303,296

Please indicate if there are different types of shares, and if so their corresponding rights:

YES	NO	☒
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A.2. Indicate direct and indirect owners of significant stakes, and their stakes at yearend, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
The Royal Bank of Scotland Group PLC	—	4,330,938	3.402%

Name of shareholder	Through: Name or corporate name from the participation's direct holder	Number of direct voting rights	% of total voting rights
The Royal Bank of Scotland Group, PLC	The Royal Bank of Scotland, PLC	4,323,586	3.396%

Indicate significant changes in the ownership structure in the year:

Name of shareholder	Transaction date	Description of the transaction
—	—	—

A.3. Complete the next tables regarding the members of the Company's Board of Directors who own stock with voting rights in the Company:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr. Gonzalo Anes y Álvarez de Castrillón	11,350	0	0.009
B-1998, S.L.(1)	59,871,785	8,653,815	53.829
Cartera Deva, S.A.	100	0	0
Mr. Juan Castells Masana (2)	17,509	8,100	0.020
Dominum Desga, S.A.	4,132	0	0.003
Dominum Dirección y Gestión, S.L.	10	0	0
Eac Inversiones Corporativas, S.L.	32	0	0
Mr. Fernando Falcó Fernández de Córdova	8,390	0	0.007
Mr. Baldomero Falcones Jaquotot (3)	48,473	85,150	0.105
Mr. Felipe Bernabé García Pérez	55,571	0	0.044
Larranza XXI, S.L.	10	0	0
Mr. Rafael Montes Sánchez (4)	98,903	20,697	0.094
Mr. Marcelino Oreja Aguirre	14,000	0	0.011
Mr. Antonio Pérez Colmenero	35,323	0	0.028
Mr. Javier Ribas	8,000	0	0.006

(*) Through:

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Name of shareholder	Number of direct voting rights	% of total voting rights
Azate, S.A (1)	8,653,815	6.798
Mrs. Heather M. Randall Snell (2)	8,100	0.006
Oravla Inversiones, S.L. (3)	73,650	0.057
Amolap Inversiones Sicav, S.A. (3)	11,500	0.010
Mrs. Josefa Fernández Mayo (4)	20,697	0.016

Total % of voting rights held by the Board of Directors 54.16

Complete the tables below regarding the members of the Company's Board of Directors who own stock options in the Company:

Name of shareholder	Number of direct stock options	Number of indirect stock options	Number of equivalent shares	% of share capital
Mr. Baldomero Falcones Jaquotot	95,000	0	95,000	0.075
Mr. Felipe Bernabé García Pérez	72,500	0	72,500	0.057
Mr. Antonio Pérez Colmenero	72,500	0	72,500	0.057

NOTE:

FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. (hereafter FCC) is controlled by B-1998, S.L., which owns 53.829% of FCC shares, of which 59,871,785 are held directly and 8,653,815 are held indirectly through subsidiary Azate, S.A.

Fomento de Construcciones y Contratas, S.A. (FCC) is controlled by B-1998, S.L., which is controlled by Mrs. Esther Koplowitz Romero de Juseu, who holds an 89.65% stake:

- ▶ 22.87% directly and indirectly, through Dominum Desga, S.A. (0.0001%) and Dominum Dirección y Gestión, S.L. (66.78%), both of which are 100% owned by Mrs. Esther Koplowitz Romero de Juseu.

Mrs. Esther Koplowitz Romero de Juseu also holds 123,313 FCC shares directly and 39,172 FCC shares indirectly through her wholly-owned companies Dominum Desga, S.A. (4,132 shares), Dominum Dirección y Gestión, S.L. (10 shares) and Ejecución y Organización de Recursos, S.L. (35,040 shares), all wholly-owned by Mrs. Esther Koplowitz Romero de Juseu.

Various investors (hereinafter, the Investors) hold a 10.35% stake in B-1998, S.L., as follows:

- ▶ Eurocis, S.A. (5.01%)
- ▶ Larranza XXI, S.L. (5.34%)

A.4. Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known to the Company, unless they are insignificant or are derived from ordinary commercial transactions:

Name of related shareholder	Type of relationship	Brief description
—	—	—

A.5. Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the Company, unless they are insignificant or are derived from ordinary commercial transactions:

Name of related shareholder	Type of relationship	Brief description
—	—	—

A.6. Indicate if the Company has been notified of any shareholders' agreements which affect the Company as set out in Article 112 of the Spanish Securities Market Law. If so, list the shareholders involved and briefly describe the agreements:

YES ☒ NO

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Participants in the shareholders agreement	% of share capital affected	Brief description
Mrs. Esther Koplowitz Romero de Juseu	52.483	Relevant event of 30/07/2004 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	52.483	Relevant event of 13/01/2005 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	52.483	Relevant event of 13/01/2005 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	52.483	Relevant event of 19/07/2007 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	52.483	Relevant event of 26/12/2007 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	53.829	Relevant event of 04/02/2008 www.cnmv.es (see note).
Mrs. Esther Koplowitz Romero de Juseu	53.829	Relevant event of 26/05/2011 www.cnmv.es (see note).

NOTE:

A regulatory disclosure was published on 30 July 2004 on the CNMV website (Spanish National Securities Market Commission) regarding the acquisition of part of Mrs. Esther Koplowitz Romero de Juseu's stake in B-1998, S.L. by Inversiones Ibersuizas, S.A., Inversiones San Felipe, S.L., Cartera Deva, S.A., and the French family Peugeot, through Simante, S.L.

A regulatory disclosure was filed on 13 January 2005 on the agreement between Dominum Dirección y Gestión, S.L. Unipersonal (wholly-owned by Mrs. Esther Koplowitz Romero de Juseu) and Larranza XXI, S.L. (belonging to the Bodegas Faustino group) to transfer a portion of the former's minority stake in B-1998, S.L., which directly and indirectly owns 52.483% of FCC, to the latter.

A regulatory disclosure was filed on 13 January 2005 on the agreement between Dominum Dirección y Gestión, S.L. Unipersonal (wholly-owned by Mrs. Esther Koplowitz Romero de Juseu) and 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. to transfer a minority stake owned by the former in B-1998, S.L., which directly and indirectly owns 52.483% of FCC, to the latter.

A regulatory disclosure was filed on 19 July 2007 on the novation modifying B-1998, S.L. shareholder agreements, which does not alter Mrs. Esther Koplowitz Romero de Juseu's direct and indirect stakes in B-1998, S.L. or the agreements between parties with respect to the governance of B-1998, S.L. and, indirectly, of Fomento de Construcciones y Contratas, S.A., or any provision regarding control of both companies."

A regulatory disclosure was issued on 26 December 2007 on the reorganisation of the ownership structure of B-1998, S.L., whereby Mrs. Esther Koplowitz Romero de Juseu, through wholly-owned company DOMINUM DIRECCIÓN Y GESTIÓN, S.L., signed an agreement with IBERSUIZAS HOLDINGS, S.L. to purchase from the latter 10.55% of B-1998, S.L., which owns 52.483% of FCC, effective 30 January 2008.

The transaction totalled 381.5 million euro, valuing FCC shares at €55.94 each. This move, which was initiated by Esther Koplowitz and increased her stake in FCC, entailed the divestment of Grupo Ibersuizas in B-1998, S.L. and, thus, in FCC Group. Ibersuizas Holdings, S.L. ceased being party to the shareholders' agreement regulating the relationships between shareholders of B-1998, S.L., and on 30 January 2008, resigned from the Board of Directors of that company. Ibersuizas Alfa, S.L. also left FCC's Board of Directors.

A regulatory disclosure was issued on 4 February 2008 regarding Mrs. Esther Koplowitz's acquisition of Ibersuizas Holding's stake in B-1998, S.L., FCC's main shareholder (53.829%). The agreement was reached on 24 December 2007.

A regulatory disclosure was issued on 12 July 2010 as follows: "Businesswoman Esther Koplowitz has reached an agreement with Simante, S.L. to acquire the latter's stake in the share capital of B-1998, S.L. for EUR 88 million.

Under the agreement, Simante will sell all of its shares in B-1998, S.L. to Dominum Dirección y Gestión S.L. The transaction will be carried out in September and refers to 5.7% of the share capital.

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Following the reorganisation of the capital of B-1998, S.L., the capital ownership is as follows:

Esther Koplowitz (directly or indirectly)	89.65%
Eurocis, S.A.	5.01%
Larranza XXI, S.L.	5.34%
Total	100.00%

The above-mentioned regulatory disclosures reflect the main agreements reached between Mrs. Esther Koplowitz Romero de Juseu and the Investors since the respective acquisitions regarding control of FCC and B-1998, S.L.:

- ▶ Mrs. Esther Koplowitz Romero de Juseu will retain control of B-1998, S.L. and, therefore, of Azate, S.A. and FCC.
- ▶ The Board of Directors of B-1998, S.L. will comprise twelve directors. As a group, the Investors are entitled to appoint up to four directors, although under no circumstances may those directors appoint more than one third of the members of the Board of B-1998, S.L.
- ▶ At all events, Mrs. Esther Koplowitz Romero de Juseu may appoint the majority of the members of the Boards of Directors of FCC and its subsidiaries. As a group, the Investors may appoint up to three members but never more than one-third of the total Board of Directors of FCC.
- ▶ Mrs. Esther Koplowitz Romero de Juseu may appoint the Chairman of the Board of Directors of FCC, the Managing Director of FCC and at least two-thirds of the members of the Executive Committee.
- ▶ FCC's pay-out will be at least 50%.

Mrs. Esther Koplowitz Romero de Juseu and the Investors have entered into a series of agreements to protect the latter's minority interest in B-1998, S.L.:

▶ IN RELATION TO B-1998, S.L.:

As regards B-1998, S.L., although the general rule is that decisions (in the Shareholders' Meeting or the Board of Directors) be adopted by simple majority of capital, there are a number of special cases where consensus is required:

- ▶ Modifications to the Articles of Incorporation that entail moving the registered offices abroad, changing the corporate purpose or increasing or reducing capital, except where such operations are required by law or, in the case of capital reductions, when they occur through the acquisition of own shares by B-1998, S.L., (owned directly and indirectly by Mrs. Esther Koplowitz Romero de Juseu and Dominum Dirección y Gestión S.L.) for amortisation, or when the capital reduction is performed through amortisation of shares of B-1998, S.L. (held directly and indirectly by Mrs. Esther Koplowitz Romero de Juseu and by Dominum Dominum Dirección y Gestión, S.L.) against reserves, which may only be performed by Mrs. Esther Koplowitz Romero de Juseu, according to a clause in the Articles of Incorporation and otherwise.
- ▶ Any type of transformation, merger or spin-off or the total transfer of assets and liabilities;
- ▶ Dissolution or liquidation of B-1998, S.L.;
- ▶ Overriding of pre-emptive subscription rights in capital increases and the exclusion of shareholders;
- ▶ Modification of the regime of management of B-1998, S.L.;
- ▶ Establishment or modification of the dividend policy agreed by the Investors in connection with rights attached to their shares, as set out in the Articles of Incorporation or otherwise;
- ▶ Acts of disposal or encumbrance, by any means, of any significant assets of B-1998, S.L., specifically shares of FCC or shares of any other companies in which B-1998, S.L. holds or may hold a stake in the future;
- ▶ An increase in structural expenses which, on an annual basis, exceed those reflected in the Company's balance sheet as of 31 December 2003, increased in line with the general annual CPI plus two percentage points; the foregoing calculation will exclude the remuneration paid to B-1998, S.L. as a result of that company being a member of the Board of Directors of FCC (hereafter, the "FCC Board Remuneration"), and remuneration of members of the Board of Directors of B-1998, S.L., as long as it does not exceed the FCC Board Remuneration;
- ▶ Granting or maintaining powers that allow for the disposal of FCC shares, by any means;
- ▶ B-1998, S.L. leverage and obtaining or providing guarantees which, overall, exceed 500,000 euro;

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- ▶ Creating or acquiring direct subsidiaries (other than FCC subsidiaries) or acquiring shares in entities other than those in which B-1998, S.L. already holds a stake
- ▶ IN RELATION TO FCC:

As regards FCC, although the general rule is that decisions (in the Shareholders' Meeting or the Board of Directors) be adopted by simple majority of capital, there are a number of special cases where consensus is required:

- ▶ Modifications to the Articles of Incorporation that entail moving the registered offices abroad and increasing or reducing capital, except where such operations are required by law.
- ▶ Changing the corporate purpose when doing so includes the incorporation of activities not related to construction, services, cement and real estate.
- ▶ Any type of transformation, merger or spin-off.
- ▶ Any merger of FCC, Cementos Portland Valderrivas, S.A. and FCC Servicios, S.A. whereby B-1998, S.L. would no longer indirectly hold more than 50% of the voting rights in the post-merger Company.
- ▶ Overriding of pre-emptive subscription rights in capital increases.
- ▶ Modification of the regime of management.
- ▶ Acts of disposal or encumbrance, by any means, of any relevant FCC assets unrelated to the Company's object, and, at all events, the above-mentioned acts within the scope of FCC's object when the total or combined value is 700,000,000 euro or more (adjusted in line with the annual increase in the CPI), or entail a significant modification to the current structure of the FCC Group or represent more than 10% of the FCC Group's consolidated assets.
- ▶ Any transactions that may lead to or represent a variation of more than 20% of FCC's equity or over 10% of the FCC Group's consolidated assets.
- ▶ Granting of powers that permit, by any means, the above-mentioned disposals, encumbrance and acquisitions; the foregoing does not in any way limit Mrs. Esther Koplowitz Romero de Juseu's right to appoint and remove the Managing Director of FCC.
- ▶ FCC leverage and obtaining or providing guarantees (excluding, at all events, guarantees included in the normal course of ordinary business and non-recourse project finance) which, overall, exceed 2.5 times the EBITDA shown in FCC's most recent consolidated balance sheet.

In the event that Mrs. Esther Koplowitz Romero de Juseu and the Investors are unable to reach a consensus to adopt resolutions in the above-mentioned special cases, the parties will take the necessary measures to maintain the pre-existing situation.

A relevant event was published on 26 May 2011 relative to the modifying novation of the purchase/sale agreement and the investment/disinvestment of B-1998, S.L. shareholders and renewal of same between Dominum Dirección y Gestión S.L., Eurocis, S.L. and Larranza XXI, S.L. The contents of the notarised deed of the novation was included in the published relevant event.

The full content of the shareholders' agreements are available on the CNMV website as Regulatory Disclosures dated 30 July 2004, 13 January 2005, 19 July 2007, 4 February 2008 and 26 May 2011.

Indicate if the Company is aware of any concerted actions among its shareholders. If so, give a brief description:

YES NO ☒		
Participants in the concerted action	% of share capital affected	Brief description of the action
—	—	—

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

A.7. Indicate if there is an individual or legal entity that exercises or can exercise control over the Company in accordance with Article 4 of the Securities Market Law:

YES ☒ NO	
Name	Mrs. Esther Koplowitz Romero de Juseu

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Comments

A.8. Complete the next tables about the Company's own shares:

At year end:

Number of direct shares	Number of indirect shares (*)	% of share capital
3,278,047	9,418,830	9.97

(*) Through:

Name of direct owner of stake	Number of direct shares
Asesoría Financiera y de Gestión, S.A.	9,418,830
Total:	9,418,830

Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Date of disclosure	Total number of direct shares acquired	Total number of indirect shares acquired	% of share capital
11/10/2011	1,641,899	787,640	1.912

Capital gain/ (Capital loss) on own shares disposed of during the period	(-1,000 €)
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A.9. Detail the conditions and term of the current authorisation that the Shareholders' Meeting has given to the Board of Directors to buy or sell own shares.

Resolution by the Extraordinary Shareholders' Meeting of 30 November 2009 (Agenda item 2)

Under the provisions of Article 3 et seq. of European Commission Regulation 2273/2003, of 22 December, to approve a share buyback programme whose only purpose is (i) to fulfill the obligations deriving from the issuance of exchangeable bonds (the "Bonds") for a maximum amount of four hundred fifty million euro (€450,000,000) approved by the Company under the decision by the Meeting

of Shareholders on 18 June 2008 by virtue of an Executive Committee decision dated 6 October 2009, by delegation of the Board of Directors on 30 September 2009, and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (including, for this purpose, the 5,090,000 shares loaned to the Joint Lead Managers), which shall henceforth be deemed to be subject to the terms and conditions of the programme approved by the Meeting of Shareholders. As a result of the foregoing, decision six adopted by the Meeting of Shareholders on 10 June 2009 is annulled to the extent that it has not been executed and the Company is authorised so that, directly or via any of its subsidiaries, within a period of at most five years from the date of this Meeting of Shareholders, it may acquire, at any time and on as many occasions as it sees fit, shares of the Company by any means allowed by law, all in conformity with Article 75 and matching Articles of the Consolidated text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- ▶ The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- ▶ The shares acquired must have been fully paid.
- ▶ The acquisition price may not be less than the par value or more than 20 percent of the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its exchange or conversion obligations arising from the issuance of the Bonds and/or to reduce the Company's capital, as the case may be.

Resolution of the Ordinary General Meeting of 27 May 2010 (Agenda item 7)

A. Share buyback programme and capital reduction

Under the provisions of Article 3 et seq. of Commission Regulation (EC) No 2273/2003 of 22 December, to approve a programme to repurchase shares of the Company whose

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sole purpose is (i) to meet obligations to deliver shares that arise from the issuance of securities giving entitlement to acquire outstanding shares, or to amortise them in order to limit the dilution of the pre-existing shareholders in case of issuance, while overriding the pre-emptive subscription right, of securities that are convertible into, or give entitlement to subscribe for, newly-issued shares, that may be adopted by the Board of Directors of the Company under the provisions of paragraph A above of this Decision for a maximum of three hundred million euro (€ 300,000,000) (the "Securities"), and (ii) to reduce the Company's capital by amortising the shares acquired by virtue of the programme or those already held as treasury stock (provided they are not already assigned to preceding share buyback programmes that have not been completed), which will be deemed to be subject to the terms and conditions of the programme approved by the General Meeting of Shareholders.

The Company is authorised so that, directly or via any of its subsidiaries, within a period of at most five years from the date of this Meeting of Shareholders, it may acquire, at any time and on as many occasions as it sees fit while executing the approved share buyback programme, shares of the Company by any means allowed by law, all in conformity with Article 75 and matching articles of the Consolidated Text of the Public Limited Companies Act.

It is also decided to approve the limits or requirements of such acquisitions, as follows:

- ▶ The par value of the shares acquired, added to those already held by the Company and its subsidiaries, may not at any time exceed ten per cent of the Company's capital.
- ▶ The shares acquired must have been fully paid.
- ▶ The acquisition price may not be less than the par value or more than 20 percent of the market the market price.

The shares acquired under the buyback programme shall be used by the Company to fulfil its obligations to deliver existing shares in connection with the securities issue or to reduce the Company's capital so as to limit the dilution of existing shares if the shareholders exercise their right to convert or subscribe the newly issued shares in connection with the bond issue.

This agreement neither eliminates nor alters the terms and conditions of prior share buyback programmes approved by the Company or authorisations for the derivative acquisition of treasury stock, which remain in full force. This share buyback programme is compatible with previous programmes in place. However, this programme may only be carried out to the extent that it does not preclude the complete fulfilment of prior share buyback programmes and hence the achievement of the aims for which they were approved.

CLARIFICATION:

A relevant event was reported to the CNMV on 1 July 2011 under number 146731 communicating the suspension of the Share Buyback Programme by the Company under the following terms:

The Share Buyback Programme, which was reported to the CNMV in relevant event number 116937 on 1 December 2009, was intended to fulfil the Company's obligations stemming from the subordinated bond issue on October 2009 by amortising a number of a treasury shares with a face value equivalent to the new shares to be issued to satisfy the exchange requests of bondholders. The fundamental objective of this programme is to avoid the risk of future dilution for current shareholders.

In keeping with the objectives of the Buyback Programme and given the current treasury stock positions and number of shares needed to cover the conversion or swap of the bonds, which at this time is equivalent to 9.11% of the share capital, the bond issue currently poses absolutely no risk of dilution to current shareholders.

For the reasons mentioned above, FCC proceeds to cancel the share Buyback Programme and to communicate this fact as a relevant event. This suspension shall remain in effect until such time as there is a change in the percentage of share capital indicated above (9.11%) needed to satisfy conversion or swap requirements.

Furthermore, on 6 July 2011, a Relevant Event was reported to the CNMV under number 146998, communicating the subscription of a liquidity contract under the following terms:

By resolution of the Board of Directors at the meeting held on 30 June 2011, on 6 July 2011 Fomento de Construcciones y Contratas, S.A. signed a Liquidity Contract

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pursuant to the terms of Circular 3/2007 of 19 December published by the CNMV with Santander Investment Bolsa, Sociedad de Valores, S.A. This contract is applicable to Spanish stock exchanges and the object of the agreement is favour trading liquidity and regularity. The term of the Liquidity Contract is twelve months, tacitly renewable for 12-month periods and a total of 95,465 shares and EUR 2 million is assigned.

A.10. Indicate any legal or Articles of Incorporation restrictions on the exercise of voting rights or any legal restrictions on the acquisition or sale of stakes in share capital.

Indicate whether there are any legal restrictions on the exercise of voting rights

YES	NO	☒
Maximum percentage of voting rights that a shareholder may exercise under legal restrictions		0

Indicate whether there are restrictions in the Articles of Incorporation on the exercise of voting rights:

YES	NO	☒
Maximum percentage of voting rights that a shareholder may exercise under restrictions in the Articles of Incorporation		0

Indicate whether there are any restrictions on the acquisition or sale of stakes in share capital:

YES	NO	☒
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A.11. Has the General Meeting of Shareholders adopted neutralisation measures in the event of a takeover bid as provided in Law 6/2007

YES	NO	☒
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Detail any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

► B. STRUCTURE OF THE COMPANY'S ADMINISTRATION

B.1. Board of Directors

B.1.1. Indicate the minimum and maximum number of directors envisaged in the Articles of Incorporation:

Maximum number of directors	22
Maximum number of directors	5

B.1.2. Complete the next table with the members of the Board:

Name of director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Mr. Gonzalo Anes y Álvarez de Castrillón		Director	30/06/1991	27/05/2010	General Meeting
B-1998, S.L.	Mrs. Esther Koplowitz Romero de Juseu	1st Vice President	17/12/1996	28/06/2007	General Meeting
Cartera Deva, S.A.	Mr. Jaime Llantada Aguinaga	Director	15/09/2004	27/05/2010	General Meeting
Mr. Juan Castells Masana		Director	21/06/2000	27/05/2010	General Meeting
Dominum Desga, S.A.	Mrs. Esther Alcocer Koplowitz	2nd Vice President	27/09/2000	01/06/2011	General Meeting
Dominum Dirección y Gestión, S.L.	Mrs. Carmen Alcocer Koplowitz	Director	26/10/2004	27/05/2010	General Meeting
Eac Inversiones Corporativas, S.L.	Mrs. Alicia Alcocer Koplowitz	Director	30/03/1999	11/06/2009	General Meeting

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Name of director	Representative	Board position	Date of first appointment	Date of last appointment	Election procedure
Mr. Fernando Falcó y Fernández de Córdova		Director	18/12/2003	27/05/2010	General Meeting
Mr. Felipe Bernabé García Pérez		Director Assistant Secretary	30/03/1999	27/05/2010	General Meeting
Mr. Baldomero Falcones Jaquotot		Chief Executive Officer	18/12/2007	18/06/2008	General Meeting
Mr. Rafael Montes Sánchez		Director	06/03/1992	11/06/2009	General Meeting
Mr. Marcelino Oreja Aguirre		Director	21/12/1999	27/05/2010	General Meeting
Mr. César Ortega Gómez		Director	28/06/2007	28/06/2007	General Meeting
Mr. Antonio Pérez Colmenero		Director	30/03/2005	27/05/2010	General Meeting
Larranza XXI, S.L.	Mrs. Lourdes Martínez Zabala	Director	13/01/2005	27/05/2010	General Meeting
Mr. Nicolás Redondo Terreros		Director	19/06/2008	19/06/2008	General Meeting
Mr. Javier Ribas		Director	11/06/2009	11/06/2009	General Meeting
Mr. Henri Proglio		Director	27/05/2010	27/05/2010	General Meeting
Total number of Directors					18

NOTE:

Mr. Francisco Vicent Chuliá was appointed Secretary of the Board of Directors at the Board meeting held on 26 October 2004.

Indicate any removals from the Board of Directors in the period:

Name of director	Status advisor upon his cessation	Date removed
Mr. Miguel Blesa de la Parra	Dominical	01/06/2011
Mr. Robert Peugeot	Dominical	01/06/2011

B.1.3. Complete the next tables with the members of the Board and their status:

EXECUTIVE DIRECTORS

Name of director	Committee that proposed appointment	Position held
Mr. Baldomero Falcones Jaquotot	Appointments and Remuneration	Chairman and CEO
Mr. Felipe Bernabé García Pérez	Appointments and Remuneration	Secretary General

Total number of executive directors	2
% of total Board members	11

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
B-1998, S.L.	Appointments and Remuneration	B-1998, S.L.
Dominum Desga, S.A.	Appointments and Remuneration	B-1998, S.L.
Dominum Dirección y Gestión, S.L.	Appointments and Remuneration	B-1998, S.L.

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Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
Eac Inversiones Corporativas, S.L.	Appointments and Remuneration	B-1998, S.L.
Mr. Fernando Falcó Fernández De Córdova	Appointments and Remuneration	B-1998, S.L.
Mr. Marcelino Oreja Aguirre	Appointments and Remuneration	B-1998, S.L.
Cartera Deva, S.A.	Appointments and Remuneration	B-1998, S.L.
Larranza XXI, S.L.	Appointments and Remuneration	B-1998, S.L.
Mr. Juan Castells Masana	Appointments and Remuneration	B-1998, S.L.
Mr. Rafael Montes Sánchez	Appointments and Remuneration	B-1998, S.L.
Mr. Antonio Pérez Colmenero	Appointments and Remuneration	B-1998, S.L.

Total number of proprietary directors	11
% of total Board members	61

EXTERNAL INDEPENDENT DIRECTORS

Name of director	Profile
Mr. César Ortega Gómez	General manager of Banco Santander. Holds a Degree in Economics and Business and a Masters in Tax Consulting from ICADE. studied law and philosophy. Partner at Arthur Andersen Asesores Legales y Tributarios and Garrigues law firm for 12 years. Board member of Grupo Santander, S.L., Bancos Latinoamericanos Santander, S.L., Santusa Holding, S.L., Santander Holding Gestión, S.L. and Santander Investment, S.A.

Name of director	Profile
Mr. Gonzalo Anes y Álvarez de Castrillón	Director of FCC, S.A.; Chairman of its audit and Control Committee and member of its Appointment and Remuneration Committee. Holds a PHD in Economics from Madrid University. Professor of History and Economic Institutions at the Madrid Complutense University School of Economics. Full member of the Spanish Royal Academy of History, and Director since 1998. Member of the Prado Museum Board of trustees since 1982 and was its Chairman from 1986 to 1990. Former director of the Bank of Spain and of Repsol-YPF. He holds the title of Marquis of Castrillón.
Mr. Henri Proglio	Hold a Degree from the HEC, Business School de Paris (1971). currently Chairman and CEO of EDF and member of the Board of Directors and Supervisory Committee of Dassault Aviation, Natixis, CNP seguros. In the past he has been Chairman of the Board of Directors of Veolia Medio Ambiente, chairman of the Board of Directors of the following Vivendi Environment Businesses: Aguas Generales y Vivendi Agua, CGEA (Onyx: Waste Management- Connex: transport), and Dalkia (Energy Services), Vice-President of Vivendi, chairman of Générale des Eaux, managing director and member of the board of directors of Vivendi Agua, executive vice president of Compagnie Générale des Eaux, member of the executive committee of la Compagnie Générale des Eaux. He is also a former senior officer of Compagnie Générale des Eaux and Chairman and CEO of CGEA, a subsidiary of la Compagnie Générale des Eaux in the transport and waste management area. Recipient of the french legion of honour medal.
Mr. Nicolás Redondo Terreros	Holds a law degree from Deusto University; Chairman of Fundación para la Libertad; member of the editorial board of El Economista; member of the editorial board of the "Registradores" magazine of the Spanish property registrars and economists; member of the advisory board of Infomedio (agencia de información sobre Oriente Medio). Recipient of the 2003 Constitutional Merit Award from the Spanish government. Former: First deputy president of Vizcaya; member of the Basque Parliament; secretary general of the Basque socialist party parliamentary Group in the Basque Parliament; spokesman for the Socialist Party Group in the Vizcaya parliament; member of the spanish national Parliament for Vizcaya, and chairman of the Basque Socialist Parliamentary group.
Mr. Javier Ribas	Holds a PHD in industrial engineering, a degree in economics and a Diploma in operational research from the French Petroleum Institute (Paris). Engineer at Compañía Francesa de Petróleo; head of research at Esso France; head of the industrial sector for Liga Financiera de Madrid; Deputy General Manager of Electronic Data Systems (EDS)

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Name of director	Profile
	Spain. Currently Executive Vice-Chairman of EDS Spain. Served on the Board of Directors of Telson, S.A. and Hidrocarburo, S.A.; is currently Director at Inforsistem, S.A. and Hewlett-Packard/EDS (Advisory Board).
Total number of independent directors	5
% of total Board members	28

OTHER EXTERNAL DIRECTORS

Name of director	Committee that proposed the appointment
—	—

Total number of other external directors
% of total Board members

State why these directors cannot be considered proprietary or independent, and indicate any relations between them and the Company, its executives or shareholders:

Name of director	Reasons	Company, executive or shareholder with which he/she is related

Indicate any changes in directors' status in the period:

Name of director	Date of change	Former status	Current status

B.1.4. Indicate any reasons for which proprietary shareholders were appointed at the proposal of a shareholder owning less than 5% of capital:

Name of shareholder	Supporting documentation

Disclose any rejection of a formal request for a Board seat from shareholders whose equity stake is equal to or greater than that of others which applied successfully for a proprietary directorship. Detail the reasons for any such rejection:

YES	NO	☒
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B.1.5. State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

Name of Director	Reason for withdrawal
Mr. Robert Peugeot	In a letter to the Chairman and CEO of FCC and the Secretary General dated 18 May 2011, Mr. Robert Peugeot stepped down as a Director of FCC as a consequence of the sale of the FFP Group's shareholding in B-1998, S.L.

B.1.6. Indicate any powers delegated to the managing director(s):

Name of director	Brief description
Mr. Baldomero Falcones Jaquotot	See note

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NOTE:

Article 35.2 of the Rules of the Board of Directors establishes that:

"The Board may delegate permanently, to one or more of its members, all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated.

In order to be valid, the permanent delegation of the powers of the Board of Directors and the designation of the director or directors delegated with such powers, regardless of their title, will require the favourable vote of at least two-thirds of the members 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 authority.

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

- ▶ *Supporting the Board of Directors in defining the Group's strategy.*
- ▶ *Drafting the Business Plan and Annual Budgets to be submitted to the Board of Directors for approval.*
- ▶ *Preparing, and submitting to the Board of Directors or the Executive Committee for approval, depending on whether the amount involved is more or less than eighteen million euro, respectively, proposals for investments, divestments, credit, loans, surety and guarantee lines and any other type of financial facility.*
- ▶ *Hiring and dismissing any company employee, with the exception of appointments which fall under the powers of the Board of Directors pursuant to the terms of these Rules.*

Once per year, at the first Board meeting of the year, the Managing Director will inform the members of the Executive Committee of the actual level of compliance with

the forecasts contained in the investment proposals submitted to the Committee and to the Board of Directors for approval."

Article 7.2 of the Rules of the Board of Directors states:

"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 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, indemnity clauses for the senior executives 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, acting in this connection in pursuit of the corporate interest of each of them.*
- 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.*
- d. *Appointment and removal of directors as members of the various Committees envisaged in these Rules.*
- e. *Supervising the Board's Delegated Committees.*
- f. *Appointing Board members by co-optation to fill vacancies that arise until the next General Meeting is held.*
- g. *Accepting the resignation of Board members.*
- h. *Authorising the financial statements and dividend policy for submission and proposal to the General Meeting, and declaring interim dividends.*
- 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*

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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.

- j. Approving investments and financing policy, particularly the approval of investments, divestments, 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.
- k. In general, organising powers of the Board of Directors, particularly the power to amend these Rules.
- 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."

Article 8.1 (under "General functions - Equilibrium in the performance of functions"), states that:

"The Board of Directors is responsible for performing such acts as may be necessary to attain the corporate purpose set forth in the Articles of Incorporation, in accordance with the applicable laws."

Article 8.2 states:

"Delegation by the Board of powers to any of its members within the limits allowed by the law does not deprive the Board of those powers."

On 18 December 2007 the Board of Directors delegated to Mr. Baldomero Falcones Jaquotot powers in the following areas, effective 1 January 2008: financial, customer and supplier relations, labour, administration and disposal, company and association relations, legal and internal. Delegation of these powers facilitates Group management and expedites performance of the Company's activities.

B.1.7. Identify any Board members with administration or management positions in other companies that form part of the listed Company's group:

Name of director	Name of the Group's subsidiary	Position
Cartera Deva, S.A.	Cements Portland Valderrivas, S.A.	Director
Eac Inversiones Corporativas, S.L.	Cements Portland Valderrivas, S.A. FCC Construction, S.A.	Director
Mr. Fernando Falcó Fernández de Córdova	FCC Construction, S.A. Waste Recycling Group Limited	Director Director
Mr. Rafael Montes Sánchez	FCC Construction, S.A. Cements Portland Valderrivas, S.A. Alpine Holding GmbH	Director Director Director
Mr. Juan Castells Masana	Waste Recycling Group Limited Cements Portland Valderrivas, S.A. Alpine Holding GmbH	Director Director Director
Mr. Baldomero Falcones Jaquotot	FCC Energía, S.A. Unipersonal FCC Power Generation, S.L. Unipersonal	Chairman Chairman
Mr. Felipe B. García Pérez	FCC Energía, S.A. Unipersonal FCC Environmental LLC FCC Power Generation, S.L. Unipersonal	Director-Secretary Director Director-Secretary
Mr. Javier Ribas	FCC Environmental LLC Alpine Holding GmbH	Director Director

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B.1.8. Indicate any company directors who are members of the Board of Directors of other companies listed on Spanish official stock markets, other than group companies, that have been notified to the Company:

Name of director	Name of the Group's subsidiary	Position
Mr. Marcelino Oreja Aguirre	Barclays Bank, S.A.	Director
Cartera Deva, S.A.	Realia Business, S.A.	Director
Eac Inversiones Corporativas, S.L.	Realia Business, S.A.	Director
Mr. Fernando Falcó y Fernández de Córdoba	Realia Business, S.A.	Director
Mr. Rafael Montes Sánchez	Realia Business, S.A.	Director

B.1.9. Indicate whether the Company has established rules about the number of directorships its Board members can hold, and describe any such rules:

YES	☒	NO
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NOTE:

Article 24.3 of the Rules of the Board of Directors states: "Before accepting any management position or directorship at another company or entity, directors must consult the Appointments and Remuneration Committee.

Article 22.3 of the Rules establishes: "Directors must inform the Appointments and Remuneration 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 Remuneration Committee, the number of Boards to which directors may belong."

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies that must be approved by the full Board:

	YES	NO
Investment and financing policy	☒	
Establishment of the group structure	☒	
Corporate governance policy	☒	
Corporate social responsibility policy	☒	
Strategic or business plan and the annual management and budget targets	☒	
Remuneration policy and assessment of senior management performance	☒	
Risk control and management policy and periodical follow-up of internal control and reporting systems	☒	
Dividend and treasury share policy, especially its limits	☒	

B.1.11. Fill in the tables below on to the aggregate remuneration of directors accrued during the financial year:

a) The Company to which this report refers:

Remuneration item	Thousand Euros
Fixed remuneration	3,778
Variable remuneration	888
Per diems	0
Statutory remuneration	1,974
Stock Options and/or other financial instruments	0
Others	0
Total:	6,640

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Other benefits	Thousand Euros
Advances	0
Loans granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Liabilities contracted	0
Life insurance premiums	0
Guarantees given by the Company to the Directors	0

b) As members of Boards of Directors and/or undertaking senior management in other group companies:

Remuneration item	Thousand Euros
Fixed remuneration	0
Variable remuneration	0
Per diems	51
Statutory remuneration	0
Stock Options and/or other financial instruments	0
Others	0
Total:	51

Other benefits	Thousand Euros
Advances	
Loans granted	
Pension Funds and Plans: Contributions	
Pension Funds and Plans: Liabilities contracted	
Life insurance premiums	
Guarantees given by the Company to the Directors	

c) Total remuneration per type of director:

Type of director	Per company	Per group
Executive directors	4,474	0
External directors representing significant shareholders (proprietary or non-independent)	1,766	51
External independent directors	400	0
Other external directors	0	0
Total:	6,640	51

d) With regard to the profits attributed to the equity holders of the Company:

Total remuneration to directors (in Thousand Euros)	6,691
Total remuneration to directors / profit attributed to the equity holders of the Company (in %)	6.2

B.1.12. Identify the members of senior management who are not at concurrently executive directors and indicate the total remuneration accrued in their favour during the financial year:

Name of director	Position
Mr. Antonio Gómez Ciria	General Manager of Administration and IT
Mr. Eduardo González Gómez	General Manager of Energy and Sustainability
Mr. Miguel Hernanz Sanjuan	General Manager of internal Audit
Mr. Dieter Kiefer	Chairman and CEO of Cementos Portland
Mr. Francisco Martín Monteagudo	Director of Human Resources
Mr. José Mayor Oreja	Chairman of FCC Construcción
Mr. Víctor Pastor Fernández	Director of Finance
Mr. José Luis de la Torre Sánchez	Chairman FCC Servicios
Mr. José Manuel Velasco Guardado	Director of Communication and Corporate Responsibility
Total remuneration of senior management (in thousand euro)	6,951

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B.1.13. Indicate in an aggregate way any guarantee or "golden handshake" clauses in favour of senior management members, including executive directors, of the Company or its group for the event of dismissal or change of control. Indicate whether these contracts have to be notified to and/or approved by the Company's or group's bodies:

Number of beneficiaries	7
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	Board of Directors	General Meeting
Bodies that authorises the clauses	☒	

	Yes	No
Is the General Meeting informed of the clauses?		☒

NOTE:

As indicated in the notes to the financial statements for each year, prepared by the Board of Directors and submitted for approval to the General Meeting, an insurance policy was arranged and paid in order to provide benefits in the case of death or permanent disability, as well as retirement bonuses and other benefits, to certain executive directors and members of senior management, as disclosed in sections B.1.3. and B.1.12., respectively.

In particular, the contingencies giving rise to indemnity are those that entail the extinction of the employment relationship for any of the following reasons:

- a) Unilateral decision by the Company.
- b) Winding up or disappearance of the parent company for any reason, including merger or spin-off.
- c) Death or permanent disability.
- d) Declaration of physical disability or legal incompetence for any other reason.
- e) A substantial change in professional conditions.
- f) Resignation, upon reaching the age of 60, at the executive's request and with the Company's consent.
- g) Resignation at age 65, by unilateral decision of the executive.

The Company has subsequently agreed to indemnity for other executive staff members only in the event of the unilateral termination of their contracts by the Company before a certain minimum period of time has elapsed. Clauses of this kind are also contained in the contracts signed with the Chairman and CEO, with the Board of Directors' approval.

FCC Group did not pay any insurance premiums in 2011 and it did not receive any premium rebates.

B.1.14. Indicate the process to establish the remuneration for Board members and the corresponding clauses in the Articles of Incorporation:

Process to establish the remuneration for Board members and the corresponding clauses in the Articles of Incorporation.

Article 37 of the Articles of Incorporation states:

"The post of Board member is remunerated. The remuneration shall consist of a share of the net profits which shall not be less than two percent (2%) of the financial year results attributed to Fomento de Construcciones y Contratas, S.A. in 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 the remuneration resolved at the General Meeting of Shareholders among its members, 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.

In accordance with the resolution adopted by the General Meeting of Shareholders in this respect, and regardless of provisions of the foregoing paragraphs, director

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remuneration may also consist of the delivery of shares or stock options, or may be referenced to the value of the Company shares.

The remuneration mentioned in the preceding paragraphs for Board members will be compatible with the other waged, service or professional remuneration paid to the Board members for the performance of their duties, whether managerial, executive, advisory or of any other nature, other than the directors' functions of supervision and collective decision-making which they perform for the Company, under the form of hired employment, lease of services or any other form legally applicable to them based on their nature."

Article 42.3 f) of the Rules of the Board of Directors states that the Appointments and Remuneration Committee's functions include: "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."

State whether the Board has reserved the right to approve the following matters:

	YES	NO
On proposal from the Company's chief executive, the appointment and eventual discharge of senior managers, and the indemnity clauses.	☒	
The Board members' remuneration and the additional remuneration of executive directors due to their executive functions and other terms their contracts must comply with.	☒	

B.1.15. Indicate whether the Board of Directors has approved a detailed remuneration policy and specify its points there under:

	YES	NO
Fixed remuneration items, including a breakdown of attendance expenses accrued to the members for Board of Directors and Committee meetings and an estimate of the annual fixed remuneration accrued	☒	
Variable remuneration	☒	
Main features of pension systems, including an estimate of their equivalent annual cost	☒	
Conditions under senior management contracts, including executive officers	☒	

B.1.16. State whether the Board submits a report on the directors' remuneration policy to the advisory vote of the Shareholders' Meeting as a separate point on the agenda and with a consultative character. In which case, describe the points in the report dealing with remuneration policies approved by the Board for future years, the main policy changes, and a general summary of how the remuneration policies were applied throughout the year. Describe the role of the Remuneration Committee and, if external advisors were engaged, indicate their identity:

YES	NO	☒
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	YES	NO
At the time the Ordinary General Meeting of Shareholders scheduled for 1 June 2011 was announced, a report on the Board of Directors remuneration policy was made available to the shareholders. The report was approved by the Board of Directors on 28 February 2011.		
The report discussed the following:		
a. The procedures applied in preparing the report		
b. The objective and structure of the remuneration policy		
c. The remuneration of directors for their membership of the Board		
d. The remuneration of executive directors for performance of executive and managerial duties		
• The remuneration structure		
e. Basic conditions of executive director contracts.		
Role of the Remuneration Committee		
The Appointments and Remuneration Committee assists and advises the Board. In accordance with Article 42.3 f) of the Rules of the Board of Directors, the Committee is entrusted with the following:		
- Overseeing compliance with the remuneration policy set by the Company and 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, reporting and proposing on multi-year incentive plans for the Company's senior management, particularly those related to the value of the shares.		
Were external advisers used?		☒
Identify external advisers		

B.1.17 Indicate, as the case may be, the identity of the members of the Board of Directors who are, at the same time, members of the Board of Directors, managers or employees of companies holding significant interests in the listed company and/or in other entities of its group:

Name of director	Name of significant shareholder	Position
Cartera Deva, S.A.	B-1998, S.L.	Director
Mr. Juan Castells Masana	B-1998, S.L.	Director
Dominum Desga, S.A.	B-1998, S.L.	Director

Name of director	Name of significant shareholder	Position
Dominum Dirección y Gestión, S.L.	B-1998, S.L.	Director
Eac Inversiones Corporativas, S.L.	B-1998, S.L.	Director
Mr. Fernando Falcó Fernández de Córdova	B-1998, S.L.	Director
Mr. Rafael Montes Sánchez	B-1998, S.L.	Director
Larranza XXI, S.L.	B-1998, S.L.	Director

Identify any significant relationships, other than those stated in the preceding section, between Board members and significant shareholders and/or subsidiaries in their group:

Name of related director	Name of significant related shareholder	Description of relationship
Cartera Deva, S.A.	B-1998, S.L.	B-1998, S.L. shareholders' agreements
Larranza XXI, S.L.	B-1998, S.L.	B-1998, S.L. shareholders' agreements

B.1.18. Indicate whether there were any amendments to the Rules of the Board in the year:

YES	☒	NO
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B.1.19. Indicate the procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.

The Shareholders' Meeting is in charge of appointing and removing Board members. Directors may be re-appointed indefinitely one or more times, for five-year terms.

By virtue of the shareholders' agreements referred to in section A.6. of this report as regards the FCC Directors approved by B-1998, S.L., the Investors may appoint four (4) directors to FCC's Board.

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Mrs. Esther Koplowitz Romero de Juseu, or her designated representative, may appoint all of the members of FCC's Board of Directors to which B-1998, S.L. is entitled other than those appointed by the Investors.

Moreover, Chapter IV of the Rules of the Board of Directors, "Appointment and Removal of Directors," establishes the following:

Article 16. "Appointment, ratification or re-appointment 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 Remuneration Committee, in the case of independent directors, and based on a prior report of the Appointments and Remuneration 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 hold office 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-appointment of Directors"

"Prior to proposing re-appointment of any director to the General Meeting of Shareholders, the Appointments and Remuneration Committee must issue a report evaluating the quality of work and dedication of the proposed directors during their previous mandate."

Evaluation:

Article 38.6. "The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work and the efficacy of its rules and correcting any aspects which have been shown to be dysfunctional. Also, based on a report drawn up by the Appointments and Remuneration 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."

Article 20. "Removal of Directors"

"1. *Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Incorporation."*

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-appointment or dismissal may not participate in the debates or vote on these issues."

B.1.20. Indicate the reasons for which directors may be forced to resign.

Article 20 of the Rules of the Board of Directors states:

"1. *Directors must step down from the Board when their mandates have expired or when so decided by the General Meeting of Shareholders making use of the powers vested in it by law and by the Articles of Incorporation.*

2. *The directors must tender their resignation to the Board of Directors and officially resign at the Board's request in the following cases:*

- a.** *In the case of executive directors, when they no longer occupy the positions or perform the functions by virtue of which they were appointed.*
- b.** *In the case of proprietary directors, when the shareholder whose interests they represent disposes of its entire holding in FCC or reduces it to such a level that its number of proprietary directors must be reduced.*

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- c. When they fall under a situation of incompatibility or legal disqualification.
- d. When the Board, by a two-thirds majority, asks the director to resign:
- ▶ if he or she receives a severe reprimand from the Board due to breach of his or her duties as director, based on a proposal or report by the Appointments and Remuneration 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 213 of the Capital 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 functions of the Company's top executive fall on the Board Chairman. If so, indicate the measures taken to limit the risk of a single person accumulating power:

YES ☒ NO

Risk-limiting measures

The FCC, S.A. Rules of the Board of Directors control these risks by vesting the powers set out in the following section in an independent director.
At the meeting held on 27 January 2010, FCC's Board of Directors appointed Mr. Gonzalo Anes and Álvarez de Castrillón as the independent director to undertake the functions envisaged in the last paragraph of Article 34 of the Rules of the Board of Directors.

State whether the Company has established rules to empower an independent director to request a Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation; detail any such rules:

YES ☒ NO

Explanation of the rules

Article 34.3 of the Rules of the Board establishes the following:
"When a Company's Chairman is also its Managing Director or chief executive, an independent director should be empowered by the Board to request the calling of Board meetings or the inclusion of new business on the agenda, to coordinate and give voice to the concerns of external directors, and to lead the Board's evaluation of the Chairman".

B.1.22. Is a supermajority, other than the legal majority, required in some decisions?

YES NO ☒

Explain how resolutions are adopted by the Board of Directors, stating at least the quorum and type of majority required to adopt resolutions:

Adoption of resolutions

Description of the resolution	Quorum	Type of majority
Permanent delegation of delegable powers to the Executive Committee, the Chairman or the Managing Directors and the appointment of the Directors who will hold such posts.	Two-thirds of the Board members must be present or represented at the meeting	Two-thirds of the Board members
Other resolutions	Absolute majority	Absolute majority

B.1.23. Detail whether there are specific requirements, other than those relating to directors, for appointing the Board Chairman.

YES NO ☒

Description of requirements

—

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B.1.24. Does the Chairman cast the deciding vote?

YES NO ☒

Issues on which there is a casting vote

B.1.25. Indicate if the Articles or Rules of the Board establish an age limit for directors:

YES NO ☒

B.1.26. Indicate if the Articles of Incorporation or the Rules of the Board establish a term limit for independent directors:

YES ☒ NO

Maximum term in years 12

B.1.27. When there are few or no female directors, indicate the reasons for this situation and the measures taken to correct it:

Detail the reasons and initiatives

In particular, state whether the Appointments and Remuneration Committee has established procedures to ensure that the selection processes have no implicit bias that might hamper the selection of female candidates, and to ensure that female candidates with the right profile are actively sought:

YES

Describe the main procedures

Article 42.3.h) of the Rules of the Board establishes that the Appointments and Remuneration Committee's functions include: "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."

B.1.28. Indicate whether there are formal processes for delegating votes in the Board of Directors. If so, give a brief description.

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

B.1.29. Indicate the number of Board of Directors meetings held in the year. Also, state the number of times that the chairperson did not attend the Board meeting:

Number of meetings of the Board of Directors 10

Number of Board meetings without the attendance of its Chairman 0

Indicate the number of meetings held by Board Committees in the year:

Number of Executive or Delegated Committee meetings 9

Number of Audit Committee meetings 9

Number of Appointments and Remuneration Committee meetings 6

Number of Strategy and Investment Committee meetings 0

B.1.30. Indicate the number of Board of directors meetings held in the year which were not attended by all members. Proxies granted without specific instructions are not counted as absences:

Number of non attendances of directors during the year 21

% of non attendances over the total votes during the year 11.35

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B.1.31. Indicate whether the individual and consolidated financial statements that are presented for Board approval have been certified:

YES ☒ NO

Indicate any person that has certified the company's individual and consolidated financial statements for Board authorisation:

Name	Position
Mr. Baldomero Falcones Jaquotot	Chairman and CEO
Mr. Antonio Gómez Ciria	Director of Administration and Information Technology
Mr. Víctor Pastor Fernández	Director of Finance

B.1.32. Detail whether the Board of Directors has established any mechanisms to ensure that the individual and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

One of the Audit and Control Committee's functions is revision of the financial and economic information published periodically by the FCC Group. This revision is particularly important in the case of the annual report; therefore, prior to the Board of Directors' authorisation of the 2011 financial statements, the Audit and Control Committee thoroughly examined those statements and requested that the external auditor explain the conclusions of its review so that, once the statements were approved by the Board, the external auditor's report would contain no qualifications.

B.1.33. Is the Board secretary a director?

YES NO ☒

B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the Appointments Committee was consulted and the appointment or removal was approved by the full Board:

Appointment and removal procedure

Art. 36.1 of the Rules of the Board: "His appointment and removal must be approved by a full Board meeting based on a proposal by the Appointments and Remuneration Committee".

NOTE:

The current Secretary was appointed before the Appointments and Remuneration Committee was created.

	YES	NO
Is the Appointments Committee consulted on the appointment?	☒	
Is the Appointments Committee consulted on the removal?	☒	
Does the full Board approve the appointment?	☒	
Does the full Board approve the removal?	☒	

Is the Board Secretary entrusted in particular with ensuring compliance with corporate governance recommendations?

YES ☒ NO

Comments

B.1.35. Indicate whether the Company has established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

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These mechanisms are included in Article 41.4 of the Rules of the Board which states as follows:

"...

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

In particular, the matters that the Board of Directors may entrust to the Audit and Control Committee include, but are not limited to, the following:

- a) Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- b) Liaising between the Board of Directors and the external auditor, evaluating the results of each audit, with the following additional duties with respect to the external auditor: (i) Making recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of his or her engagement; (ii) receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations; (iii) discussing with the external auditors any significant weaknesses found in the internal control system as a results of the audits conducted; (iv) ensuring the independence of the external auditor and, in particular, establishing appropriate measures to ensure that: 1) contracting consulting services with that auditor or a company of its group does not jeopardise its independence, to which end the Committee will receive an annual report from the auditors confirming in writing their independence in respect of the Company or the entities directly or indirectly related to and information on any additional services of any kind rendered to the companies by the auditors or by persons or entities related to the auditors, as provided for in the Auditing Act; and 2) the Company issues a regulatory disclosure to the CNMV as regards the change in auditor, with a

statement about any disagreements with the outgoing auditor and their nature; where the external auditor resigns, the Committee must examine the reasons; (iv) and seeking to ensure that the Company's auditor takes responsibility for auditing the companies comprising the Group.

- c) Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services of the kind referred to in section b) (iii) 1 above.
- d) Supervising the Company's internal audit units that oversee the good working of the information and internal control systems; the head of internal audit is obliged to present an annual work plan to the Committee and inform it directly of any incidents arising in the course of implementing the plan, as well as submitting a report on activities to the Committee at the end of each year.
- e) Supervising and analysing the risk control and management policy, identifying at least: (i) the different types of risk to which the Company is exposed, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks; (ii) the determination of the risk level the Company sees as acceptable; (iii) the measures in place to mitigate the impact of risk events, should they occur; (iv) and the internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks, and submission to the Board for approval.
- f) Supervising the preparation and presentation of the annual financial statements and directors' report of the Company and the consolidated group, and of the information released periodically to the markets, checking for compliance with legal provisions and the correct application of generally accepted accounting principles, and informing the Board before it adopts any of the following decisions: (i) the financial information that the Company must release periodically by virtue of being listed, ensuring that the interim financial statements are drawn up in accordance with the same accounting principles as the annual financial

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statements and, to this end, considering the advisability of a limited review by the Company's external auditor; (ii) and the creation, or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the FCC group.

- g) With respect to internal control and reporting systems: (i) monitoring the preparation and the integrity of the financial information prepared on the Company and, as the case may be, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles; (ii) reviewing internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed; (iii) monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing that department's budget; receiving regular reports on its activities; and verifying that senior management are acting on the findings and recommendations of its reports; (iv) receiving confidential (though not anonymous) written reports from employees about possible material irregularities, particularly of a financial or accounting nature, that they observe in any FCC Group Company; (v) and ensuring that the internal codes of conduct and the rules of corporate governance comply with the requirements of law and are appropriate for the Company, and reviewing compliance, by the persons governed by those codes and governance rules, of their obligations to inform the Company.
- h) Issuing reports and proposals as requested by the Board of Directors or the Chairman of the Board and those it deems appropriate for the best performance of its functions, particularly the report on proposed amendments to these Rules, as provided in Article 4.3.
- i) Deciding on requests for information presented by directors, by virtue of Article 30.3 of these Rules, to the Committee, and requesting the inclusion of any items on the agenda of Board meetings, in the conditions and time periods established in Article 38.3 of these Rules.

B.1.36. State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

YES	NO ☒
Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing order, describe it:

YES	NO
Explanation of disagreement	

B.1.37. Indicate whether the audit firm performs work for the Company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the Company and/or its group.

YES ☒		NO	
	Company	Group	Total
Amount of other non-audit jobs (thousand Euros)	7	578	585
Amount of non-audit jobs/total amount billed by audit firm (in %)	3.08	13.86	13.30

B.1.38. State whether or not the auditors' report on the previous year's financial statements was qualified. If it was, state the reasons given by the Chairperson of the Audit Committee to explain the content and scope of the qualification or exception.

YES	NO ☒
Explanation of the reasons	

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B.1.39. Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the Company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	22	22
	Company	Group
Number of years the current audit firm has audited/ number of years the Company has been audited (%)	100	100

B.1.40. Indicate the shareholdings of the members of the Company's Board of Directors in the share capital of companies engaged in the same, similar or complementary activities as that of the corporate purposes of the Company and group, of which the Company is aware. Likewise, include the offices or functions held or undertaken in such companies:

Name of director	Name of company	% stake	Position or functions

B.1.41. Indicate whether there is a procedure for directors to engage external consultants and, if so, provide details:

YES ☒	NO
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Detail the procedure

The Board Regulations in its Article 31. "Help of Experts" reads:

Article 31 "Expert assistance" of the Rules of the Board states 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 to engage external consultants or experts must be referred to the Chairman of FCC and will be approved by the Board of Directors if it considers that:
 - a.** it is necessary for the proper performance by independent directors of their assigned duties,
 - b.** the cost is reasonable, in view of the materiality of the problem and the assets and revenues 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 envisaged in paragraph 2 of this article are not met."

B.1.42. Indicate whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details:

YES ☒ NO

Detail the procedure

Article 38 "Meetings of the Board of Directors" of the Rules of the Board defines the procedure as follows:

- "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.

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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 meetings will be sent by post, fax, e-mail or telegram and will be authorised with the signature of the Chairman or his alternate or the Secretary or Vice-Secretary, by order of the Chairman.

Notwithstanding the provisions of Article 30 of the Articles of Incorporation, 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 submitted to 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 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 must 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.

In view of the directors' duty of confidentiality, every effort will be made to ensure that the importance and confidential nature of the information is not used as a pretext for breaching this rule, except under exceptional circumstances at the Chairman's discretion.

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 rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, and describe any that exist:

YES ☒

NO

Explain the rules:

According to Article 29 of the Rules of the Board of Directors' duty of disclosure, "Directors must disclose the following to FCC's Appointments and Remuneration 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 effect on the reputation of FCC."

Article 20.2.d) on Removal of Directors states that "Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: when their 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 Public 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 informed the Company that he has been charged with, or tried for, any of the crimes covered by Article 124 of the Public Limited Companies Act:

YES

NO ☒

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B.2. Board of Directors Committees

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

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type of director
Mr. Baldomero Falcones Jaquotot	Chairman	Executive
Mr. Fernando Falcó y Fernández de Córdova	Director	Proprietary
Mrs. Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Proprietary
Mrs. Alicia Alcocer Koplowitz on behalf of Eac Inversiones Corporativas, S.L.	Director	Proprietary
Mr. Juan Castells Masana	Director	Proprietary
Mr. Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Director	Proprietary
Mr. Francisco Vicent Chuliá	Secretary Non-member	
Mr. Felipe B. García Pérez	Assistant Secretary Non-Member	Executive

AUDIT AND CONTROL COMMITTEE

Name	Position	Type of director
Mr. Gonzalo Anes y Álvarez de Castrillón	Chairman	Independent
Mrs. Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Proprietary
Mrs. Alicia Alcocer Koplowitz on behalf of Eac Inversiones Corporativas, S.L.	Director	Proprietary
Mr. Fernando Falcó y Fernández de Córdova	Director	Proprietary
Mr. Juan Castells Masana	Director	Proprietary
Mr. José María Verdú Ramos	Non-member Secretary	—

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type of director
Mrs. Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Chairman	Proprietary
Mr. Fernando Falcó y Fernández de Córdova	Director	Proprietary
Mrs. Alicia Alcocer Koplowitz on behalf of Eac Inversiones Corporativas, S.L.	Director	Proprietary
Mrs. Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.	Director	Proprietary
Mr. Rafael Montes Sánchez	Director	Proprietary
Mr. Antonio Pérez Colmenero	Director	Proprietary
Mr. Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Director	Proprietary
Mr. Gonzalo Anes y Alvarez de Castrillón	Director	Independent
Juan Castells Masanavocal	Director	
Mr. José María Verdú Ramos	Non-Member Secretary	—

STRATEGY COMMITTEE

Name	Position	Type of director
Mrs. Esther Koplowitz Romero de Juseu on behalf of B-1998, S.L.	Chairman	Proprietary
Mrs. Esther Alcocer Koplowitz on behalf of Dominum Desga, S.A.	Director	Proprietary
Mrs. Alicia Alcocer Koplowitz on behalf of Eac Inversiones Corporativas, S.L.	Director	Proprietary
Mrs. Carmen Alcocer Koplowitz on behalf of Dominum Dirección y Gestión, S.L.	Director	Proprietary
Mr. Fernando Falcó y Fernández de Córdova	Director	Proprietary

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Name	Position	Type of director
Mr. Javier Ribas	Director	Independent
Mr. Rafael Montes Sánchez	Director/ Secretary	Proprietary
Mr. Juan Castells Masana	Director	Proprietary
Mr. Jaime Llantada Aguinaga on behalf of Cartera Deva, S.A.	Director	Proprietary
Mrs. Lourdes Martínez Zabala on behalf of Larranza XXI, S.L.	Director	Proprietary

B.2.2. Indicate which of the following functions are attributed to the Audit Committee:

	Yes	No
Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation scope, and the correct application of accounting principles.	☒	
To periodically check the systems of internal control and risk management, in order that the principal risks are identified, managed and announced adequately.	☒	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports.	☒	
	Yes	No
Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.	☒	
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.	☒	
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.	☒	
Monitor the independence of the external auditor	☒	
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.	☒	

B.2.3. Describe the rules that govern each Board Committee and their responsibilities:

**EXECUTIVE COMMITTEE

This Committee is governed by Article 36 of the Articles of Incorporation of FCC, which are extracted 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 another location designated by the Chairman and indicated in the announcement.

In order for the Executive Committee to be quorate, 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 of the Articles of Incorporation."

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Additionally, Article 40 of the Rules of the Board of Directors establishes that:

2. *"....The Board of Directors will designate the directors to form part of the Executive Committee, ensuring as far as possible that its structure is similar to that of the Board itself in terms of the various categories of director. The Secretary of the Board 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 cease to be 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, a Committee member will be chosen to perform his functions.*
7. *The Executive Committee will hold ordinary meetings in the months when a Board of Directors meeting is not scheduled, apart from the month of August, and it may meet on an extraordinary basis when required by the Company's interests. 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 vote.*
8. *The Executive Committee will be convened as established in Article 35 of the Articles of Incorporation, although, except in the event of a justified emergency, every effort will be made to ensure at least ten days' 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 vote.*
9. *The Executive Committee will be quorate when at least one-half plus one of its members are present or represented at the meeting.*
10. *The Committee, through its Chairman, will inform the Board of the business transacted and the decisions made by the Committee, and a copy of the minutes of each meeting will be given to each director.*
11. *In all other matters, the Executive Committee will be governed by the pertinent provisions of the Articles of Incorporation and, supplementarily, by the provisions relating to the Board of Directors contained in the Articles of Incorporation and these Rules."*

****AUDIT AND CONTROL COMMITTEE:**

This Committee is governed by Article 41 of the Rules of the Board of Directors. It must comprise at least three directors designated by the Board of Directors having regard to their knowledge and experience of accounting, auditing or risk management; all of its members will be external directors, and the Committee will appoint a Chairman from among its members, who will hold office for no more than four years; it may also appoint a Vice-Chairman. The term of the members of the 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.

At least one of the members of the Audit and Control Committee must be an independent director and will be appointed based on his/her accounting and/or auditing expertise and experience.

The Secretary and Vice-Secretary, if any, shall be chosen by the Committee and need not be Board members.

The members of the Committee may obtain advice from external professionals. These advisers will attend the meetings and may speak but not 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 financial information, the internal controls and the independence of the external auditors.

Its main responsibilities include:

- ▶ Informing the General Meeting of Shareholders on the questions raised by shareholders which fall within its scope of authority.
- ▶ Liaising between the Board of Directors and the external auditor, evaluating the results of each audit.
- ▶ Supervising the Company's internal auditing services.

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- ▶ Analysing the risk control and management policy.
- ▶ Supervising the process of drafting the separate and consolidated financial statements and directors' reports and the regular financial disclosures to the market.
- ▶ Issuing a report each year, prior to the publication of the audit report, expressing an opinion on the independence of the Company's auditors. This report must necessarily address any additional services rendered.

**APPOINTMENTS AND REMUNERATION COMMITTEE

This Committee is governed by Article 42 of the Rules of the Board of Directors.

- "1. It will be composed of a minimum of three Board members appointed by the Board of Directors. The majority of its members will be external directors and the Chairman will be appointed from among the latter. 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 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 Remuneration Committee will step down from the Committee when they step down as directors or when decided by the Board of Directors."*
- 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 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 re-appointment of independent directors and advising on proposals for the appointment and re-appointment 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 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 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.*

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- 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 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 have been previously studied and ruled out by the FCC Group, as referred to in Article 27.1 and 27.3 of these Rules.
4. The Appointments and Remuneration 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 advisers 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. On a yearly basis, the Committee will draft an action plan for the coming year which it will submit to the Board.

****STRATEGY COMMITTEE:**

This Committee is governed by Article 43 of the Rules of the Board of Directors.

- "1. Its members will be appointed by the Board of Directors for a period not to exceed their terms as directors, notwithstanding the possibility that they may be re-appointed indefinitely to the extent that they are also re-appointed as directors.

- 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. 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.
 3. The members of the Strategy Committee will step down from the Committee when they cease to be directors or when decided by the Board."
 4. It is a function of the Strategy Committee to assist the Board of Directors in determining the Group's strategy based on the guidelines set out by the Board, preparing such reports and motions as may be necessary.
 6. To perform its functions optimally, the Strategy Committee may seek the advice of external professionals, in which case the provisions of Article 31 of these Rules will 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 may speak at the meetings but may not vote.
 8. The Strategy Committee will meet periodically and as convened by the Chairman or requested by two Committee members. On a yearly basis, 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. Any member of the Company's management team or personnel who is asked to attend the Strategy Committee's meetings will be obliged to attend, collaborate and provide the information at his disposal.
 11. The Strategy Committee will have access to all of the documentation and information needed to perform its functions.
 12. The Strategy Committee will regulate its own operations to the extent that they are not regulated in these Rules and in the Articles of Incorporation, whose provisions relating to the operations of the Board of Directors will apply supplementarily inasmuch as this is possible considering the nature and functions of the Committee."

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B.2.4. Indicate the advisory and consultative powers and, where applicable, any powers delegated to each Committee:

The delegation of powers to the Board Committees is governed by Article 40 of the Rules of the Board of Directors and Article 35 of the Articles of Incorporation.

All the duties and powers necessary to conduct the Company's business are permanently vested in the Executive Committee, except for those powers declared to be non-delegable under Article 141.1 of the Public Limited Companies Act and those reserved for the full Board of Directors, as set out in Article 7 of the Rules of the Board of Directors.

In the exercise of the powers and duties referred to above, the Executive Committee may empower others to act either individually or jointly with other representatives, setting the scope, limitations and conditions it deems pertinent. The Executive Committee may also revoke the powers thus granted.

Article 40.1 of the Rules of the Board of Directors establishes that *"The Board may set up an Executive Committee in which it may permanently delegate all of the powers vested in the Board of Directors with the exception of those which, by law or under the Articles of Incorporation or these Rules, may not be delegated. Unless otherwise stipulated in the delegation of powers by the Board of Directors, the Executive Committee will have specific responsibility for deciding on investments, divestments, credits, loans, guarantee and surety lines and other financial facilities for unit amounts not exceeding the figure that is established in each case in accordance with Article 7.2.j).*

In situations of emergency, the Executive Committee will exercise the following powers attributed to the Board of Directors, under Article 8 of these Rules, which must be reported to the Board of Directors for subsequent ratification: the appointment and removal of senior executives and their indemnity clauses, periodic public financial information, strategic investment and transactions, and those covered by Article 8.3.f)."

As regards the advisory and consultation powers of Committees, see section B.2.3.

B.2.5. Indicate any rules governing the Committees of the Board of Directors, where they are made available for consultation and any changes to these rules during the year. Also, indicate if an annual report on each Committee's activities has been drafted voluntarily.

The Rules of the Board of Directors as amended on 7 April 2011 regulate the workings of the various Board Committees: Executive Committee (Article 40), Audit and Control Committee (Article 41), Appointments and Remuneration Committee (Article 42) and Strategy Committee (Article 43).

As provided in Article 38.6 of the Rules of the Board of Directors (*"The plenary Board will devote its first meeting each year to an assessment of its own performance during the preceding year, evaluating the quality of its work, and the efficacy of its rules and correcting any aspects which have been shown to be dysfunctional. Also, based on a report drawn up by the Appointments and Remuneration 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."*), on 27 January 2010 the Board of Directors evaluated its own performance and that of its Committees in 2009.

This evaluation covered not only the performance of the Board but also that of all Committees (Executive Committee, Audit and Control Committee, Appointments and Remuneration Committee, and Strategy Committee).

The Board of Directors, its Committees and the Chairman and Chief Executive discharged their duties and functions superbly, in line with all existing procedures, and they undertook to continuously improve their performance. The evaluation also highlighted that the various Committees supported the launch of various products aligned with Group strategy, which

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made the Board more efficient and transparent in pursuit of its primary goal: safeguarding the Company's interests, i.e. maximising the Company's economic value on a sustainable basis in accordance with Article 22.1 of the Rules of the Board of Directors and Recommendation 7 of the Unified Code of Corporate Governance for Listed Companies.

B.2.6. Indicate if the executive Committee's composition reflects the composition of the Board in terms of director type:

YES

NO ☒

If not, detail the composition of the executive Committee

The composition of the Executive Committee is as follows: 83.3% external directors and 16.7% executive directors; the composition of the Board of Directors is: 88.9% external directors and 11.1% executive directors.

► C. RELATED PARTY TRANSACTIONS

C.1. Has the Board of Directors, in plenary session, reserved for itself the power to approve, subject to a favourable report by the Audit Committee or any other Committee entrusted with such duties, the Company's transactions with directors, significant shareholders or shareholders with Board representation or with persons related to any of them?

YES ☒

NO

C.2. Detail significant transactions involving a transfer of funds or liabilities between the Company or subsidiaries in its group and significant shareholders of the Company:

Name of significant	Name of group company or entity	Nature of relationship	Type of transaction	Amount (thousand euro)

C.3. Detail transactions involving a significant transfer of funds or liabilities between the Company or subsidiaries in its group and directors or executives of the Company:

Name of director or executive	Name of group company or entity	Nature of the transaction	Type of transaction	Amount (thousand euro)
Dominum Desga, S.A.	Servicios Especiales de Limpieza, S.A.	Contractual	Cleaning Services	3,772.14
B-1998, S.L.	FCC Medio Ambiente, S.A.	Contractual	Cleaning Services	1,800.91
Total				5,573.05

C.4. Detail the significant transactions between the Company and other companies in the group, except those that are eliminated in consolidation or do not form part of the Company's normal operations with regard to their purpose and conditions:

Name of group entity	Brief description of transaction	Amount (thousand euro)
—	—	—

NOTE:

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

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C.5. Identify any conflicts of interest of Company directors, in accordance with Article 127 ter of the Public Limited Companies Act.

YES

NO ☒

The Management of Fomento de Construcciones y Contratas, S.A. have reported that they do not carry out, either for their own account or that of others, any activities that are identical, similar or complementary to the corporate purpose of the Company.

Mrs. Esther Koplowitz Romero de Juseu who represents B-1998, S.L. on the Board of Directors of FCC, is also a member of the Board of Directors of Veolia Environnement, S.A. Henri Proglio, member of the Board of Directors of FCC, is also a member of the Board of Directors of Environnement, S.A. and Chairman of Electricité de France (EDF).

The other members of the Board of Directors do not hold interests in the share capital of companies whose corporate purpose is identical, similar or complementary to that of Fomento de Construcciones y Contratas, S.A.

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

Article 25.2, 25.3, 25.4, 25.5 and 25.6 of the Rules of the Board of Directors establishes that Directors must give due advance notice to the Board, via the Corporate Responsibility Department or any other that takes its place, of any situation that may give rise to a conflict of interest with the Company or any of the companies in the FCC group of companies or their related companies. Under Article 25.3, "In the following cases, the prior written consent of the Board of Directors of FCC, which may not be delegated, based on a favourable report from the Appointments and Remuneration Committee, will be required:

- a. Provision by a director or a related party to companies of the FCC Group of professional services other than those deriving from executive directors' employment relationship.

- b. Sale or disposal by any other means, for good and valuable consideration of any type, of supplies, materials, goods or rights in general by a director, significant shareholder or shareholder represented on the Board, or their related parties, to companies of the FCC Group. For this purpose, related party is as defined in Article 127 ter.5 of the Public Limited Companies Act.
- c. Transfer of supplies, materials, goods or rights in general outside the seller's normal course of business by a company of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties
- d. Provision of works or services or the sale of materials by companies of the FCC Group to a director, significant shareholder or shareholder represented on the Board, or their related parties, in the normal course of the former's business, at lower than market prices.

- 4. 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.

- 5. In any event, all material transactions of any kind between directors and FCC, its subsidiaries or associated companies must be disclosed in the Annual Corporate Governance Report. This obligation extends to material transactions between the Company and its significant shareholders (direct and indirect)."

Under Article 25.1 "An indirect interest on the part of the director is likewise considered to exist when that matter affects a related party."

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

YES ☒

NO

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Listed subsidiaries

Cementos Portland Valderrivas, S.A.

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

YES

NO ☒

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

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

Mechanisms for resolving conflicts of interest

► D. RISK CONTROL SYSTEMS

D.1 Describe the risk policy of the Company and/or its group, detailing and assessing the risks covered by the system, and justify why those systems conform to each type of risk.

1. Risk Management at FCC

As established in the eighth recommendation of the Unified Code of Good Corporate Governance for Listed Companies published by the CNMV, and as described in the eighth article of the Rules of the Board of Directors, among the Group's general policies and strategies that are reserved for the approval of the Board of Directors due to their impact on the Group's business are the risk control and management policies and the regular monitoring of internal reporting and control systems.

The Board of Directors is supported in this regard by the different governing bodies and Committees described in part D.3.

FCC's general commitment to risk management takes the form of a series of corporate policies, including those established in the Manual of General Guidelines, a specific, universal and dynamic risk management system and other risk control systems that are described later in this section.

2. General Rules of Organisation and Operation

The Group's general organisational and operating rules provide the framework applicable to all members of the organisation, the powers vested at each hierarchical level and the basic principles guiding the operating processes in order to mitigate the most significant risks. These principles serve as the foundation for the more specific rules governing the processes in each business area or function. The Manual of General Guidelines, which encompasses all of these, is divided into different sections, chapters and parts. sections, chapters and part:

- > Section 10: Structure (governing bodies, organisation and functions)
- > Section 20: Personnel
- > Section 30: Investments
- > Section 40: Clients
- > Section 50: Purchases and supplier relations
- > Section 60: Legal aspects
- > Section 70: Proxies
- > Section 80: Communications and corporate image
- > Section 90: Information safety
- > Section 100: Various

3. Risk management system

3.1. Organisation and operation

The FCC Group has a comprehensive risk management policy that will enable it to deal effectively with all of the risks to which its business operations are exposed. The chosen model includes the devising an advance risk map using Enterprise Risk Management (Coso

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II) methodology which provides management with valuable information and contributes to the definition of the Group's strategy. The tool is used at the regularly scheduled risk Committee meetings to analyse and evaluate the risk maps of the different business areas.

Supported by the people responsible for risk management in the different business areas, whose activities it coordinates, the Risk Management and Control Area is currently in the process of updating and improving both the definition and assignment of risk management in the operating area and the following risk management procedures and methodologies:

- ▶ Identifying key risks for the FCC Group based on the potential threat they pose to the achievement of the Group's objectives.
- ▶ Evaluating risks. The risk evaluation scales are defined in terms of the potential impact they could have if they were to materialise and the likelihood that they will occur.
- ▶ Categorising risk, having defined a new type which is summarised in part 3.2) below
- ▶ Optimising risk control through the establishment and implementation of action plans for the most relevant risk, including measuring and monitoring indicators.
- ▶ Mechanisms for periodically reporting the results of the risk evaluation and monitoring process and the materialisation of risks.
- ▶ Implementation of specific procedures for documenting risk management in the decision-making process.
- ▶ Periodically and systematically updating the risk evaluation process and controls described above.

3.2. Risk Classification

The FCC Group, in keeping with the best business practices in this field and applying the Coso II methodology, has classified its risks as follows:

- a. Strategic risks. These are the key risks related to the Group's strategy and hence managed on a priority basis. These risks are related to the markets/countries/sectors where the FCC Group operates. Also included in this category are reputational, innovation and economic planning risks.
- b. Operating risks. These risks are related to operations management and the chain of value of each one of the business areas where the FCC Group operates. They include the risks related to tender and contracting processes, selection of partners, subcontractors and suppliers, human resource management and permanent personnel training.
- c. Compliance risks. These are the risks affecting internal and external regulatory compliance, including those relative to the compliance with the code of ethics of the FCC Group, compliance with applicable laws regarding legal, fiscal, ICFR, data protection, quality, environmental, information safety and occupational risk prevention matters.
- d. Financial risk. Risks associated with the financial markets and with the generation and management of cash. Financial risks include those related to liquidity, cash management, access to financial market, exchange rates and interest rates.

4. Risk control systems

4.1. Strategic risk control

The key systems for controlling strategic risks include the following:

Strategic/market/country planning

The FCC Group's strategic planning process entails the identification of objectives to be met in each activity area, based on the improvements to be introduced, the market opportunities present and the level of risk considered acceptable. On the basis of this process, the Group designs operating plans specifying the targets to be achieved each year.

Progress toward the targets established during the planning process is reviewed periodically along with the evolution of risks, analysing irregularities revealed at all levels of responsibility and taking the appropriate corrective measures.

To mitigate the market risks inherent to each line of business, the Group maintains a diversified position between businesses related to infrastructure construction and management, environmental services, energy and others. These business areas are therefore exposed to growth risks associated with transportation infrastructures,

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environmental activities, renewable energies and water, along with the recurring service concessions that are complementary to the construction business and more dependent on economic growth and capital investments.

Turning now to geographical diversification, in 2011 the Group reached a milestone in terms of the percentage of sales from foreign business, which for the first time in more than 100 years of existence accounted for 51% of the total, with special emphasis on the Group's three core areas: infrastructure construction, environmental services and energy. The Group's foreign presence is concentrated in OECD countries and selectively in emerging economies, where the Group carefully analyses market, operating and financial risks.

Economic and budget control

Present both at the corporate level and in each operating unit, it serves as the basis for economic planning, gathering, measuring, recording and calculating costs and production, analysing and monitoring deviations, and quantifying and controlling the resources invested.

Technological capacity/Innovation

The FCC Group is aware that its success in the highly competitive markets where it operates depends on offering clients added value through technical and economic capabilities. In this regard, the FCC Group is very active in the field of technological research and innovation and also places a great deal of importance on the ongoing education of its personnel.

The FCC has outsourced the management of its information infrastructure and telecommunications systems. The FCC Group has implemented a common reporting system which is intended to cover its individual financial reporting needs and standardise the process of consolidating the Group's economic-financial information. Furthermore, the Group is currently in the process of redesigning and implementing a corporate command and control centre that will automatically provide real time management indicators, which will increase the quantity and quality of the information available to management.

In terms of supplier, purchasing and billing management, personnel training and offer presentation, the FCC Group is implementing new technological systems intended to mitigate the risk of material error and fraud. These systems are described in other sections of this report.

Reputation management / Corporate governance

Reputation management is part of the FCC Group's Code of Ethics and corporate responsibility. Social responsibility policies are an integral part of the FCC Group's philosophy which holds that the operation of a business requires a firm commitment to the society.

Once again in 2011, the Company's corporate responsibility performance and results have been recognised by a number of renowned independent observers. Most notable among them, the selective responsible investment indexes DJSI World, Stoxx. FTSE4good, the FTSE Ibex 35.

The Spanish Carbon Disclosure Project (CDP) report recognised FCC for its system of analysing risks and opportunities in the climate change field.

4.2. Operating risk control systems

Some of the most significant operating risk control systems for the FCC Group are enumerated below:

Contracting and tendering management systems

The risks and opportunities arising during the tendering and contracting process constitute one of the main challenges faced by the FCC Group. The Company has formally established policies and procedures that focus on technical quality technological capacity, economic viability and competitive bidding. The process of preparing, presenting and monitoring bids must be authorised at various levels within the organisation, the main bid preparation tasks are entrusted to the highly qualified technical staff of the specific departments. To this end, the FCC Group is in the process of implementing a specific risk management procedure for bidding, contracting and execution.

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Additionally, the FCC Group is very active in the field of technological research and innovation to ensure that all proposals offer the greatest added value for the client.

Selection of partners, subcontracting and suppliers

The Group has a rigorous process for selecting the partners with whom it works in different business areas which consists of applying the procedures contained in the FCC Group's Handbook of General Standards.

The risks associated with subcontracting are controlled by uniformly applying the subcontracting model established by the FCC Group in accordance with the aforementioned Handbook of General Standards, which establishes a protocol of action indicating the minimum requirements for FCC Group companies to be able to subcontract public or private sector contracts.

The Human Resources Handbook also defines the labour responsibilities assumed by the FCC Group in connection with the personnel subcontracted for projects or services.

Regarding supplier management, the e-commerce platform implemented by the FCC Group makes it possible to manage all of the processes on the procurement and supply chain as well as supplier relations, from requests for proposals to billing, all of which is handled electronically to minimise the risk of material errors and fraud.

Personnel management and ongoing personnel training

The FCC Group is working on an ambitious project to modernise its personnel management system, incorporating all of the information into a single, global database for the entire Group in order to support and facilitate the human resources management process.

The project also includes a SAP computer tool for designing and implementing the payrolls of all FCC Group companies in Spain in order to enhance the security, quality and uniformity of the payroll process.

To coordinate the entire process and mitigate the risks involved, the FCC Group has created a "shared services centre" where these projects are being carried out.

The FCC Group has training procedures in place which take the form of structured training plans based on both regularly scheduled basic and refresher training courses as well as "ad hoc" training to cover specific needs as they arise.

In particular, the FCC Group has training plans in place for all personnel involved in the preparation of the Group's financial statements. This plan is constantly being updated to adapt to the business and regulatory environments in which FCC Group's companies are operating and to stay abreast of changes to International Financial Reporting Standards and the regulation and evolution of internal controls on financial reporting.

4.3. Compliance risk control systems

The key systems for controlling regulatory compliance risks are as follows:

Code of Ethics

The FCC Group has a Code of Ethics in place that regulates the guiding principles of Group employees' conduct and the relations between Group employees and other interest groups. Compliance with the Code of Ethics is mandatory for all Group employees and for those third parties who accept it voluntarily.

The FCC Group's Code of Ethics is a tool for guiding the Group's actions in matters of a social, environmental or ethical nature of certain significance. The Group offers an online training tool for the Code of Ethics and provides employees with the resources needed to comply with and enforce the principles contained in the Code of Ethics.

Persons bound by the Code of Ethics have the obligation to report any breach of the Code. To do so, they may use the established channels and procedures to report incident confidentially, in good faith and without fear of reprisals. The FCC Group has established a general communication procedure for matters related to the Code of Ethics.

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Regarding the recent reform of the Penal Code as it relates to the criminal liability of legal entities, the FCC Group has drafted a Crime Response and Prevention Manual which is explained in the following section on legal risk management.

Legal risk management systems

The FCC Group has implemented procedures to guarantee compliance with the laws regulating each one of the Group's business activities. The departments that specialize in regulatory compliance stay abreast of regulatory changes, advising the Group's units accordingly and issuing standards as needed to standardize the Group's criteria and guarantee compliance with the law.

For operations outside of Spain, the FCC Group seeks legal advice from local professionals in relation to the specific laws that affect the Group's business in each country.

Regarding the recent reform of the Penal Code as it relates to the criminal liability of legal entities, the FCC Group has drafted a Crime Response and Prevention Manual which has two clearly differentiated parts:

The first part deals with prevention and consists of identifying any conduct within the Group that may involve the risk of committing a crime and then planning and implementing controls to mitigate these risks. To do so, the Group has set up certain oversight bodies and mandatory procedures.

The second part deals with the bodes and procedures implemented to respond to behaviours which could constitute the commission of a violation within the FCC Group, especially conduct which could be interpreted as illegal.

Fiscal risk management systems

Within the context of the delegation of powers agreed by the Board of Directors and the Chairman and the business model established in the FCC General Guidelines and the Financial-Economic Handbook, in addition to the specific powers vested in the person responsible for the Fiscal Division, the functions of this Division include:

proposing standards relative to the Group's fiscal policies to promote zero fiscal risk tolerance; advising on and coordinating corporate acquisitions and reorganisations; and providing advice to the different business areas in connection with their activities.

This Division is supported by the administration departments of the business areas and by Central Services, who are the ones responsible for complying with all formal requirements such as documenting and filing tax returns, documenting related party operations, etc.

In addition, in order to minimise fiscal risks and ensure proper reporting and control, FCC, along with other large Spanish Corporations and the Spanish tax authorities, is a signatory to the Code of Good Tax Practices approved by the Business Forum. For the Company, this means ratifying its commitment to best corporate governance practices, transparent and cooperative fiscal practices and collaborating with the administration to detect fraudulent practices. For the tax authorities, it means a commitment to enhance the legal safeguards afforded to FCC in relation to the application and interpretation of tax laws. In compliance with the terms of the Code, the Tax Division reports to the Audit and Control Committee on the Group's tax policies through the Directorate General of Administration and Information Technology.

Internal Control over Financial Reporting (ICFR)

As a consequence of recent legislative changes, publicly listed companies are now obligated to disclose information in the Annual Corporate Governance Report (ACGR) on their Internal Control over Financial Reporting (hereinafter ICFR) and the Audit Committees of publicly listed companies have assumed new internal control responsibilities as well.

In this regard and in connection with the good practices proposed in the report published by the CNMV, the FCC Group has prepared an ICFR Report for 2011 which is enclosed with this Annual Corporate Governance Report.

Personal data protection systems

The processing of personal data, primarily for compliance with the Data Protection Act (LOPD) is specifically regulated in the markets where FCC operates. To manage

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the risk of non-compliance, there is a programme that measures the impact on each business area and then establishes the necessary legal, organisational and technical controls in each case.

An organisational structure has been created that makes it possible to disseminate and implement controls and offer periodic awareness-raising and training activities to all areas of the FCC Group, as well as a computer tool that manages documentation and monitors control to guarantee the protection of personal information.

Quality assurance systems

Formal quality control systems are firmly in place in the different activity areas of the FCC Group. These systems have been ISO 9001 certified and regularly pass the periodic evaluations performed by external professionals.

These quality assurance systems are based on the assignment of responsibilities, the definition and documentation of procedures and the implementation of guidelines for detecting and correcting deviations, resulting in a process of continuous improvement.

The quality control Committees in the different areas of the Group are the supreme executive bodies with the authority to establish guidelines, oversee compliance and review systems. The responsibilities of the quality assurance departments include, among other things, implementing quality systems and conducting quality assurance audits of the different operating units.

Environmental management systems

The FCC Group's business areas apply environmental management systems that focus on:

- a) Compliance with the environmental regulations applicable to the activities of each area.
- b) Establishment and attainment of continuous improvement targets beyond those required by prevailing legislation or contracts.
- c) Minimising environmental impacts through proper operational control.
- d) An ongoing analysis of risks and possible improvements.

By implementing these quality assurance systems in the different business units according to UNE-EN, the Group has obtained ISO 14001 certification for its Environmental Management System.

Information security systems

Information system risks are associated with the FCC Group's reliance on information systems for its business and decision-making processes.

From the standpoint of the risks derived from the use of information technology, the FCC Group has set up an operating unit with a mandate to analyse and mitigate the factors that can lead to security failure affecting its information systems.

For each new project that involves changes to the FCC Group's information system, the risks are analysed to determine the specific threats and define the pertinent measures.

With regard to information management risk, the FCC Group has established a Corporate Information Security Policy laying down common information management criteria to mitigate those risks which could affect the confidentiality, availability and integrity of information. These criteria are based on the international standards of the International Standardisation Organisation (ISO) contained in the ISO 27000 family.

As a consequence of this policy, the Company has defined a Code of Conduct for the use of information technologies and different protocols for managing incidents in relation thereto.

Controls have been implemented to guarantee user access to the resources for which they are authorised based on their "need to know" and their assigned roles.

The efficiency of these measures is maximised by a four-tier classification system: Public Use, Internal Use, Confidential and Secret. Different protection measures have been established for each level to ensure that the level of security is commensurate with the sensitivity and/or criticality of the information in question.

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The FCC Group has a monitoring system known as "Data Leak Prevention" to detect and prevent the risk of classified data leaks through information systems.

The FCC Group has a Security Operation Centre (SOC) that operates around the clock to address the growing threat of attacks from the internet and information leaks. The SOC has the following capabilities:

- a. Vulnerability detection
- b. User account audits
- c. Forensic analysis
- d. Security event correlation
- e. Incident management
- f. Prevention information leaks
- g. Mail filtering

As mentioned above, the FCC Group has outsourced the rendering of information infrastructure management services. Furthermore, investments are being made to standardise the architecture of FCC's system and to remove any differences between the environments managed by Group companies in terms of availability and integrity.

FCC has thus guaranteed the efficient use of its information system while ensuring the most effective operation and management of its information system based on good practices for information technology service management.

The following are among the projects undertaken:

- Consolidation of the centralised Information Technology infrastructure in two high availability data centres in Madrid.
- Complete overhaul of the workstations in a virtualised environment or with automatic back-up to guarantee the availability of the information.
- Consolidation of operations in global centres with standard tools. Implementation of a single, common Service Desk through which all information system problems are channelled.

- Implementation of a catalogue of services with unified quality standards that can be measure by means of pre-arranged Service Level Agreements (SLAs). Implementation of a single wide area network (WAN) to standardise the ability of users to access the Group's information systems.

Occupational risk prevention systems

One of the FCC Group's priorities is to guarantee the health and safety of its personnel and to strictly comply with all labour legislation, as evidenced by the Occupational Risk Prevention Policy approved by the Board of Directors. To achieve this, occupational risk prevention system have been implemented in all business areas and have received OHSAS18001 certification, successfully passing the periodic evaluations conducted by external professionals.

These systems are formally established and structured on the basis of:

- a. The assignment of occupational health and safety duties and responsibilities.
- b. Application of comprehensive procedures to evaluate risks within the production processes in order to assess risks and establish health and safety plans.
- c. Ongoing training supported by specialists in the field.
- d. Regular reviews of the measures planned by safety specialists in the different operating units.
- e. Periodic evaluations of the planned actions and results at different executive levels.
- f. A safety audit system involving internal and external professionals.

For standardisation purposes and as a global management instrument to ensure that the organisation's standards are met, a new Corporate Occupational Health and Safety Handbook will take effect in 2012, whose guidelines will be incorporated into existing management systems.

The certification of occupational risk prevention systems is an overall strategic objectives of the Human Resources Area:

- Internal award programmes for occupational risk prevention

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- ▶ Occupational risk prevention publicity campaign
- ▶ Definition of general training programmes focusing on occupational risk prevention
- ▶ FCC Strategic Road Safety Plan
- ▶ Creation of a Prevention Committee by FCC with the participation of all business areas

Finally, it must be noted that one of the fundamental elements of prevention management, at the level of each business area as well as the corporate level, is controlling and analyzing accident rates and how they evolve and designing measures intended to permanently reduce accidents to zero.

4.4. Financial risk control systems

Financial risk refers to changes in the value of financial instruments contracted by the Group due to political, market and other factors, and the effect of such changes on the consolidated balance sheet.

The FCC Group's risk management philosophy is consistent with its business strategy, as it strives for maximum solvency and efficiency at all times. In that regard, the Group has set out stringent financial risk management and control criteria for identifying, measuring, analysing and controlling the risks faced in the course of FCC's operations. This risk policy is correctly integrated into the Group's organisational structure.

In keeping with the risk control policy, hedging operations contracted by the FCC Group are not speculative but rather aim to cover the risk associated with each transaction.

In view of the activities of the FCC Group and the transactions through which it carries on its business, it is currently exposed to the following financial risks:

Capital risk

The FCC Group manages its capital to ensure that FCC Group companies are able to continue as profitable businesses, while maximising shareholder returns.

The FCC Group's overall strategy continues to focus on geographical diversification, developing and expanding activities in OECD countries and selectively in emerging economies.

The operating areas and the Finance Department analyse the cost of capital and the associated risks in each investment project for subsequent approval or rejection by the corresponding Committee or by the Board of Directors, based on any necessary reports from other operating areas of the FCC Group.

The Director of Finance, who is responsible for the management of financial risks, periodically reviews the capital structure of subsidiaries as well as the debt-equity ratio and compliance with the financing covenants.

Interest rate risk

The fluctuations and volatility of the money markets give rise to interest rate changes that entail variations in the finance charges related to the FCC Group's debt. In order to ensure a position that is in the FCC Group's best interest, an interest-rate risk management policy is actively implemented.

Given the nature of the FCC Group's activities, closely linked to inflation, its financial policy consists of ensuring that both its current financial assets, which to a large extent provide natural hedging for its current financial liabilities, and the FCC Group's debt are partially tied to floating interest rates.

Complying with the policy of classifying original instruments as hedges, the FCC Group has arranged interest rate hedges, mainly interest rate swaps (IRSs) in which the FCC Group companies pay a fixed rate and receive a floating rate.

Foreign exchange risk

A noteworthy consequence of the FCC Group's positioning in international markets is the exposure resulting from net positions in foreign currencies against the euro or in one foreign currency against another when the investment and financing of an activity cannot be made in the same currency.

The FCC Group's general policy is to mitigate, as far as possible, the adverse effect on its financial statements of exposure to foreign currencies, with regard to

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both transactional and purely equity-related changes. The FCC Group therefore manages the effect that foreign currency risk can have on the balance sheet and the income statement.

The FCC Group actively manages its foreign currency risk by arranging financial transactions in the same currency as that in which the related asset is denominated, i.e. efforts are made, at all times, to obtain in local currency the financing required for the local activity of the Company in the country of origin of the investment, with a view to creating a natural hedge or a matching of the cash flows to the financing. However, this is occasionally not possible where the currency of the country of origin of the investment is weak and long-term financing cannot be obtained in that currency. In these cases, financing is obtained either in the currency of the consolidated Group or in the most closely-related foreign currency. Exchange rate risk is expressed as the portion of equity denominated in currencies other than the euro, as indicated in the note on "Equity" in the Notes to the Consolidated Financial Statements of FCC, S.A.

Solvency risk

The most relevant ratio for measuring solvency and repayment capacity is: the Net Debt/EBITDA ratio. The FCC Group's ratios are reasonable and comply with the covenants agreed with lenders.

Liquidity risk

This risk arises from timing differences between the resources generated by the business units and the need for financing.

The FCC Group is present in various markets in order to facilitate the obtainment of financing and to mitigate liquidity risk.

Despite the adverse situation reigning in the financial markets throughout 2011, the FCC Group has maintained a solid position, anticipating any potential adversity by paying close attention to trends in those factors that may help to

resolve liquidity shortfalls in the future and to the various sources of financing and their characteristics.

To properly manage this risk, FCC monitors the maturity dates on the policies and financing agreements of all Group companies very closely in order to negotiate the renewals in a timely manner under the best conditions the market has to offer. The conditions of the financing are analysed on a case-by-case basis and if they are found not to be advantageous to the Group alternatives are considered.

The FCC Group tries to manage this risk by equipping its member companies with enough lines of financing and credit facilities to deal with any unforeseen occurrences that may arise.

Concentration risk

This risk arises from the concentration of financing transactions with common features and is broken down as follows:

- ▶ Sources of financing: In order to diversify this risk, the FCC Group works with over 140 domestic and international financial institutions to obtain financing.
- ▶ Markets/geographical area (Spanish, foreign): The FCC Group operates in a wide variety of markets in Spain and other countries; the Group's debt is denominated primarily in euros and various other currencies.
- ▶ Products: The FCC Group uses diverse financial products: loans, credit facilities, syndicated operations, assignments, discounts, etc.
- ▶ Currency: The FCC Group finances its operations using a number of different currencies depending on the country where the investment is being made. Most transactions take place in dollars, euros and pounds, with investments financed in the local currency wherever possible.

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Credit risk

Rendering services to or accepting orders from clients whose financial soundness is not guaranteed at the time of acceptance or which cannot be evaluated by the FCC Group as well as situations that may occur during the rendering of the service or fulfilment of the order that can affect a client's financial situation can give rise to the risk of outstanding balances not being paid.

The FCC Group obtains commercial reports and evaluates the financial solvency of clients before entering into agreements with them and then monitors their solvency on a regular basis. There is a procedure in place for dealing with cases of insolvency. For public sector clients, the FCC Group has a policy of not accepting work that does not have an assigned budget and prior economic Proposal for work that exceed a particular payment deadline must be authorised by the Director of Finance. Defaults are monitored continuously with specific bodies such as risk Committees.

Credit risk can also arise due to a breach by a counterparty to a financial asset or derivative contract. To manage this type of risk, the FCC Group only works with reputable credit institutions with good credit ratings and proven solvency.

Risk-hedging financial derivatives

Generally speaking, the financial derivatives contracted by the FCC Group are treated, from an accounting perspective, as provided for in the rules governing accounting hedges, as explained in the Notes to the Consolidated Financial Statements of FCC, S.A.

The main financial risk hedged by the FCC Group using derivatives is the variation in floating interest rates to which group companies' finance is referenced. At 31 December 2011, the FCC Group had arranged interest rate hedging transactions, mainly in the form of interest rate swaps in which FCC Group companies, associates and jointly-operated companies pay fixed interest rates and receive floating rates.

The financial derivatives were measured by experts on the subject using generally accepted methods and techniques. These experts were independent from the Group and the entities financing it.

D.2 Have operating, technological, financial, legal, reputational, tax or other risks arisen during the year with an effect on the Company and/or group:

YES ☒

NO

If so, indicate the circumstances giving rise to them and whether the established control systems worked

Risk that materialised in the year	Circumstances that gave rise to it	How the control systems operated
Operating risk due to investment delay.	Investment delays in the construction of infrastructures for certain public sector clients in Spain as a result of the restrictions imposed on investments due to the economic and financial crisis.	This led to certain work having to be rescheduled over a longer period of time. This situation was mitigated by the increase in business outside of Spain and new contracts with new clients, the success of which is reflected in the fact that both the foreign construction business and the order book for work to be done abroad have increased significantly.
Delays in the receipt of payment by certain public sector clients for environmental services rendered.	Economic and financial crisis that has caused certain public sector clients to delay payment.	There are standing Committees to monitor, control and minimise the volume of assets generated and thereby reduce the financial costs assumed and plan future expansion.

D.3 Are any Committees or governing bodies entrusted with establishing and supervising these control mechanisms.

YES ☒

NO

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If so, detail their functions.

Name of Committee or Body	Description of functions
Executive Committee	The Board may permanently delegate in the Executive Committee each and every one of the powers of the Board of Directors with the exception of those which are reserved by law or the bylaws for the Board. Like the plenary Board, the Committee ensures that the FCC Group's organisation structure, planning systems and management processes are designed to deal effectively with the different risks to which the FCC Group's business is exposed.
Audit and Control Committee	According to article 41 of Rules of the Board of Directors and as established in Recommendation 50 of the Unified Code of Corporate Governance for Listed Companies, the principal function of the Audit Committee is to support the Board of Directors in its supervisory and oversight efforts, particularly with regard to risk management and control policies and the supervision of the Company's internal audit services.
Strategy Committee	The Strategy Committee supports the Board of Directors in determining the Group's strategy based on the guidelines agreed by the Board, preparing the corresponding reports and proposed agreements in this regard. The Strategy Committee is responsible for ensuring that the objectives of the strategy plan can be achieved by the Company assuming an acceptable level of controlled risk so as to protect the interests of shareholders, the rest of the interest groups and society in general, as well as the Group's reputation.
Management Committee	The Management Committee is chaired by the Chairman and CEO of the FCC Group and composed of members assigned to the Committee by the plenary Board of Directors. Its functions include reviewing the FCC Group's financial information on a monthly basis, especially when the information must be reported to the CNMV, monitoring the FCC Group's risk map and implementing the actions plans needed to mitigate the most significant risks identified.
Information Technology Committee	The Information Technology (IT) Committee, chaired by the Chairman and CEO, establishes IT and telecommunications strategy for the entire FCC Group, striving for uniformity in the actions taken in this area by the different business areas in order to obtain important synergies.

D.4 Identify and describe the compliance processes for each legislative framework to which the Company and/or group is subject.

The FCC Group has procedures in place to guarantee compliance with the regulations governing each one of its economic activities. Different departments within the Group specialise in the regulations applicable to FCC and the FCC Group.

These departments are in charge of:

- ▶ Staying fully abreast of and up to date on the different regulations
- ▶ Overseeing regulatory compliance
- ▶ Drafting the standards needed to unify Group criteria
- ▶ Advising operating units

The economic activities carried out in countries other than Spain receive local advice in relation to the specific laws affecting the FCC Group's business operations in those countries. The managers of the different business units collaborate with corporate on risk management.

As stipulated in the Rules of the Board of Directors, the Audit and Control Committee oversees compliance with legal requirements and the Company's internal control process adhering to the principles contained in the risk management policies approved by the FCC Group's Board of Directors at any given time.

▶ E. SHAREHOLDERS' MEETING

E.1. Is the minimum quorum required by the Company for the general shareholders' meeting different from that set out in the Public Limited Companies Act.

YES ☒

NO

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	Quorum % different from that established as a general rule in Article 102 of the Public Limited Companies Act	Quorum % other than that established in Article 103 of the Public Limited Companies Act for the special cases set out in Article 103
Quorum required at first call	50	0
Quorum required at second call	45	45

Description of differences

The ordinary and extraordinary General Meetings are quorate when: The shareholders present or represented on the first meeting date possess at least fifty percent of the share capital with voting rights. On the second meeting date, the General Meeting is quorate when the shareholders present or represented possess at least forty-five percent of the share capital with voting rights.

In order for the General Meeting to validly decide on bond issues, capital increases or decreases, changes of corporate form, mergers and spinoffs, the assignment en bloc of assets and liabilities, the overriding of the pre-emptive right to acquire new shares, the transfer of the Company's domicile to another country and, in general, any amendment to the Articles of Incorporation, shareholders possessing at least fifty percent of the share capital with voting rights must be present or represented at the meeting on the first announced date.

On the second scheduled meeting date, it will suffice for shareholders accounting for at least forty percent of the subscribed voting capital to be present or represented.

When the shareholders in attendance or represented on the second announced meeting date account for less than fifty percent of the subscribed capital with voting rights, the types of resolutions referred to above may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

E.2. Does the procedure used by the Company for passing resolutions differ from that set out in the Public Limited Companies Act:

YES

NO ☒

Describe how they differ from the provisions envisaged in the Public Limited Companies Act for the adoption of the social agreements.

	Supermajority other than that established in Article 103.2 of the Public Limited Companies Act for the cases set out in Article 103.1	Other cases of a supermajority
% established by the company for approving resolutions		
Description of differences		

E.3. Detail shareholders' rights in relation to shareholders' meetings that differ from those established in the Public Limited Companies Act.

There are no differences with respect to the rights set out in the Capital Companies Act.

E.4. Indicate any measures adopted to encourage shareholders to participate in shareholders' meetings.

The Rules of the General Meeting establish a series of measures intended to encourage shareholder participation at the meetings. These measures are defined in the shareholders' information rights regulated in the following articles:

Article 6. Information available as soon as the General Meeting is announced

As from the date of the meeting announcement, the Company will make available to its shareholders, at its registered offices, at the National Securities Market Commission, on the stock exchanges where its stocks are traded and on the Company's website, the following:

- a) The full text of the announcement.
- b) The text of all of the motions to be submitted by the Board of Directors in relation to the items on the agenda.

When the proposal consists of the appointment or ratification of directors, the following information with regard to the directors will also be included: (i)

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professional and biographical profile; (ii) other Boards of Directors to which they belong, both listed and unlisted companies; (iii) indication of the category of director to which they belong, specifying, in the case of proprietary directors, the shareholder at whose request the appointment, ratification or re-appointment has been proposed, or with whom they have ties; (iv) date of their first appointment as a director of the Company, and date of their subsequent appointments; (v) Company shares and share options which they possess.

- c) The documents or information which by law must be made available to the shareholders on the items on the meeting agenda as from the date of the announcement of the General Meeting of Shareholders.
- d) Information on the channels of communication between the Company and its shareholders for the purposes of obtaining information or making suggestions, in accordance with the applicable regulations.
- e) The rules of operation of the Shareholders' Electronic Forum

Article 7. Right to Information prior to the General Meeting of Shareholders

1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items on the agenda or the information accessible to the public reported by the Company to the National Securities Market Commission since the last General Meeting.
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, delivered by hand, 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. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.
4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might 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 empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department.

Article 14. Information

1. The Directors must provide the information requested by shareholders, except under the circumstances envisaged in Article 7.4 of these rules or when the requested information is not available during the meeting. In this case, the information will be provided in writing within seven days from the meeting date, to which end the shareholders will indicate the mailing address 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 Managing Director, the Chairman of the Audit Committee, the Secretary, a Director or any employee or expert on the subject in question, in accordance with Article 9.2 of these Rules.

Article 15. Voting on Proposals

1. Upon conclusion of the shareholders' addresses and once the questions have been answered as provided for in these Rules, the proposed resolutions in the agenda and any others which by law need not be included in the agenda will be voted on.
2. The Secretary will ask the shareholders whether or not they wish to have the proposed resolutions read, the text of which was delivered to the shareholders before the meeting and is available on the Company's website. If any shareholder wishes them to be read or if the Chairman deems it appropriate, the proposed resolutions will be read aloud. In any event, the shareholders will be informed of the agenda item to which each proposed resolution refers.
3. Notwithstanding the alternative systems which may be employed by the Chairman, the procedure for voting on the proposed resolutions referred to above will be as follows:
 - a) The system for voting on the proposed resolutions relating to the items on the agenda will be by a negative deduction system. This means that, for each

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proposal, the votes corresponding to all of the shares present and represented will be considered as votes in favour, deducting those corresponding to the shares whose owners or representatives state that they are voting against or abstaining, to which will be added the votes corresponding to proxies received by the Board of Directors, indicating whether voters are against the motion or abstentions. Votes against and abstentions will be counted separately.

- b) The system for voting on the proposed resolutions relating to items not on the agenda, when such proposals may legitimately be voted upon, will be 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 compliance with all legal requirements can be guaranteed, the Board of Directors may establish the use of electronic vote counting systems.
- d) If, in accordance with the terms of Article 5 of these Rules, the meeting announcement makes provisions for voting electronically using one or more distance voting methods, and without detriment to the specific instructions for each particular case in order to be valid and accepted by the Company, the document containing the vote must contain the following information at the very least:
 - (i) Meeting date and agenda.
 - (ii) The shareholder's identity.
 - (iii) The number of shares owned.
 - (iv) The shareholder's vote on each of the items on the agenda.
- e) Issues which are substantially independent will be voted on separately so that the shareholders can exercise separately their voting preferences; this rule will be applied when adopting resolutions on: (i) the appointment or ratification of directors, which must be voted on individually; and (ii) amendments to the Articles of Incorporation where each article or group of articles is substantially independent.
- f) Provided that it is legally possible and that the requirements provided for in this respect are met, financial intermediaries who are legitimised as

shareholders, but who act on behalf of different customers, will be allowed to split the vote as per the instructions of their customers.

- 4. The statements containing votes submitted to the notary or the meeting officers as envisaged in paragraph 3 above may be made individually for each of the proposals or jointly for several or all of them, indicating to the notary or the officers the identity of the shareholder or representative, the number of shares in question, and whether the shareholder/representative votes in favour or against, or abstains.

Article 20. Shareholders' Electronic Forum

Around the time of each General Meeting of Shareholders, an electronic forum will be set up for shareholders on the Company's website which will be available to individual Company shareholders and voluntary shareholders' associations validly formed and registered in the special register of the Spanish National Securities Market Commission to facilitate communications between the Company and its shareholders with regard to the announcement. The website will be available up to the date of the general meeting.

The rules of operation of the Forum are included as an appendix to the Rules of the General Meeting.

E.5. Indicate if the position of chairperson of the shareholders' meeting coincides with that of the chairperson of the Board of Directors. Detail any measures adopted to guarantee the independence and smooth transaction of the shareholders' meeting:

YES ☒

NO

Detail the measures

Article 10.2 of the Rules of the General Meeting of Shareholders establishes that, "2. The General Meeting of Shareholders is presided over by the Chairman and, in his absence, by the Vice-Chairmen of the Board of Directors, in order; if there

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is no pre-set order, it will go in order of seniority on the Board. If there is no Vice-Chairman in attendance, the General Meeting will be chaired by the oldest director."

Measures to guarantee the independent and good working of the General Meeting:

The Rules of the General Meeting of Shareholders, which are available on the Company's web site, contain a detailed set of measures to guarantee the independence and good working of the General Meeting.

They include, notably, Article 7 "Right to Information prior to the General Meeting of Shareholders

1. Up to seven calendar days before the first scheduled date for the Meeting, shareholders may request any information or explanations they require and raise any questions they consider pertinent regarding the items on the agenda or the information accessible to the public reported by the Company to the National Securities Market Commission since the last General Meeting.
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, delivered by hand, 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. Once the identity and status of the requesting shareholder is verified, the information requests regulated in this article will be answered up to the date of the General Meeting of Shareholders but prior to the start of the meeting.
4. The Chairperson may refuse to supply the requested information when, in his opinion, the publication of the requested information might be detrimental to the Company's interests, except when the request is backed by shareholders representing at least one-fourth of the share capital. The Board of Directors may empower any of its members, its Secretary and Vice-Secretary to answer shareholders' requests for information through the Stock Market and Investor Relations Department.

Article 23 of the Articles of Incorporation establishes shareholders' right to 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 are obliged to provide the information referred to in the two preceding paragraphs unless, in the Chairman's opinion, the publication of the requested 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.

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E.6. Indicate any amendments to the shareholders' meeting rules in the year.

At the last ordinary General Meeting of Shareholders held on 1 June 2011, a motion was passed to modify the Rules of the General Meeting.

Articles 2 (Type of Meetings), 3 (Functions of the General Meeting), 4 (Meeting Announcements), 6 (Information available once the meeting is announced), 8 (Proxies) and 9 (Attendance rights and responsibilities), 18 (Meeting minutes) were amended and a new article, 20 (Shareholders' Electronic Forum) was added. The purpose of these modifications was to adapt the contents to the terms of Legislative Royal Decree 1/2010 of 2 July which approved the revised text of the Capital Companies Act.

Article 5 of the Rules of the General Meeting (Meeting announcement) was also amended to bring it in line with the terms of part 1, article 176 of the Capital Companies Act as amended by Royal Decree-Law 13/2010 of 3 December.

Since part 1, article 114 of the Stock Market Act was abolished under the terms of Legislative Royal Decree 1/2010 of 2 July, any mention of that article was removed from the appendix to the Rules of the General Meeting.

A new appendix was added to the Rules describing the rules of operation of the Shareholders' Electronic Forum. Although already approved by the Board of Directors at the meeting held on 27 January 2011, the contents of the rules of operation must be included in the Rules of the General Meeting, as established in article 20.

E.7. Indicate the attendance of the shareholders' meetings held in the year of this report:

Attendance information

Date of shareholders' meeting:	% of attendance	% by proxy:	% distance vote:		Total %
			Electronic voting	Other	
1/06/2011	54.681%	12.726%			76.373%

Note:

The final attendance list was as follows:

- ▶ 141 shareholders in attendance controlling 69,610,187 shares accounting for 54.681 % of the share capital.
- ▶ 1,718 shareholders represented controlling 16,201,010 shares accounting for 12,726% of the share capital.

The Company held 11,414,295 shares of treasury stock, equivalent to 8.966% of the share capital. As established in the Capital Companies Act, these shares were included as capital when calculating the majorities required for the passage of resolutions at the General meeting, although the voting rights associated with those shares cannot be exercised.

The total number of shares present or represented at the General Meeting, including treasury stock, was 97,225,492, accounting for 76.373% of the subscribed share capital and valued at EUR 97,225,492.

E.8. Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

1. Financial statements of the Company and its consolidated Group and the directors' reports for this period.

	%
Against	0.0002
Abstentions	0.1530
For	88.1068
Votes cast	88.2600

2. Distribution of 2010 income.

	%
Against	0.0001
Abstentions	0.0050
For	88.2549
Votes cast	88.2600

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3. Appointment and re-election of Management.

	%
Against	3.3997
Abstentions	0.0051
For	84.6919
Votes cast	88.0967

In compliance with the terms of article 514 of the Capital Companies Act, the votes cast by the Director, DOMINUM DESGA, S.A. or its individual representative, were not counted on the third agenda item.

4. Modification of the Articles of Association

- 4.1. Modifications to bring the articles in line with legislation or formal requirements: Articles 1 (Name), 4 (Address), 7 (Share transfers), 8 (Non-voting shares), 10 (Usufruct, pledge and seizure of shares), 13 (Types of general meetings), 14 (Meeting announcements), 16 (Authority and obligation to convene a General Meeting), 18 (Meeting attendance), 19 (Proxies), 24 (Deliberations. Resolutions. Minutes), 25 (Powers of the general meeting), 29 (Requirements and term of office), 37 (Remuneration), 39 (The Audit and Control Committee and the Appointments and Remuneration Committee), 42 (The annual accounts), 43 (Distribution of profits (losses)) y 45 (Dissolution).

	%
Against	0.0268
Abstentions	0.0027
For	88.2305
Votes cast	88.2600

- 4.2 Modifications which, in addition to bringing the articles in line with legislative reform and Company rules, are intended to: a) make the venue for holding general meetings more flexible (Article 20: Place and time of meeting) or b) allow the use of email for announcing Board of Directors Meetings (Article 30: Announcement. Meetings).

	%
Against	0.0268
Abstentions	0.0027
For	88.2305
Votes cast	88.2600

5. Modification of the Rules of the General meeting to bring the contents in line with recent legislative changes to business laws: articles 2, 3, 4, 5, 6, 8, 9, 18, 20 and Appendix.

	%
Against	0.00
Abstentions	0.0027
For	88.2573
Votes cast	88.2600

6. Extension of the period granted to the Board of Directors by the Ordinary General Meeting of Shareholders on 10 June 2009 to execute the capital reduction by retiring treasury stock.

	%
Against	0.0001
Abstentions	0.0026
For	88.2573
Votes cast	88.2600

7. Modification of the resolution passed at the last Ordinary General Meeting of Shareholders held on 27 May 2010 to delegate the Board of Directors with the authority to issue fixed income securities or similar debt instruments, secured or unsecured, in one or more issues, raising the authorised total to one billion five hundred million euro (EUR 1,500,000,000).

	%
Against	0.0642
Abstentions	0.0026
For	88.1932
Votes cast	88.2600

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8. Re-election of the Company's and consolidated Group's auditors.

	%
Against	0.0040
Abstentions	0.0016
For	88.2544
Votes cast	88.2600

9. To authorise the directors develop, notarise, register, correct and enforce the resolutions adopted.

	%
Against	0.0229
Abstentions	0.0015
For	88.2356
Votes cast	88.2600

10. Approval of the meeting minutes

There was no vote on this agenda item since the minutes were prepared by the notary public of Barcelona, Mr. José Javier Cuevas Castaño.

E.9. Do the Articles of Incorporation establish a minimum number of shares required to attend the general shareholders' meeting?

YES	NO	☒
Number of shares required to attend the Shareholders' Meeting		1

E.10. Indicate and explain the Company's policy on delegating votes in the shareholders' meeting.

Notwithstanding the provisions of the Articles of Incorporation with respect to proxy voting, the Board of Directors does not require unnecessary formalities in the proxy voting procedure which might hinder the rights of shareholders wishing to exercise their right to attend the General Meeting. Nevertheless, pertinent procedures are in place to verify the validity of proxy authorisations.

E.11. Indicate if the Company is aware of the institutional investors' policy of participation in company decisions:

YES	NO	☒
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E.12. Give the address and instructions for accessing corporate governance content on your web page.

On the home page of the Fomento de Construcciones y Contratas, S.A., web site, HYPERLINK "<http://www.fcc.es>", there are specific sections labelled "Shareholders and investors" and "Corporate responsibility", which provide the information required under Act 26/2003 of 18 July, Order ECO/3722/2003 of 26 December, Circular 1/2004 of 17 March of the National Security Market Commission, Order EHA/3050/2004 of 15 December and Royal Decree 1333/2005 of 11 November.

This page can be reached by a double click from the home page. Its contents are structured in order by rank, under shortcut titles. All its pages can be printed.

F. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of conformance to the recommendations of the Unified Code of Corporate Governance.

In the event of not complying with some recommendations, detail the recommendations, rules, practices or criteria applied by the Company.

1. The Articles of Incorporation of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

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

COMPLIANT ☒

EXPLAIN

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

COMPLIANT

PARTIALLY COMPLIANT

EXPLAIN ☒

NOT APPLICABLE

Article 7.2.i) of the Rules of the Board of Directors provides 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".

3. Even when not expressly required under company Laws, any decisions involving a structural corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- 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 original firm, even though the latter retains full control of the former;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

c) Operations that are equivalent 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 authorisation of the shareholders at the General Meeting prior to an acquisition or disposal of key operating assets that would effectively alter the corporate purpose of the Company or prior to any operations that are tantamount to the Company's liquidation.

To avoid impairing the Board of Directors' ability to operate, this does not include subsidiarisation operations, since these operations often require quick decisions and are governed by ample legal mechanisms to protect the interests of the shareholders and the Company. Nevertheless, the Board duly reports such operations at the General Meeting.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

COMPLIANT ☒

EXPLAIN

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the Articles of Incorporation, with votes taken on all articles or groups of articles that are materially different.

See section: E.8

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

CORPORATE GOVERNANCE

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

COMPLIANT ☒

EXPLAIN

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the Company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the Company abides by the laws and rules in its dealings 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 Board should see, as core components of its mission, approving the Company's strategy and authorising the organisational resources to carry it forward, and ensuring that management meets the objectives set while pursuing the Company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

- a) The Company's general policies and strategies, and, 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 policy;
- vii) Risk control and management, and the periodic monitoring of internal information and control systems policy.
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

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

- b) The following decisions:
- i) On the proposal of the Company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

See section: B.1.14.

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B. 1.14.

- iii) The financial information that all listed companies must periodically disclose.
 - iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
 - v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Transactions which the Company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").

CORPORATE GOVERNANCE

However, Board authorisation need 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 are arranged at market rates, generally set by the person supplying the goods or services;
3. The amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other Committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should leave the meeting room while the Board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full Board.

See sections: C. 1 and C.6

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

COMPLIANT	EXPLAIN ☒
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Article 27 of the Articles of Incorporation states that the Board of Directors shall comprise a minimum of five and a maximum of 22 members. At 31 December 2011, there were 18 directors.

Given the characteristics of the Company, the size of the Board is considered to be appropriate for proper management, direction and administration of the Company's businesses. Furthermore, the size of the Board makes it possible for different types of directors to sit on the Board without jeopardising the Board's effectiveness.

10. External directors, proprietary and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

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

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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11. In the event that an external director can be deemed neither proprietary nor independent, the Company should disclose this circumstance and the links that person maintains with the Company or its senior officers, or its shareholders.

See section: B.1.3

COMPLIANT	EXPLAIN	NOT APPLICABLE ☒
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12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the Company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

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

CORPORATE GOVERNANCE

2. In companies with a plurality of shareholders represented on the Board that are not otherwise related.

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

COMPLIANT ☒

EXPLAIN

13. The number of independent directors should represent at least one 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 the Board of Directors must have an appropriate number of independent directors to ensure a reasonable balance between proprietary and independent Directors, and that external directors must represent an ample majority on the Board.

There are five independent Directors on the Board (which is very close to the 6 needed to comply with this recommendation). Pursuant to the OECD Principles of Corporate Governance and the Recommendation of the European Commission of 15 January 2006, a "sufficient number" of independent Directors to guarantee that the interests of other shareholders are adequately protected.

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. That Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal

request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

15. When there are few or no women directors, the Board should state the reasons for this situation and the measures taken to correct it; in particular, the Appointments Committee should take steps to ensure that:

- The process of filling Board vacancies has no implicit bias against women candidates;
- 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

NOT APPLICABLE

16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the Board and, where appropriate, the Company's chief executive, along with the chairmen of the relevant Board Committees.

See section: B.1.42

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

CORPORATE GOVERNANCE

17. When a Board's Chairman is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chairman.

See section: B.1.21

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN	NOT APPLICABLE
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18. The Board's Secretary should take care 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 Articles of Incorporation and the Rules of the General Shareholders' Meeting, the Board of Directors and others;
- c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full Board meeting; the relevant appointment and removal procedures being spelled out in the Rules of the Board of Directors.

See section: B.1.34

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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19. The Board should meet with the necessary frequency to properly perform its functions, 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.

See section: B.1.29

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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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 Board meeting, the person expressing them can request that they be recorded in the minute book.

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN	NOT APPLICABLE
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22. The Board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;
- c) The performance of its Committees on the basis of the reports furnished by the same.

See section: B.1.19

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN
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23. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's

CORPORATE GOVERNANCE

competence. Unless the Articles of Incorporation or Rules of the Board of Directors indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: B. 1.42

COMPLIANT ☒

EXPLAIN

24. All directors should be entitled to call on the Company for the advice and guidance they need to carry out their duties. The Company should provide 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 should organise induction programmes for new directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about 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

27. The proposal for the appointment or re-appointment of directors which the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should 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.

See section: B.1.3

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

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

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- 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.

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

CORPORATE GOVERNANCE

See section: B.1.2

COMPLIANT ☒

EXPLAIN

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

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

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Incorporation, except where just cause is found by the Board, based on a proposal from 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 in section III.5 of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's capital structure, 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 should establish rules obliging directors to inform the Board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Public Limited Companies Law, the Board should examine the matter 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 should also 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 damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this Recommendation should also apply to the Secretary of the Board; director or otherwise.

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

NOT APPLICABLE

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See section: B.1.5

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

NOT APPLICABLE

CORPORATE GOVERNANCE

35. The Company's remuneration policy, as approved by its Board of Directors, should 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 to which they give rise;
- b) Variable remuneration components, including, 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 share options or any performance-related remuneration;
 - iii) The main parameters and grounds for any system of annual bonuses or other non-cash benefits; and
 - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of providential systems (e.g. supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.
- d) The conditions applicable to the contracts of executive directors performing senior management functions, including:
 - i) Duration;
 - 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, share options or other share-based instruments,

payments linked to the Company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

COMPLIANT ☒

EXPLAIN

37. 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.

COMPLIANT ☒

EXPLAIN

38. In the case of remuneration linked to company earnings, any qualifications stated in the external auditor's report which may reduce the said results should be considered.

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

39. In the case of variable 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 ☒

PARTIALLY COMPLIANT

EXPLAIN

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report should be supplied to shareholders separately or in the manner each company sees fit.

CORPORATE GOVERNANCE

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 points referred to in Recommendation 35, except those potentially entailing 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, with a global summary of how the policy was applied over the period in question. The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: **B.1.16**

COMPLIANT

PARTIALLY COMPLIANT

EXPLAIN ☒

At the time the Ordinary General Meeting of Shareholders scheduled for June 1st, 2011 was announced, a report on the Board of Directors remuneration policy was made available to the shareholders. That report was approved by the Board of Directors on 28 February 2011.

The report discussed the following:

- a. The procedures applied in preparing the report
- b. The objective and structure of the remuneration policy
- c. Remuneration of directors for their membership of the Board of Directors
- d. The remuneration of executive directors for performance of executive and managerial duties
 - Remuneration structure
 - Basic conditions of executive director contracts.

At the next General Meeting of Shareholders in 2012, the Annual Remuneration Report will be put to the shareholders for a consultative vote.

41. The Notes to the Financial Statements should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation 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 severance packages agreed or paid;
 - 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 accounted 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, share options or other share-based instruments, 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.

CORPORATE GOVERNANCE

COMPLIANT ☒

PARTIALLY COMPLIANT

EXPLAIN

In compliance with article 61ter of the Stock Market Act, FCC's Annual Remuneration Report complies with the contents of this recommendation.

42. When the Company has an Executive Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

COMPLIANT

PARTIALLY COMPLIANT ☒

EXPLAIN

NOT APPLICABLE

The composition of the Executive Committee is as follows: 83.3% external directors and 16.7% executive directors; the composition of the Board of Directors is: 88.9% external directors and 11.1% executive directors.

The Secretary of the Board is the Secretary of the Executive Committee.

43. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all Board members should receive a copy of the Committee's minutes.

COMPLIANT ☒

CUMPLE PARCIALMENTE

NOT APPLICABLE

44. In addition to the Audit Committee required under the Securities Market Law, the Board of Directors should form a Committee, or two separate Committees, of Appointments and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Committee or Committees of Appointments and Remuneration should be set forth in the Rules of the Board, and include the following:

- The Board of Directors will designate the members of the Committees, having regard to the directors' knowledge, skills and experience and each Committee's area of competence; discuss their proposals and reports; and be apprised, at the first Board meeting following each Committee meeting, of the business transacted, the Committees being responsible before the Board for their performance.
- These Committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.
- Committee Chairmen must be independent directors.
- These Committees may engage external advisors when they feel this is necessary for the discharge of their duties.
- Committee meetings should be minuted and a copy sent to all Board members.

See sections: B.2.1 and B.2.3

COMPLIANT

PARTIALLY COMPLIANT ☒

EXPLAIN

The Board took into account the knowledge, aptitudes and experience of the directors and the mission of each Committee when appointing Committee members. Committees are also expressly given the power to obtain external advice and the Board has debated the proposals and reports presented by the Committees, which reported on their activities and performance at the first full Board meeting after each of their meetings.

When appointing the Committee members and chairs, the Board gave priority to the skills, experience and qualifications that will enable directors to contribute to better performance by the Committees of the duties entrusted to them (rather than to the directors' categories).

The Audit and Control Committee is chaired by Mr. Gonzalo Anes and Álvarez de Castrillón, and independent director of FCC.

CORPORATE GOVERNANCE

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted 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, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

COMPLIANT ☒

EXPLAIN

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

COMPLIANT ☒

EXPLAIN

48. The head of internal audit should 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 should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) to which the Company is exposed, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;
- b) The determination of the risk level the Company considers 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 should 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, the accurate demarcation of the consolidation perimeter, 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. Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d. Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a. Make recommendations to the Board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of the engagement.

CORPORATE GOVERNANCE

- b. Receive regular information from the external auditor regarding the audit plan and the results thereof, and verify that senior executives act on the recommendations of the external auditor.
- c. Monitor the independence of the external auditor, to which end:
 - i) The Company should notify any change of auditor to the CNMV as a regulatory disclosure, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii) The Committee should 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) Investigate the issues giving rise to the resignation of any external auditor.
- d. In the case of groups, urge the group auditor to take on the audit of all component companies.

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

COMPLIANT ☒ PARTIALLY COMPLIANT EXPLAIN

51. The Audit Committee should be empowered to meet with any Company employee or manager, even ordering their appearance without the presence of another senior officer.

COMPLIANT ☒ EXPLAIN

52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:

- a) The financial information that all listed companies must disclose periodically. The Committee should ensure that interim 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 jurisdictions 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 where their scrutiny has been entrusted to some other supervision and control Committee.

See sections: B.2.2 and B.2.3

COMPLIANT ☒ PARTIALLY COMPLIANT EXPLAIN

53. The Board of Directors should seek to 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 Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

COMPLIANT ☒ PARTIALLY COMPLIANT EXPLAIN

54. The majority of Appointments Committee members – or Appointments and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

COMPLIANT EXPLAIN ☒ NOT APPLICABLE

CORPORATE GOVERNANCE

As indicated under Recommendation 44, when appointing Committee members and chairs, the Board focuses more on the skills, experience and qualifications that will enable the different Committees to best perform their duties than on the category of director.

All members of the Appointments and Remuneration Committee are external directors and one of them, Mr. Gonzalo Anes, is an independent director.

55. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience required on the Board, define the roles and capabilities 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 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	NOT APPLICABLE
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56. The Appointments Committee should consult with the Company's Chairman and Chief Executive, especially on matters relating to executive directors.

Any Board member may suggest directorship candidates to the Appointments Committee for its consideration.

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN	NOT APPLICABLE
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57. The Remuneration Committee should 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 and other contractual conditions of executive directors.
 - iii) The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the Company.

See sections: B.1.14, B.2.3

COMPLIANT ☒	PARTIALLY COMPLIANT	EXPLAIN	NOT APPLICABLE
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58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

COMPLIANT ☒	EXPLAIN	NOT APPLICABLE
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING SYSTEM (ICFR)

ADDITIONAL INFORMATION OVER THE ANNUAL
CORPORATE GOVERNANCE REPORT 2011



Internal control and risk management systems in relation to the financial reporting process (ICFR)

1. THE ENTITY'S CONTROL ENVIRONMENT

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

The bodies and functions that are responsible within FCC Group for the existence, maintenance, implementation and supervision of an adequate and effective ICFR, and the responsibilities attributed to these bodies, are the following:

Board of Directors

As set out in article 8 of the Regulations of the Board of Directors of FCC, S.A., the Board is ultimately responsible for the approval of the Company's general policies and strategies and, in particular, for the risk management and control policy, identifying the main risks of the Company and implementing and monitoring the adequate internal control and reporting systems, with the purpose of ensuring its future feasibility and competitiveness by adopting the most relevant decisions for the better development thereof.

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Executive Commission

As set out in article 40 of the Regulations of the Board of Directors of FCC, S.A, the Board may permanently delegate to the Executive Commission all of the powers pertaining to the former, except those which are reserved to the Board by the Law, the Articles of Association or the Regulations of the Board of Directors. In this respect, the competencies of the Board are set down in article 8 of the Regulations in relation to the appointment and removal of the senior management and their severance clauses, publicly available financial reports issued from time to time, strategic investments or operations, among others, may be exercised in urgent cases by the Executive Commission, subsequently to be ratified by the Board in full session.

In addition, as the Board as a whole, the Commission ensures that the organisational structure of FCC Group, the planning systems and the management processes of the operations are designed to face the various risks to which it is exposed in the course of business.

The Board of Directors shall designate the Directors who are to make up the Executive Commission, seeing to it that the share structure of the different director categories is similar to that of the Board itself.

The functioning of the Executive Commission is determined in article 36 of the Articles of Association of FCC.

Auditing and Control Committee

The Regulations of the Board of Directors of FCC establish, in article 41, the incorporation of a permanent Auditing and Control Committee, made up by a minimum of three Directors, designated by the Board of Directors taking into account their knowledge and experience in the field of accounting, auditing or risk management. All of the members must be external Directors, who shall appoint the Chairman from among the members, and he/she shall hold office for a period of not more than four years, and it may also elect a Deputy Chairman. The term of the Committee members cannot exceed their term as Directors, notwithstanding the fact that they may be re-elected without limitation insofar as they are also re-elected as Directors. The fundamental function of the Auditing and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time, the process of preparing economic and financial reports, the internal controls and the independence of the external auditor.

In particular, for information purposes, and notwithstanding any other tasks with which it may be entrusted by the Board of Directors, the Auditing and Control Committee will be responsible for:

- ▶ Supervising the Company's internal auditing services, which ensure the proper functioning of the reporting and internal control systems, and the head of the internal auditing function is under the obligation of submitting the annual work plan to the Committee and to directly report any incidents arising in the development thereof, as well as submitting a report on its activities at year end.
- ▶ Analysing and submitting the risk management and control policy to the Board for approval. This policy must at least identify:
 - (i) The different types of risks that the Group faces, including, among others, financial or economic risks, contingent liabilities and other off balance sheet risks;
 - (ii) The risk level established that the Company deems acceptable;
 - (iii) The measures provided to mitigate the impact of the identified risks in the event they materialise;
 - (iv) And the reporting and internal control systems that will be used to control and manage said risks, including contingent liabilities or off-balance sheet risks.
- ▶ Supervising the process of preparing the individual and consolidated Financial Statements and Management Reports, and the financial reports disclosed to the markets from time to time, ensuring the compliance with the legal requirements and the proper application of generally accepted accounting principles, reporting to the Board of Directors prior to its adoption of these decisions:

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- (i) the financial reports which the Company, owing to its listed status, must disclose from time to time, ensuring that the interim financial statements are drawn up with the same accounting criteria as annual financial statements and, for such purpose, it must consider whether a limited review by the Company's external auditor is appropriate;
 - (ii) and the incorporation of or acquisition of holdings in special purpose entities or entities domiciled in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature which, owing to their complexity, might detract from the transparency of FCC Group.
- In relation to the reporting and internal control systems:
- (i) Supervising the process of preparing, and the integrity of, the financial reports referring to the Company and, as the case may be, the Group, reviewing the compliance with the regulatory requirements, the adequate delimitation of the scope of the consolidated group and the correct application of the accounting criteria;
 - (ii) Reviewing from time to time the internal risk management and control systems, so that the major risks are adequately identified, managed and disclosed.
- Coordinating the Administration of the different Areas, establishing the administrative processes and procedures generally applied in the Group and promoting the uniform application of the accounting and tax policies.
 - Defining and issuing the accounting standards applied in the Group.
 - Drawing up and supervising the consolidated accounting and management reporting.
 - Developing the accounting and tax management of FCC, S.A. and its subsidiaries not allocated to the operating Areas.
 - Defining and publishing the tax criteria that are generally applied to the FCC Group, both individually and at the consolidated group level.
 - Advising the different Areas in tax matters and taking part in solving any matters brought up by them.
 - Designing and publishing the procedures, documents and software applications generally used in the FCC Group, for accounting and tax purposes.
 - Advising the different Areas in terms of procedures and taking part in solving any matters brought up by the Areas.
 - Issuing the regulations, drawing up and supervising the FCC Group budget.

Management Committee

The Management Committee is presided over by the Chairman and CEO of FCC Group and it is made up by all of the members designated by the Board of Directors in full session. Its functions include the monthly review of the financial reports of the consolidated FCC Group, most importantly in periods when said reports are to be filed with the Spanish Securities Exchange Commission (CNMV). It also monitors the FCC Group Risk Maps, as well as the action plans needed to mitigate the most relevant risks that are identified, including the risks arising from controlling the financial reporting.

General Administration and Information Technology Management

The General Administration and Information Technology Management performs the following functions related to the Financial Reporting Internal Control:

Financial risk management was strengthened in 2010 by providing corporate resources to the **Control and Risk Management Department**, created as the result of a decision adopted by the Board

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of Directors and reporting to the General Administration and Information Technology Management, with the following responsibilities in the field of Corporate Risk management:

- ▶ Identifying the risks faced by the Company.
- ▶ Proposing the procedure that is considered adequate for monitoring and controlling those risks.
- ▶ Starting up the reporting systems needed to manage such risks.

The **Systems and Information Technology Department of FCC Group** has the following main lines of action: the homogeneity and enhancement of the functionality of the business applications, the modernisation and optimisation of the infrastructure service levels and, at an organisational level, aligning the business needs.

General Finance Management

The General Finance Management is entrusted with the centralised management of the finances of FCC Group. This entails the centralised financial management of the following aspects: financing the Group's activities, managing the Group's debt and financial risks, optimising the cash and financial asset management, the financial control and management of the Group, relations with investors, the Stock Exchange and the CNMV, analysing and financing investments, the management, monitoring and control of sureties guarantees and insurance, and the management of industrial and equity risks.

General Internal Auditing Management

The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Auditing and Control Committee, and the Senior Management of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control system, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks attached to achieving FCC Group's objectives. (Additional information included in section 5.1).

1.2 Items related to the process of preparing financial reports:

- ▶ **The departments and/or mechanisms are in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company, with particular regard to the financial reporting process.**

As defined in the Regulations of the Board of Directors of FCC, the design and review of the organisational structure and the definition of the lines of responsibility and authority is done by the CEO supported by the Management Committee, and it is ratified by the Board of Directors.

The Regulations of the Board of Directors define the responsibilities attributed to each of the Board commissions, together with the organisational structure of each of the commissions.

The CEO and the Management Committee determine the distribution of tasks and functions, seeing to it that everyone's powers are adequately known, in order to ensure that there is a proper separation of functions and efficient communication between them. The Appointment and Remuneration Commission proposes the appointment of senior management with the profile best suited to their tasks and functions.

The process of determining the organisational structure is regulated by the Group's General Standards Manual in section 10 "Organisational structure," which regulates the Bodies directly reporting to the Board of Directors, the distribution of the Group's management functions and the Appointment of Senior Management, and the rest of the levels within the Organisation.

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The Chairman/CEO is entrusted to define the lines of responsibility and authority and each Corporate Department must define its organisational structure and its lines of responsibility.

On the other hand, the Human Resources area is in charge of updating and reviewing, with the support of the relevant Departments, both the Group's organisational structure and its organisation chart. The detailed organisation chart of all of the Group functions is published on the Company Intranet.

In this respect, the General Human Resources Management is developing a project to modernise the reporting and human resources management system. Among other goals, this project is meant to clearly define the organisational structure and the lines of responsibility in order to optimise the distribution of tasks and functions.

In addition, the General Corporate Communication and Responsibility Management is responsible for establishing the procedures for the proper dissemination of the organisational structure and the lines of responsibility.

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

FCC Group has a Code of Ethics, approved by the Board of Directors, regulating the principles that must guide the Group's conduct and the relations between Group employees and the relations between employees and the rest of their interest groups. It is mandatory for all the people in the Group and for third parties who voluntarily accept its application.

The FCC Group Code of Ethics is a tool for guiding actions in social order, environmental or ethical issues of particular importance. The guidelines for conduct set down in the Code of Ethics refer to basic behaviour principles, relations with and between employees, internal control and the prevention of fraud, commitment with the market, the company and the community.

The FCC Group Code of Ethics includes a chapter that is closely related to control over the preparation of financial reports called "Internal control and fraud prevention" which deals with the following topics:

"Manipulating information," "Use and protection of assets", "Corruption and bribery," and "Money laundering and irregular payments."

The Group has implemented an online training tool on the Code of Ethics and FCC Group also provides employees with the necessary means to comply with and contribute to the observance of the principles of action included in said Code of Ethics.

The Auditing and Control Commission, pursuant to article 41 of the Regulations of the Board of Directors, has the following powers, among others:

- ▶ Receiving from the employees, confidentially but not anonymously, and in writing, communications on possible irregularities that are potentially important, especially financial and accounting irregularities, which they become aware of in any of the FCC Group companies.
- ▶ Ensuring that the internal codes of conduct and corporate governance rules comply with regulatory demands and are adequate for the Company, and reviewing that the people subject to these codes and governance rules are in compliance with their reporting obligations of the Company.

The people in connection with the Code of Ethics are under the obligation to report any breaches of same, and for said purpose they can use the established ethical channels and procedures confidentially, in good faith and without fearing retaliation. FCC Group has established a general reporting procedure for matters related to the Code of Ethics, which is described in the "Whistleblowing Channel" section.

Also, in relation to the recent reform of the Spanish Criminal Code in terms of the criminal responsibility of legal persons, FCC Group has prepared a Manual for Preventing and Responding to Criminal Offence.

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This system for preventing and responding to criminal offence considers two distinct parts:

- ▶ The first part corresponds to the preventive stage, and it consists of identifying and updating conducts entailing the risk of committing the offences that might occur in the Group, as well as planning and implementing controls to mitigate same.
- ▶ The second part corresponds to the bodies and procedures to respond to any indications that might lead to irregularities taking place within FCC Group, especially those related to unlawful acts punished by the criminal code.
- ▶ **Whistleblowing Channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

FCC Group has a procedure in place which allows individuals to report, in a confidential manner, any actions which represent inappropriate conducts or actions in the light of the Code of Ethics.

A specific Committee has been set up whose functions are seeing to the proper functioning of the communication channel that has been established, valuing possible improvements of the controls and systems established by the Company, processing communications so that they can be solved, promoting the awareness of the Code of Ethics, and regularly preparing reports on the level of compliance thereof.

The Code of Ethics allows individuals to communicate, confidentially and in good faith, any observed actions that are contrary to the Code of Ethics. The communication paths forming the basis of the Whistleblowing Channel are:

- ▶ An html page in the Group's Intranet: internal communication channel.
 - ▶ Letters are to be sent to Apdo. de Correos 19312, 28080-Madrid.
- In order to guarantee confidentiality in the Whistleblowing Channel, communications are centrally received by the General Manager of Internal Auditing.

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

The continuous training of personnel is a basic aspect in FCC. This is set out in the values, policies and commitments approved by the Company Management. Its goals are to:

- ▶ Enable and promote employees' career development;
- ▶ Obtain better performance and efficiency from personnel in the development of their functions and the functioning of the Company.

The General Human Resources Management of FCC and the General Administration and Information Technology Management jointly develop training plans for all the personnel involved in the preparation of the Group's Financial Statements. This Plan includes permanent updating both in terms of the evolution of the business and regulatory environment of the activities carried out by the various companies in the Group and of the knowledge of the International Financial Reporting Standards and the standards and evolution of the financial reporting internal control principles.

In the year 2011, within the Corporate Training Plan, the FCC Management School included training for the management team in Corporate Finance, Economic Environment, Financial Management, Financial Administration, Analytical Accounting, Management Control and Planning, Taxation, and Mergers & Acquisitions. Also, FCC's Corporate Processes School includes training for all of the employees, consisting of Finance for non-financial personnel, Project finance, Company valuations, Analysis and valuation of investment projects, Management control, Means of payment for international trade and its

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accounting treatment, and Financing foreign trade. During the year 2011, 715,866 training hours were provided, of which 30,955 hours (4%) were for acquiring, updating and recycling economic and financial knowledge including accounting and auditing standards, internal control and risk management and control, as well as other regulatory and business aspects that must be known for the adequate preparation of the Group's financial reports, benefiting a total 2,006 people.

The Corporate Training Plan being prepared for the year 2012 will include, in the field of preparing financial reports and as part of the FCC Corporate Processes School, additional training on the General Chart of Accounts, Corporation Tax, Value Added Tax, International Taxation, Consolidation of Financial Statements, The new International Financial Reporting Standards (IFRS), Derivative Financial Products, Risk Management, and Evaluation of the ICFR.

2. RISK ASSESSMENT IN FINANCIAL REPORTING

2.1 Main characteristics of the risk identification process, including risk of error or fraud, stating whether:

► The process exists and is documented.

The Group is headed towards an integrated risk management model, which is to allow it to appropriately face the financial reporting risks as well as other risks to which its activities are subject. The adopted model allows it to develop a high level risk map, using the Enterprise Risk Management (Coso II) method, enabling reporting to Management and contributing to the definition of the Group's strategy.

In addition to the preparation of the Group's corporate risk map, risk maps are being put together by each of the business sectors in which the Group is present (Construction, Aqualia, Environment, Waste, Energy, Versia and Cements), as well as by each of the macro-processes affecting all of the Group's activities: Human Resources, Finance, Administration and Information Technology, Internal Auditing and Legal Counsel.

Given the uniqueness of the different business units in FCC Group, each one of them takes care of its risk management, and then the Group's corporate risk map is drawn up using the information that is reported.

These Risk Maps take stock of the identification of the main risks of the business areas, together with the controls established by Management to mitigate the effect of said risks and the assessment, in

terms of likelihood of occurrence and their impact on the financial statements of the area being analysed. Subsequently, the action plans needed to adequately manage the key risks identified beforehand are drawn up. In addition, every four months Risk Committees are held in order to analyse and evaluate the Risk Maps of the various business areas.

The main characteristics of FCC Group's risk management are:

- Preventing and controlling the risks that may affect achieving the goals set by the Group;
- Ensuring compliance with the legal regulations in force and with the Group's standards and internal procedures;
- Guaranteeing the reliability and integrity of the accounting and financial reports.

The Risk Maps are updated annually. This risk identification process is carried out globally; therefore it includes the general risk of reliability of the economic and financial reporting without getting down to the risk events.

Additionally, the business areas, in the performance of their control functions, take action where necessary and set aside provisions to hedge the risks that might affect the Group's equity.

- **The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

The Operational Risks identified in the Risk map include the risk of reliability of the economic and financial reports affecting each one

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of the business areas. For the global assessment of this risk, the objectives of the financial reporting, mainly the registration, integrity, cut-off of operations, homogeneity of the reports, validity and assessment, are generally considered.

The risk of reliability of the economic and financial reporting also considers in its assessment the risk that the I.T. means used in the financial reports may not efficiently and effectively support the present and future needs, they may not be running as planned, they may be jeopardising the integrity and reliability of the reports or they may be exposing important Company assets to potential losses or abuse. These kinds of risks are related to the following aspects: availability and capacity, secure access and availability of the reports on time, among others.

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

The Group has a register of companies that is permanently updated, which includes all of the Group's equity interests, whatever their nature, whether they are direct or indirect, as well as any companies that the Group is able to control regardless of the legal form of said control, therefore including both shell companies and special purpose companies. This company register is managed and updated according to the procedures regulated by the Group's Economic and Financial Manual.

The Corporate Intranet includes an individual file for each company with all the relevant information on each of the companies: shareholders, company purpose, directors, etc.

Each of the areas in which FCC Group is organised is responsible for the maintenance and updating of the scope of consolidation of the group of companies corresponding to its business area. The Administrative Coordination Division reviews the companies in the consolidated group on a monthly basis.

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

The risks associated to achieving the financial reporting objectives are an integral part of FCC Group's risk map, and therefore they take into account the effects of other types of risks.

In this respect, FCC Group, following the best business practices in this field and applying the Coso II method, has categorised risks as follows:

- ▶ **Strategic risks.** These are key risks for the Group and managing them is a priority. They include the risks related to the markets/countries/sectors in which FCC Group operates. They also include risks related to reputation, innovation, economic planning, definition of the structure and the objectives and the effectiveness of communication and the information flow.
- ▶ **Operational risks.** These are risks related to the operational management and the value chain of each of the businesses in which FCC Group operates. They include the risks related to bidding and contracting processes, the selection of partners, subcontracting and suppliers, labour risks, collection processes and customer satisfaction, as well as the risks that have an impact on the reliability of the financial reporting.
- ▶ **Compliance risks.** These are risks affecting internal or external regulatory compliance. They include risks related to compliance with the applicable laws (in the field of quality, the environment, information security, labour risk prevention, etc.), performance of agreements with third parties, and the FCC Group Code of Ethics.
- ▶ **Financial risks.** Risks associated to financial markets, generating and managing cash flows. They include risks related to liquidity, managing working capital, access to financial markets, exchange rates and interest rates.
- ▶ **Finally, which of the company's governing bodies is responsible for overseeing the process.**

The financial reporting risk identification process is supervised by the Auditing and Control Committee via the General Internal

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Auditing Management as part of its function of supervising FCC Group's internal control and risk management systems (section 1.1 of the document herein).

3. CONTROL ACTIVITIES

3.1 Documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

As stated in the preceding section of this document, the Group is headed towards an integrated risk management model, which is to allow it to appropriately face the financial reporting risks as well as other risks to which its activities are subject. The adopted model allows it to develop a high level risk map, using the Enterprise Risk Management (Coso II) method, enabling reporting to the Management and contributing to the definition of the Group's strategy.

This integrated risk management model is geared to the fulfilment of the four major objective categories established by this model:

- ▶ Effectiveness and efficiency of operations.
- ▶ Safeguarding of assets.
- ▶ Reliability of the financial reporting.
- ▶ Compliance with applicable laws and regulations.

This is how the objectives are related to the risks that could prevent the execution thereof and to the control activities necessary to ensure that the response to these risks is adequate and that the proposed objectives are reached:



The control activities are documented in the policies and procedures that are meant to ensure that the guidelines set by the FCC Group management are complied with, and that the necessary steps are taken to face any risks jeopardising achieving the Group's objectives. The control activities are carried out in any part of the organisation, at all levels, in all of the functions, and they comprise a number of very different activities. The Company personnel use the application systems and other resources established to ensure that the control objectives are achieved and that the risk mitigation strategies are executed.

A given control activity may help the Company to achieve its objectives in more than one category (strategic, operational, compliance and financial objectives).

FCC Group has control activities implemented at the corporate level and in each of the business areas. These control activities can be grouped as follows:

- ▶ High level reviews: Reviews related to approvals, authorisations, checking and reconciliation. Senior management reviews the evolution of actual data compared to the forecasts included in the Strategic Plans and the data from prior periods.
- ▶ Direct management of concrete functions or operating activities: Reviews of the operations in relation to the objectives that are to be achieved and the risks jeopardising same.
- ▶ Processing and security of the information: Controls related to checking the exactness, integrity and authorisation of the transactions.
- ▶ Physical controls: Reconcilements done from time to time of the inventory and security of assets.

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- ▶ Performance indicators: These are applied when comparing operational and financial data.
- ▶ Separation of functions: Functions are divided between different people to reduce the risk of error or fraud.

With regard to reporting system controls, a distinction can be made between general controls such as I.T. management, I.T. infrastructures, security management, and software acquisition, maintenance and development, among others, and application controls such as control digits, reasonability tests, logical tests, and predefined data lists, among others.

The control weaknesses detected by the General Internal Auditing Management in the Internal Control System are notified to the Auditing and Control Committee by means of a report listing the recommendations that are considered necessary for the weaknesses that were identified.

The specific review of the noteworthy judgments, estimates, assessments and projections used to quantify certain assets, liabilities, income, expenses and commitments recorded and/or broken down in the Financial Statements is carried out by the General Administration and Information Technology Management, supported by the rest of the General Managements. Any hypotheses and estimates based on business developments are reviewed and analysed together with the corresponding Business Departments.

Additionally, at least half yearly reviews are conducted by an external auditor, supervised by the Auditing and Control Commission.

The descriptions of Group process are included in the General Standards Manual and in the Group's Economic and Financial Manual. These procedures include the closing of accounts and the maintenance of the Accounting Plan.

Also, the Group's accounting managers are given instructions on how to record operations that have not taken place beforehand in the Group, and these criteria are included in the next update of the Manual.

Specific references in the Financial Statements to the different actions carried out in the Group related to valuations:

- ▶ Intangible assets, property, plant and equipment and investment property are submitted to an impairment test if there are indications of a loss of value, for instance due to obsolescence, with the purpose of adjusting their net book value to their value in use when the latter is lower.
- ▶ Goodwill is submitted at least once a year to an impairment test with the purpose of recording it at the lower of the fair value (estimated based on expected cash flows) or the acquisition cost (reduced, as the case may be, by the impairments from prior years).
- ▶ When there are indications of an impairment of financial assets, valuation corrections are made.
- ▶ The Group companies recognise provisions under liabilities on the consolidated balance sheet for the present obligations, arising from past events, when the Company considers it likely that when they become due there will be an outlay of economic funds in order to cancel same. These provisions affect items such as obligations in connection with long-term personnel benefits, stripping, withdrawal and rehabilitation of property, plant and equipment, environmental actions, litigation, guarantees and contractual and legal obligations, liquidation and loss of works, severance pay to works personnel, etc.
- ▶ A sensitivity test is performed on the derivatives and net debt in order to analyse the impact of a hypothetical variation in interest rates on the Group's accounts.

FCC Group furnishes financial reports to the securities market on a quarterly basis and from time to time whenever relevant facts that must be reported occur, in accordance with the law in force.

Financial reports are prepared by the Group's General Administration and Information Technology Management, which carries out certain

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control activities in the closing of the accounts to ensure the reliability of said information. Once a financial report is consolidated in a software application running in an SAP environment, it is reviewed by the General Administration Management, the Management Committee, the General Internal Auditing Management and the external auditor.

Last of all, the Auditing and Control Committee informs the Board of Directors of its conclusions on the financial reports that are presented so that, once they are approved by the Board of Directors, they may be disclosed to the securities markets.

Article 10 of the Regulations of the Board of Directors states the following with regard to the specific functions in relation to the Financial Statements and the Management Report:

- ▶ The Board of Directors shall draw up the individual and consolidated Financial Statements and the Management Report, so that they give a true and fair view of the net worth, the financial position and the results of FCC's operations, as provided by Law, following the favourable report of the Auditing and Control Committee. The integrity and exactness of said accounts will be certified beforehand by the General Administration Management and the General Finance Management, with the Approval of the Chairman, if he has executive powers, and otherwise of the CEO.
- ▶ The Board of Directors, after studying the reviews mentioned in the item above, may request any clarifications deemed appropriate from those who drafted same.
- ▶ The Board of Directors will particularly see to it that the above accounting documents are drafted in clear and precise terms enabling an adequate understanding of their contents. In particular, they shall include any remarks that are useful for said purpose.
- ▶ A member of the Board of Directors shall place on record that, prior to undersigning the preparation of the Financial Statements required by Law, the Board has reviewed the report on same that must be drawn up by the Auditing and Control Committee and, in general, the necessary information for this purpose, and such member may place on record any remarks that are considered relevant.
- ▶ On a quarterly basis, the Board will review FCC Group's accounts, following a report of the Auditing and Control Committee.

Likewise, article 11 of those same Regulations establishes the following with regard to the specific functions in relation to the Securities Market:

- ▶ In particular, the Board will perform the following specific functions in relation to the Securities Market, in the manner provided in these Regulations:
 - ▶ The performance of any actions and the adoption of any measures required to ensure the transparency of FCC for the financial markets.
 - ▶ The performance of any actions and the adoption of any measures required to foster the proper price formation of FCC shares, particularly avoiding manipulations and the abuse of insider information.
 - ▶ The approval and updating of the Internal Conduct Regulations in matters related to Securities Markets.
 - ▶ The approval of the Annual Report on Corporate Governance stated in section 116 of the Spanish Securities Exchange Act.

Last of all, article 14, "Market relations" states the following:

- ▶ The Board of Directors will adopt the necessary measures to ensure that the financial reports disclosed from time to time and any other information made available to markets is prepared according to the same principles, criteria and trade practices as the financial statements and is just as reliable as the latter.

On the other hand, the Group's Basic Standard for Internal Auditing establishes, among the functions and attributions of the

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General Internal Auditing Management, the “review of the (individual and consolidated) accounting information, the Management Reports, and the financial reports disclosed from time to time to the markets, evaluating that they are correct and reliable, the compliance with the law in force and the proper application of the generally accepted accounting principles” and “suggesting internal control measures enabling the compliance with the regulations in preparing and disclosing financial reports.”

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

The General Administration and Information Technology Management is responsible for the I.T. and Telecommunication Systems of all of the businesses and countries in which FCC operates. Its many, diverse functions include the definition and monitoring of the security policies and standards for applications and infrastructures, and among these is the internal control model in the field of information technology.

FCC’s internal control model considers the computer processes, which comprise the I.T. environment, architecture and infrastructures as well as the applications involved in transactions affecting the Company’s main business processes, and hence with an impact on the Company’s financial reporting and the closing processes. Said controls may be carried out by means of activities automated in the software programs or manual procedures.

FCC applies an internal control model to the Reporting Systems and in particular to the Economic Information System (EIS), with a view to guaranteeing the quality and reliability of the financial reporting in the closing process and therefore of the information disclosed to the markets. In this sense, the Company has a governance framework that applies to I.T. environments, with multiple, diverse functions that are defined within the policies and security standards for the application of internal control within the scope of I.T. management.

With reference to these indicators, priority is given to the following areas:

- ▶ Programs and Data Access.
- ▶ Change Management.
- ▶ Developments Management.
- ▶ Operations Management.
- ▶ Documentation Management.

Within these five areas, the following controls of the applications supporting the financial environment are considered particularly relevant:

- ▶ Information Management Policies.
- ▶ Financial environment map.
- ▶ Roles and responsibilities for the applications matrices.
- ▶ Developments and functional changes demand management.
- ▶ Infrastructure changes demand management.
- ▶ Specification and approval of tests and user acceptance.
- ▶ Technical and functional requirements specifications.
- ▶ Incident Management.
- ▶ Job Management.
- ▶ Environment Continuity Management.
- ▶ Service level agreement and management of same with third parties.
- ▶ Physical security of the Data Processing Centre (DPC).

It should be noted that the Company has a certified system of I.T. security management, based on the ISO/IEC 27001 international standard, for the Construction business area. This standard defines and establishes the principles of functionality, security and responsibility, and it may be extrapolated to different areas within the organisation.

FCC Group is aware of the importance of the security of the information it processes, has developed a set of policies and standards that help ensure the confidentiality, integrity and availability of its I.T. systems. The aspects related to the Internal Control over Financial Reporting are regulated in the “Information Security” Corporate Standard. The purpose of this standard is to ensure that the management of information at FCC Group:

- ▶ Is efficient and effective.
- ▶ Supports the business activities.
- ▶ Enables decision making.
- ▶ Ensures the confidentiality, integrity and availability of the information.

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This document defines the functional principles and the responsible bodies in terms of Information Security and it directly involves the business, evidencing the support in the following paragraph of the Policy itself:

"The CEO and the Management Committee will be responsible for:

- ▶ Establishing the general criteria for classifying and managing information assets.
- ▶ Approving:
 - ▶ The Organisation and Security Management Model.
 - ▶ The Classification and Information Assets Management Model".

One of the fundamental principles governing the application of said standard is the Principle of Information Integrity: information management will be governed by policies, standards, procedures and guides ensuring the confidentiality, integrity and availability of same.

FCC Group has a security model that, in order to be able to function, requires an organisational structure and the allocation of roles and responsibilities in the field of security:

- ▶ The Information Technology Committee will act as the highest body coordinating the security of the information within the Group.
- ▶ The Information Security and I.T. Risk Management Department defines the security requirements of the projects developing new applications and it successively validates the functionality of the mechanisms and controls implemented in the applications before they go on to the production stage.
- ▶ The Information Security and I.T. Risk Management Department is integrated within the Change Management Committee with the purpose of checking that the changes proposed for the I.T. infrastructure are compatible with the security requirements established in FCC Group's Information Security Policy.
- ▶ The Information Security and I.T. Risk Management Department uses a number of monitoring tools that analyse the operation of FCC Group's information systems, which are able to generate real-time warnings whenever they detect possible security incidents.

The Information Security process is managed as part of a continuously improving feedback cycle, which makes it possible to identify and assess the possible risks that may arise from the inappropriate management and organisation of information security.

Information is a strategic resource for FCC, therefore the adequate protection of same must be guaranteed in the performance of daily activities and in relations with external entities.

The Information Security Policy is established on the following basic principles, which are compulsory and must always be taken into consideration in any activities related to information processing:

- ▶ The information security standards are compulsory for FCC personnel.
- ▶ The information security design and management must consider FCC's business objectives.
- ▶ The information security management requires an organisational structure which represents the functional structure of FCC and must be known by all the personnel.
- ▶ The dimension of the security organisation structure will be in proportion to the security requirements of FCC.
- ▶ The protection measures must be applied proportionally to the value of the assets that need protection, the existing risks and the impact of possible security failures.
- ▶ FCC Group must ensure that all the risks are identified and that measures are taken against any threats to the security of the information it owns.



- ▶ The confidentiality, integrity and availability of the information must be preserved during the processing thereof, regardless of the medium on which it is contained or the place where it is located.
- ▶ The internal regulations implemented for the protection of information must be adapted to what is established in the legal provisions in force.
- ▶ The information that FCC Group shares with other natural or legal persons must comply with the FCC regulations body.
- ▶ Information security is the responsibility of all the FCC personnel, who must be adequately trained for the performance of their functions.

Information security is evaluated from time to time. In this respect, the Information Security and I.T. Risk Management Department carries out the following audits:

- ▶ Regulatory compliance in the field of the Personal Data Protection, every two years.
- ▶ Analysis of I.T. system vulnerability, twice a year.
- ▶ I.T. systems intrusion tests, twice a year.

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

FCC Group has not outsourced any relevant activities destined to executing or processing transactions that are recorded in the Group's financial statements, with the exception of the assessment of financial derivative products, the performance of actuarial calculations, and the performance of certain property appraisals from time to time.

There is an internal procedure for the hiring of external advisors which require certain levels of approval depending on the amount involved, including, as the case may be, approval by the Company's CEO. The results or reports commissioned in the accounting, tax or legal areas are supervised by the heads of the General Administration and Information Technology Management, the General Legal Counsel Management and the General Internal Auditing Management, or of other Departments if it is considered necessary.

FCC Group has outsourced the rendering of services for its I.T. and telecommunication infrastructures. As part of the contract, investments will be made in order to standardise the architecture of FCC systems, so that there are not any differences in terms of availability and integrity in the environments managed by the companies that make up the Group.

Thus, FCC guarantees that its information systems are used efficiently and assuring at the same time the optimal management of the operation of its systems according to the Best Practices model in the I.T. Services Management (ITIL).

Among the projects performed, it is important to highlight the following:

- ▶ Consolidation of the centralised I.T. infrastructure in two high-availability Data Processing Centres in Madrid.
- ▶ Full renewal of workstations in a virtual environment or with automatic backups to guarantee the availability of the information.
- ▶ Consolidation of global centres for operation services with standard tools.
- ▶ Implementation of a global, shared service desk channelling all the I.T. systems' incidents.
- ▶ Implementation of a single telecommunications network (WAN) allowing the homogenisation of user access capacity to the Group's I.T. systems.

A catalogue of services has been launched with unified service quality and measures according to pre-arranged Service Level Agreements (SLAs) as an internal control procedure to supervise the management of these outsourced activities.

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4. INFORMATION AND COMMUNICATION

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

The responsibility to apply the Accounting Policies of FCC Group is centralised in the General Administration and Information Technology Management, which the Group's Administrative Coordination Division belongs to and its functions, among others, are as follows: i

- ▶ Defining the Group's accounting policies.
- ▶ Issuing the accounting regulations applied in the Group.
- ▶ Solving doubts or disputes arising from the interpretation or application of the Group's accounting policies to any of its Companies.
- ▶ Analysing the individual operations and transactions that the Group has carried out or those that are planned, to ensure that they are booked according to the Group's accounting policies.
- ▶ Monitoring the new draft regulations being considered by the IASB, and the new standards approved by said body, as well as the process of how it is validated by the European Union, determining the impact they will have on the Group's Consolidated Accounts.

The Administrative Coordination Division regularly informs all those in charge of preparing the financial statements at the various levels in the Group of the amendments in the regulations, clarifying any doubts that may arise, and it in turn gathers from the Group companies the information required to ensure the consistent application of the Group's Accounting Policies and determining the impact of the application of new accounting regulations.

FCC Group's General Internal Auditing Management, details in its Internal Auditing Plan, among the various functions included within its responsibilities, that of assisting, supplementing and offering solutions to the technical enquiries received from any of the business areas in which the Group operates.

In those cases where the application of accounting regulations is subject to different interpretations, the General Internal Auditing Management and/or the General Administration and Information Technology Management may take part in the explanation to the external auditor, stating the grounds on which the interpretation of FCC Group is based.

FCC Group is made up of a large number of companies operating in different countries and is obliged to draw up its consolidated financial statements according to the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) adopted by the European Union, as detailed in the Group's Economic and Financial Manual.

The Group's Economic and Financial Manual establishes, in its first chapter, the accounting basis that should apply for FCC Group, enabling the Group's annual consolidated financial statements to be drawn up, together with any other financial statements and information to be disclosed periodically.

In FCC Group's subsidiaries, joint ventures and associated companies, where what has been established cannot be applied, the necessary information must be available in order to homogenise it by introducing the appropriate adjustments, so that the resulting information complies with the established criteria.

In order to homogenise FCC Group's economic and financial reporting according to international standards, model financial statements and a corporate accounting chart have been developed, and these are also included in the Economic and Financial Manual.

Chapter 1, section 3 specifies the assessment standards (valuation rules) and the peculiarities arising from the application of the IAS and IFRS to FCC Group, but the standards as such are not reproduced

rather they are developed, interpreted and its application is materialised, thus enabling the necessary homogeneity among the Group companies.

This Manual is updated by the Administrative Coordination Division, according to the evolution of accounting standards, and it is available on the Group Intranet (FCCnet) in the chapter called "Regulations" and may be consulted by Group employees. Also, there is the possibility for users to create alerts that inform them of any updates of the manual. The last update of the manual took place during the year 2011.

The regulations are updated in a unified manner by the departments that are aware of, experienced and involved in the matter, and they are ultimately approved by the General Manager of Administration and Information Technology.

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

FCC Group has implemented a shared reporting system based on the application in a SAP environment, which is meant, on the one hand, to meet the reporting needs for the individual financial statements and, on the other hand, to standardise and systematise the consolidation process of economic and financial reporting in the Group. This application gathers, by reporting units, at a 'company-sector' level or as legal persons, according to what is required, the information needed to put together economic and financial reports, whatever their nature, whether internal or external, the latter involving disclosures to public bodies and institutions.

This tool manages to centralise in a single system all the information corresponding to the accounting for the individual financial statements of the subsidiaries making up the Group. The system is centrally managed and it uses a single accounting plan, and the information is automatically loaded into this consolidation system from SAP.

The procedures for gathering and preparing financial reports are documented in the Economic and Financial Manual, which establishes the dates when the following will be available from the Administration and Information Technology Area: the economic and financial information to be furnished by the Administration and Finance Departments of the Business Areas (standard 8.01.01);

the consolidated economic and financial documentation, on the one hand, and that corresponding to FCC, S.A. (Profit Centres and Joint Ventures), on the other hand, which is to be furnished to the Administration and Information Technology Area by the Administration and Finance Departments of the Business Areas (standards 8.01.02 and 8.01.03 respectively). These procedures do not specifically consider information on the Internal Control over Financial Reporting system, as it has been obtained via specific requests to the areas involved.

Additionally, for the annual closing of accounts and with the objective to disclose the annual financial report within the two months following the end of the financial year, pursuant to Royal Decree 1362/2007, of 19th October, in relation to the transparency requirements related to the information on issuers whose securities are listed on an official secondary market or on any other regulated market in the European Union, the General Manager of Administration and Information Technology sends out the financial year closing plan by e-mail, which includes a number of instructions for those in charge of providing the relevant financial reports. The Administrative Coordination Division will establish, clarify or extend said instructions whenever it is required.

The internal accounting policies, procedures and standards related to the account closing, reporting and consolidation processes are described in the Group's Economic and Financial Manual, which also details the information that must be furnished for consolidation purposes and defines the base documents/forms to be used for that purpose.

Another procedure for gathering the financial reports is the implementation of a tool in a SAP environment which allows the Corporate Finance Division of FCC Group to obtain all the banking information from each of the companies and with all the financial institutions they operate with.

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5. MONITORING

5.1 An internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Internal Auditing Basic Standards set out the objectives and functions of the General Internal Auditing Management, enabling the Auditing and Control Committee to exercise the function of supervising the internal auditing services, pursuant to article 41 of the Regulations of the Board of Directors.

The FCC Group Internal Auditing Basic Standards, in their third heading, state that "The purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Auditing and Control Committee, and the Senior Management of FCC Group, with whom it actively collaborates, with the effective supervision of the Internal Control system, by exercising a unique and independent governance function aligned with professional standards, contributing to Good Corporate Governance, verifying the proper compliance with applicable regulations, both internal and external, and reducing to reasonable levels the possible impact of the risks in achieving the objectives of FCC Group."

The General Internal Auditing Management, by delegation of the Auditing and Control Committee, has as its objective, as stated in the Group's Internal Auditing Basic Standards, under headings 4 and 5, that of evaluating the adequacy and effectiveness of the internal control systems. To this end, the Internal Auditing functions applies to the entire FCC Group in everything referring to:

- ▶ The reliability and integrity of the economic and financial reports, both internal (management information) and external.
- ▶ Systems and operations review to check the compliance with the policies, procedures and regulations approved by Senior Management, and with the laws in force.

Heading 9 of these standards also establishes the functions and powers of the General Internal Auditing Management:

- ▶ "The General Internal Auditing Management has the fundamental mission to assist the Auditing and Control Committee in the compliance with the powers and responsibilities conferred to said Committee by article 41 of the Regulations of the Board of Directors in force."
- ▶ "The functions of the General Internal Auditing Management are to supervise the efficiency of the internal controls, ensuring the compliance with legal requirements, the evaluation and enhancement of the risk management processes, and also ensuring that the financial reports that are prepared are correct and suitable for FCC Group". These functions are specifically the following:
 - ▶ Systems' analysis and evaluation ensuring the compliance with the policies, procedures, standards, regulations and plans. The sufficiency and effectiveness of the internal control systems, making suggestions for the enhancement thereof.
 - ▶ Review of the application and effectiveness of the risk management procedures and its assessing systems.
 - ▶ Monitoring compliance with the standards and guidelines established by Senior Management, especially the Code of Conduct and the General Standards Manual.
 - ▶ Review of the (individual and consolidated) accounting information, the Management Reports and the financial information disclosed to the markets from time to time,

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evaluating that they are correct and reliable, in compliance with the law in force, and that the generally accepted accounting principles are applied. Suggesting internal control measures to enable compliance with standards applying to the preparation and disclosure of financial reports.

- ▶ Checking that assets really exist and the systems guaranteeing its integrity and safeguarding.
- ▶ Supporting the different areas in their technical relations, control and monitoring with external auditors.
- ▶ Assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Senior Management and recommending corrective actions.
- ▶ Compliance with the Annual Auditing Plan, reporting from time to time on its evolution.
- ▶ Supervising the work of the external auditors, asking for and receiving information on any aspects related to the progress of the audits, acting as a communication channel between the external auditors and the Auditing and Control Committee, submitting the conclusions of the review by the external auditors and, especially, any circumstances that might jeopardise their independence. They shall also make proposals on the appointment of the external auditors to enable the Auditing and Control Committee to meet its obligations with the Board of Directors.
- ▶ Any other functions entrusted by the Auditing and Control Committee.

The General Internal Auditing Management will act independently of the management areas. A resolution of the Board of Directors, passed on 26th October 2004, establishes that the General Internal Auditing Management is functionally dependent upon the Auditing and Control Committee and organically dependent upon the Chairman of FCC Group. The members of the General Internal Auditing Management perform their functions independently, without sharing their responsibilities with other business units.

During the year 2010, FCC Group's Auditing and Control Committee commissioned a joint task to be performed by the General Internal Auditing Management and the General Administration and Information Technology Management, with the active involvement of the business areas, with the purpose of enhancing the Corporate Risk Management process, with the objective of making it a process that:

- ▶ Is on-going and flows throughout the Company.
- ▶ Is carried out by people on each of the levels in the Organisation.
- ▶ Is used for establishing the strategy.
- ▶ Is applied throughout the Company, on every level and in every unit, including a view of risk as seen on each level in every business sector.
- ▶ Is designed to identify potential events that could affect the Company and to manage risks within accepted risk tolerance levels.
- ▶ Provides reasonable security to the Group's Management and to its Board of Directors.
- ▶ Is geared towards achieving the objectives.

To this end, the General Administration and Information Technology Management has allocated funds to the Management Control and Risk Management Department, which works alongside the General Internal Auditing Management to fulfil this task.

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With the support of the risk managers from the different business areas, the Group's Senior Management is being guided towards a process of redefining and improving said risks, both in terms of defining and allocating the responsibility for managing them in the operational field as well as the elaboration of procedures and methods, among which the following are included:

- ▶ Identifying the key risks for FCC Group according to the potential threat they represent for achieving the objectives of the organisation.
- ▶ Risk evaluation. The risk assessment scales are defined according to their potential impact in the event they are materialised and their probability of occurrence.
- ▶ Risk categorizing.
- ▶ Optimising controls and risks by establishing action plans and monitoring same where necessary.
- ▶ The mechanisms for reporting from time to time the results of the risk evaluation and its monitoring.

From time to time, the Management Control and Risk Control Department identifies, in cooperation with the Heads of each of the business areas, what risks have materialised in the Group and it quantifies the residual impact of each one of them, reporting it to the Auditing and Control Committee.

The worsening of the economic environment over recent years has increased the exposure of companies to different risks. In this respect, the Group's General Internal Auditing Management, as detailed in the Auditing Plan prepared in compliance with the Basic Auditing Standards, considers that it is necessary to analyse and evaluate, via a number of different indicators, the impact on the business areas, with the purpose of advising the Auditing and Control Committee and preparing the relevant recommendations allowing it to minimise the impact of risks related to the financial reporting that may affect the Group.

The scope of the auditing tasks is defined according to these variables, in order to provide the Auditing and Control Committee and Management in general with reasonable security on the proper functioning of the internal control systems, on the compliance with the policies for managing the main risks of the Group and on the reliability of the economic and financial reports prepared by Management and submitted to the Board of Directors for approval.

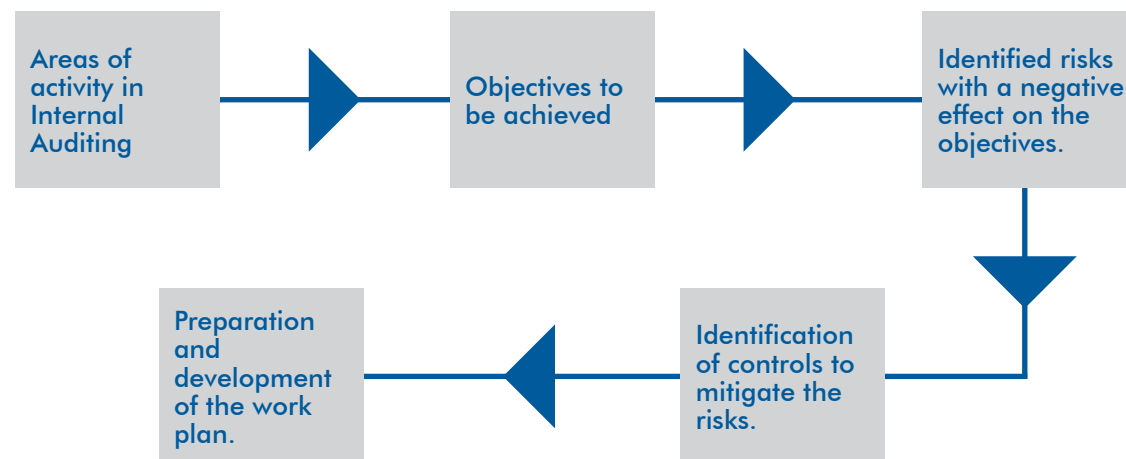
The fundamental role of the Auditing and Control Committee is to support the Board of Directors in its surveillance tasks, by reviewing from time to time the process of preparing the economic and financial reports, its internal controls and the independence of the external Auditor.

The Auditing and Control Committee holds meetings with the external auditor and listens to the explanations given by the General Manager of Finance and the General Manager of Administration and Information Technology.

The auditing plan does not include the tasks that may be carried out by the Internal Auditing Departments of the FCC Group listed companies Cementos Portland Valderrivas and Realia, notwithstanding the coordination tasks performed by the different Internal Auditing Departments, with the purpose of reporting to the FCC Group Auditing and Control Committee the effect that the risks of said Groups may have on the consolidated financial statements of FCC Group.



The Auditing Plan (prepared in compliance with the Basic Auditing Standards) follows the plan given below:



The 2011 Auditing Plan includes a number of tasks related to the review of the internal control system of the Group's financial reporting, in a number of areas:

- ▶ I.T. Auditing: There have been reviews of the role and the segregation of duties matrices within the process of migrating to the corporate SAP, tasks for the review of General I.T. Controls in the Construction, Industrial Waste and Environmental areas, and works to validate the effectiveness of automatic controls in the SAP used for Machinery at FCC Construcción, among others.
- ▶ Environmental auditing: Review of the models for estimating environmental provisions in WRG.
- ▶ Reviews of the financial reporting in the different business areas: Construction, Industrial Waste, Water Services, Energy, Environment and Versia, mainly the reporting that refers to provisions, judgments and estimates.

- ▶ Analysis of the audit opinions on the companies audited: Systematic analysis of the audit opinions on companies in FCC Group, with the objective of monitoring any companies for which a qualified opinion is issued.
- ▶ Following-up the reporting obligations to financial institutions (covenants): Coordinating this task between the external auditors and the business areas, analysing and reviewing the information prepared by said areas, which must be certified by the auditor. Involvement in the process of certifying financial ratios determined regarding statutory financial statements that were already audited.
- ▶ Criminal liability of the Legal Person: Evaluation of the design of the controls implemented in FCC in relation to the modification of the Spanish Criminal Code, verification of the measures and controls established in the Group in order to prevent and detect any such offences.
- ▶ Internal communication channel: Review of the compliance with the communication obligations established in the Internal Conduct Regulations and the Code of Ethics of FCC Group.
- ▶ Monitoring of the internal control recommendations issued in prior years.
- ▶ Other functions of the review of financial reports: Supervision of the quarterly, half-yearly and annual financial statements and Notes thereto. Internal Auditing reviews the consolidated and individual financial statements, in order to identify whether the sums and the information broken down in these statements is in compliance with the IFRS or PGC (Spanish General Chart of Accounts) standards. In addition, the reports sent from time to time to the CNMV are reviewed.

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- **Technical queries:** Internal Auditing collaborates in responding to queries related to the accounting treatment of certain transactions owing to their complexity.

As stated in the Regulations of the Board of Directors of FCC, in article 41.3 on the reporting and internal control systems, the Auditing and Control Committee will have the power to "Receive from the employees, confidentially but not anonymously, and in writing, any communications on possible irregularities that are potentially important, especially financial and accounting irregularities, which they become aware of in any of the companies belonging to the FCC Group." As a measure of good corporate governance, this communication has been extended so as to allow the possibility to submit proposals to the Organisation to enhance the internal control systems, and the accounting procedures or practices.

5.2 Discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The FCC Group Internal Auditing Basic Standards, in heading seven, section i), states that "The Auditing and Control Committee will be informed, via the General Internal Auditing Management and its relations with the external auditors, of the preparation of the financial reports, of the proper application of generally accepted accounting principles, and of compliance with legal requirements and on the functioning of the internal control systems."

As stated in the preceding paragraph, the purpose of the General Internal Auditing Management is to provide the Board of Directors, via the Auditing and Control Committee, and the Senior Management of FCC Group, with the effective supervision of the internal control systems.

This objective consists of furnishing the Senior Management of FCC Group with an independent opinion on the Organisation's ability to achieve its objectives, by means of a systematic and methodological approach towards the evaluation, management and enhancement of the effectiveness of these processes:

- **Risk Management:** Processes used by Management to identify, evaluate and respond to the potential risks that may affect whether the organisation achieves its business plans set out in the Strategic Plan.
- **Internal Control:** The policies, standards, procedures and activities making up the control system established by FCC Group to ensure the proper management and risk reductions.

As detailed in the above indicator, heading 9 of the Group's Internal Auditing Basic Standards establishes among the functions and powers of Internal Auditing that of "assisting the members of the Group's Organisation, furnishing them with analyses, recommendations, advice and information on the activities reviewed. Reporting any incidents that are detected to Senior Management and recommending corrective actions."

The General Internal Auditing Management of FCC Group reports to the Auditing and Control Committee from time to time any significant internal control weaknesses identified during the performance of their tasks, giving recommendations to adequately correct them.

With the purpose of ensuring that the financial reports submitted to the Auditing and Control Committee have been prepared according to generally accepted accounting principles and that they offer a true and fair view of FCC Group, the General Internal Auditing Management conducts a number of processes for the review of the accounting information (both (individual and consolidated), the Management Reports and the financial reports disseminated to the markets from time to time.

Additionally, the Group's auditor has direct access to the Group's Senior Management, and holds meetings with same from time to

time, both to obtain the information needed to perform the work and to communicate any control weaknesses detected. The external auditors present the conclusions of their reviews to the Auditing and Control Committee at least three times a year, detailing the internal control weaknesses that have come up while reviewing the Group's financial statements, including any aspects they consider relevant.

6. OTHER RELEVANT INFORMATION

N/A

7. REPORT BY THE EXTERNAL AUDITOR

7.1 State whether the ICFR information supplied to the markets has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The information included here on the Internal Control over Financial Reporting was reviewed by the External Auditor, and the report thereof is attached as an Appendix to this document.

AUDIT REPORT

Deloitte.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON THE DISCLOSURES ON INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A. FOR 2011

To the Directors of FOMENTO DE CONSTRUCCIONES Y CONTRATAS, S.A.:

Under Spanish Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, for financial years beginning on or after 1 January 2011, the Annual Corporate Governance Report ("ACGR") must include a description of the main characteristics of the internal control and risk management systems in relation to the regulated financial reporting issuance process. In this connection, on 26 October 2011 the Spanish National Securities Market Commission (CNMV) published a draft Circular, modifying the specimen Annual Corporate Governance Report to be published and including the manner in which entities should approach the description of the main features of their ICFR system. In its letter, dated 28 December 2011, the CNMV provides a reminder of the aforementioned changes in the law that must be taken into consideration when preparing the "Disclosures on the ICFR system" until final publication of the CNMV Circular defining a new ACGR model.

For the purposes of subparagraph no. 7 of the ICFR of the contents of the specimen annual corporate governance report, included in the draft CNMV Circular, whereby entities are required to indicate whether the description of the ICFR system has been reviewed by an external auditor and, if so, to include the relevant report, on 28 October 2011 the financial auditors' representative bodies published Draft Guidance, together with a specimen guideline auditors' report ("the Draft Guidance"). On 25 January 2012, the Spanish Institute of Certified Public Accountants established certain additional considerations in this connection in its Circular E01/2012.

As requested by the Board of Directors of Fomento de Construcciones y Contratas, S.A. ("the Entity") and in accordance with our proposal-letter dated 9 January 2012, we have applied certain procedures on the accompanying "Report on the system of internal control over financial reporting (ICFR)" of Fomento de Construcciones y Contratas, S.A. for 2011, in which the Entity's internal control procedures relating to its annual financial reporting are summarised.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance and supervision of an adequate system of internal control and for making improvements to that system and for preparing and establishing the contents of the accompanying Disclosures on ICFR.

In this regard, it must be borne in mind that, irrespective of the quality of the design and operativity of the internal control system implemented by the Entity in connection with annual financial reporting, such system can only provide reasonable, but not absolute, assurance in respect of the objectives it pursues, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of the Entity's internal control was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 186, hoja 11-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

AUDIT REPORT

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidance on the auditors' report relating to Disclosures on Internal Control over Financial Reporting in Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2011 described in the accompanying Disclosures on ICFR. Therefore, had procedures additional to those provided for in the aforementioned Guidance been applied or an audit or a review of the system of internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Reading and understanding of the accompanying disclosures on ICFR prepared by the Entity and assessment as to whether such disclosures address all the information required in accordance with the minimum content described in the specimen Annual Corporate Governance Report of the draft CNMV Circular.
2. Making inquiries of the employees responsible for preparing the disclosures detailed in point 1 above, with a view to: (i) gaining an understanding of the preparation process; (ii) obtaining the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtaining information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the employees in charge of preparing the information describing the system of ICFR. In this respect, the aforementioned documentation includes reports prepared by the internal audit department, senior executives and other internal or external experts providing support functions to the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with our knowledge of the Entity's system of ICFR obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.
5. Perusal of minutes of meetings of the Board of Directors, the Audit and Control Committee and of other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by those in charge of the preparation and authorisation for issue of the disclosures detailed in point 1 above.

2

The procedures applied to the Disclosures on the system of ICFR did not bring to light any inconsistencies or incidents that might affect the Disclosures.

This report has been prepared exclusively in the context of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and the provisions of the draft CNMV Circular, of 26 October 2011, for the purposes of the description of the system of ICFR in Annual Corporate Governance Reports.

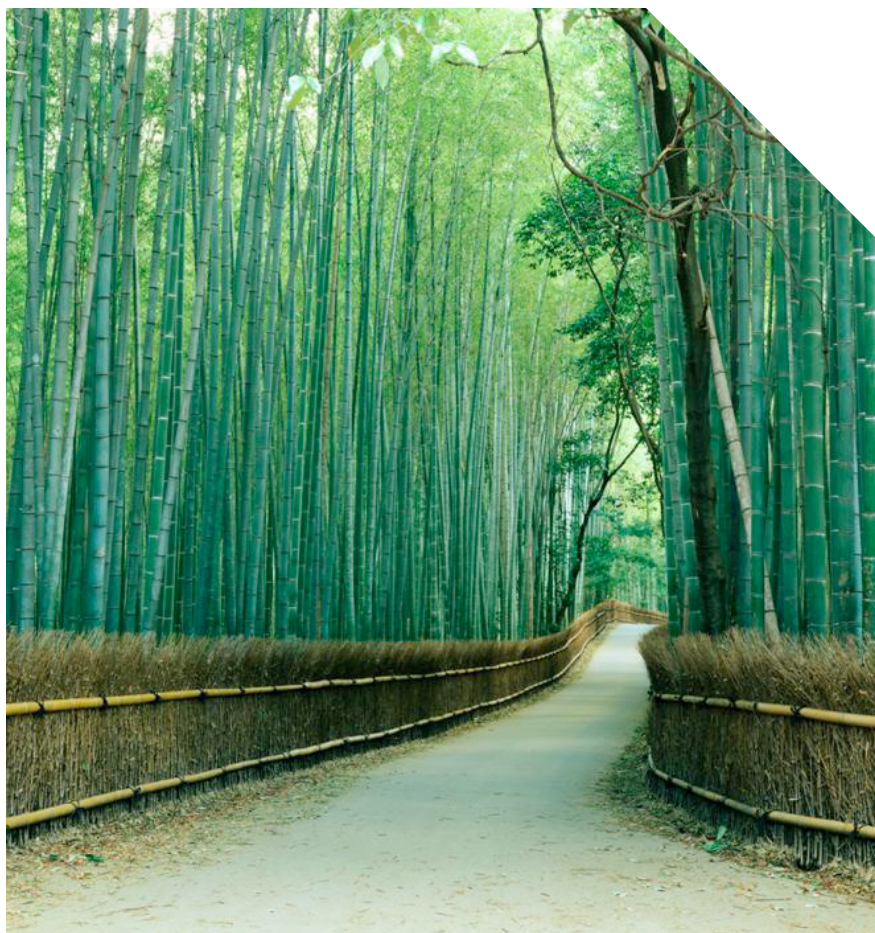
DELOITTE, S.L.



Miguel Laserna Niño

27 February 2012

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INTERVIEW CSR



FCC GROUP: TAKING A LEADING ROLE IN TODAY'S CHANGES

INTERVIEW WITH BALDOMERO FALCONES

The FCC Group has been providing company services to citizens for over 100 years. How do you make this aspect compatible with today's current need for constant change?

The renewal of the company's values in 2011 has been a very interesting and enriching reflection exercise. At FCC we are very clear that our mission is to help create environments for citizens that will make their lives easier, healthier, more comfortable and, ultimately, fulfil the collective desire for a more sustainable development. These renewed principles have much to do with the fact that FCC is considered a referential company for a long time: we want to do things well; we carry out our activities with integrity; we use resources efficiently; and we try to work closely with citizens so we can take their expectations and needs into account in our decision-making.

FCC wants the principles of integrity, efficiency, proximity and doing things well to be reflected in its daily work. But how do you see the company's long-term future?

We are facing new social challenges that influence the style of business and how it is developed. The short-term limited access to capital we are experiencing is on a scale similar to what will happen to the use of natural resources in the medium term. We believe that FCC is well-prepared to face both challenges. We have a proven track record as designers of solutions capable of transforming urban communities into efficient and sustainable environments.

What actions are being considered by FCC in order to develop these future sustainable opportunities?

Global demand for infrastructures, services and renewable energy (FCC's business activities are concentrated on these sectors) is huge and unlimited. Our vision is to focus the Group's strengths on taking advantage of the opportunities for profitable growth generated by these three areas of activity. In 2011, we took stock of the activities in our Corporate Responsibility Master Plan 2009 – 2010 in order to determine where we were and the paths to be taken to become the sustainable citizen services company that truly responds to the needs of the cities of the future.

This prior work led to our Third Master Plan 2012 – 2014, which sets out actions, responsibilities, objectives and timelines, all grouped under three headings: 1) connecting with citizens, to transform citizens into the protagonists of a sustainable city; 2) intelligent services, to develop solutions in the sustainable urban communities of the future;

CSR INTERVIEW

and 3) exemplary behaviour, that should position FCC as a point of reference in integrity and business ethics. These three principle areas will define all the company's activities.

How does a company as diversified as FCC coordinate its corporate responsibility strategy among its businesses?

FCC's business and geographical diversification is one of our hallmarks, and we believe that in the long-term it is optimal from the standpoint of creating value for the shareholder, although it is true that it does entail some difficulties in terms of defining lines of work related to corporate responsibility. That is why our Master Plan 2012 – 2014 is the backbone of the company's global corporate responsibility strategy, to be carried out through activities coordinated in different corporate areas such as committees focusing on corporate responsibility, climate change, risks and innovation.

One of the outstanding features of your corporate responsibility strategy is how it connects the business with the sustainable trends and needs of the cities of the future. What role do citizens play?

Cities already house most of the world's population, and our priority is to design activities and services that give real answers to the needs that ensure the sustainability of infrastructures, services and community consumption patterns. In order to succeed in this great challenge, we cannot disregard citizens' hands-on knowledge. At FCC we want to know how to interpret, from our businesses' point of view, the changes that are generating – particularly in urban areas – the energy, social and demographic scenarios that are emerging in this new century. We are setting up communication channels in the cities we serve so that citizens can be our main allies in this great effort. We want to promote activities that improve the sustainable development of cities, engaging citizens in developing innovative solutions, making our know-how available for the implementation of local development programmes and establishing citizen platforms to identify and develop sustainable ideas.

FCC's commitment to transparency and integrity are well-known as a result of its presence in various leading forums in this field and the actions undertaken within the company. What is it that sets FCC apart in this regard?

It is true that there have been several significant events in this area in line with our strong commitment to integrity, a policy that has been driven by our majority shareholder. We renewed our Code of Ethics in 2011 in order to unify and strengthen the identity, culture and behaviour guidelines of the FCC Group. We have also developed a Crime Prevention and Response Manual. Adapting the Code to



INTERVIEW CSR

the recent reform of the Spanish Criminal Code, its application to all employees and adjusting the company's ethics programme to the Federal Sentencing Guidelines, along with the application of our Code of Ethics to our supply chain, all this represents a benchmark for the industry.

The fight against climate change is already on the agenda of big companies. How is FCC facing this challenge?

The climate change challenge is a fact that will no doubt transform our society. Up until now we were focused on how to reduce greenhouse gases, but we must also begin to see the need to work on adapting them. We have recently set up a Climate Change Committee to continue learning and to implement actions that help us to be better prepared, not only from the standpoint of it as a risk but also as a business opportunity. The reduction of these emissions will, besides generating benefits for people, provide opportunities for new services and products.

In terms of environmental issues, one of FCC's commitments is to sustainable management of urban waste. What activities is FCC carrying out in this field?

We believe that sustainable management is closely linked to innovation. We invest significant financial and human resources in R & D & i; in 2011 these amounted to over 16 million euros. These projects are focused primarily on developing the strategic backbone of our intelligent services aimed at mitigating and adapting to climate change. Some examples are hybrid-electric vehicles used to collect urban waste, crop plantations in the UK designed to produce biofuels, or the All-Gas project that uses wastewater to cultivate microalgae for biodiesel production.

We have just come to an end of what has been a difficult year from a macroeconomic perspective. What was 2011 like for FCC, and what are the expectations for the upcoming years?

Once again, we have had to manage the Group within an international economic context full of uncertainty, especially with regard to the Euro Zone's ability to overcome the crisis that became apparent 4 years ago now. Due to our corporate principle of being close to the communities where we operate, we are concerned with the increased unemployment levels in some of the countries where we are present. Globally, we have put in a lot of effort to maintain employment levels to the extent that at the end of 2011, FCC slightly increased the number of employees, although it is true that this is the consequence of setting up businesses in new countries, which has compensated contractions

experienced in some of our domestic markets. In general terms, the crisis is a threat as well as an opportunity to accelerate the Group's transformation process and its adaptation to the new economic and social circumstances. To this end, we are going to persevere with our main strategies: more internationalisation, financial stability, efficient policies and to defend the way we do business close to peoples' needs and in harmony with the environment.

Baldomero Falcones Jaquotot
Chairman and Managing Director

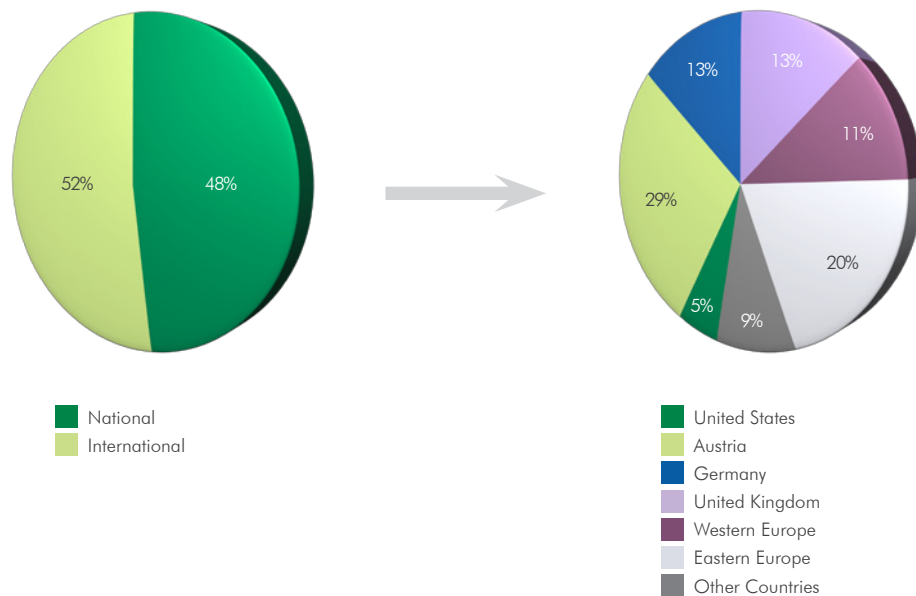
CSR THE LEADERSHIP OF FCC GROUP



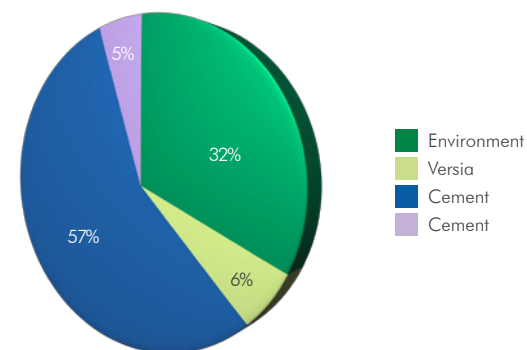
THE FCC GROUP IN FIGURES CSR

	2011 Revenues (M€)	Variation/2010 (%)	EBITDA 2011 (M€)	Variation/2010 (%)
Environment	3,735.4	+1.7%	697.9	+6.1%
Construction	6,686.2	-0.1%	303.9	-14.5%
Cement	609.1	-19.1%	150.1	-30.7%
Versia	767.3	-9.3%	114.9	-17.3%
Others	(43.2)	-24.6%	(14.5)	n.a.
Total	11,754.8	-1.3%	1,252.3	-8.3%

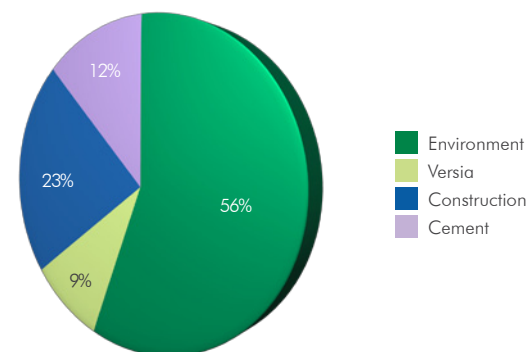
Turnover by Geographical Zones



Revenue by business area



EBITDA by business area



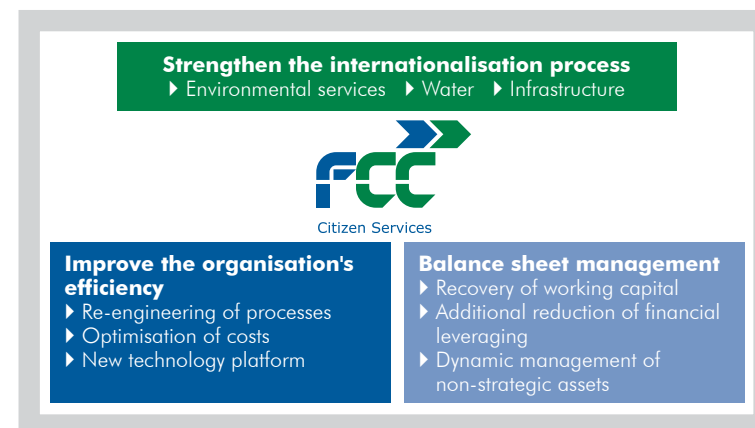
CSR FCC, PREPARED FOR A CHANGING WORLD

FCC is an international, diversified group providing citizen services. Its mission is to contribute with its goods and services to the creation of sustainable communities, making citizens' lives easy, comfortable and healthy, in a way that is environmentally and people-friendly. The FCC Group's strategic priorities are: financial stability to cope with the economic situation based on a sound budgetary position; internationalisation – which balances the business; efficiency in the provision of services; and Corporate Social Responsibility.

The 2011 economic context

A severe economic crisis that greatly influenced trade relations and provision of services marked 2011, especially on the national level. The decrease in the consumption of basic resources such as food and water and budgetary restraints in the public sector have resulted in a reduction in the consumption of associated basic services. The FCC Group's activities were not immune to the economic context, although management efficiency and the strength of the different lines of business enabled the company to meet its business objectives.

In 2011, the FCC Group reached a milestone in terms of the weight of international business activities, which – for the first time in over one hundred years of company history – contributed over 52% of total sales. In this regard, the FCC Group believes that the company's strengths, such as its significant geographical and industrial diversification, its team of highly qualified and responsible staff, its technological know-how and its leadership in social responsibility are tools that permit taking advantage of the opportunities generated by these growth patterns and by sustainable development.



Corporate Governance involvement in the sustainability strategy

The company's strategic commitment to sustainable development as the driving force behind the Group's businesses provides the backbone for the corporate responsibility actions from senior management to lines of business, with common principles, attitudes and values stemming from the Board of Directors that define the day-to-day activities of FCC Group employees.

A century-old corporate culture and solid values have enabled the company's businesses to develop on the basis of lasting relationships that are transparent and mutually beneficial to those with whom the company interacts. FCC believes that integrity and transparency should shape the framework for action all its professionals wherever the company operates. As a result, its main focus is to promote exemplary behaviour based on referential ethical principles and aimed at developing FCC's people as well as at providing services for citizens.

FCC, PREPARED FOR A CHANGING WORLD **CSR**

Balanced business model

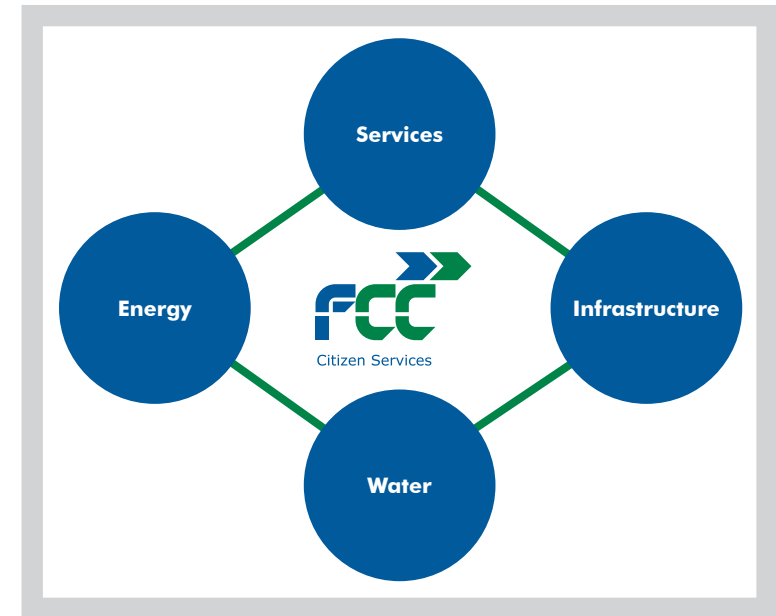
The FCC Group's diversification allows it to offer comprehensive services to citizens, from the provision of community services and the building of infrastructures, to the promotion of renewable energies. For this reason, the company is committed to combining its range of products and services under one umbrella: the concept of Citizen Services.

The meaning of Citizen Services includes the FCC Group's commitment to integrate sustainable development and corporate responsibility, factors essential for the prosperity of societies in coming decades, into its business strategy. The FCC Group is a pioneer in the development of a model for a sustainable city, and helps societies grow and thrive, from all business activity areas.

Adapting to new scenarios

FCC Group is well aware that the world is changing. Based on its century-long experience and with an eye to the present and the future, in 2011 the company developed its Third Master Plan 2012 – 2014. It was approved by the Board of Directors in November 2011, after considerable reflections on the challenges posed by urban communities and on how the FCC Group can provide solutions. The company is aware that its success in meeting the objectives of the Plan lies largely in its ability to adapt the changes implemented to the new social, energy and demographic scenarios that are emerging.

The future of cities poses many challenges, but also huge opportunities for associated businesses. As a citizen services company, FCC Group is trying to respond to these challenges by considering them as opportunities to satisfy the expectations of stakeholders.



CSR FCC, PREPARED FOR A CHANGING WORLD

CHALLENGES FOR THE CITIES OF THE FUTURE

More efficient buildings, communities and services

Influencing bodies such as the World Economic Forum, state that over 70% of Greenhouse Gas emissions in cities come from buildings.

New products, services, technologies, systems and models need to be developed that are able to offer more well-being with lower energy and water consumption, among others.

Energy a leading role in the design of cities of the future

It is estimated that investment in energy efficiency and renewable energies will increase.

Concepts such as energy efficiency, smart grids and energy storage will be promoted by means of agreements between the public and private sectors, investment in innovation and cooperation between cities.

Waste management a problem related to continual development

Legislation actively promotes efficient waste elimination. Waste recycling and recovery is encouraged in response to the growing amount of waste produced in cities.

Water shortages in view of increased demand

Water Resource Group estimates that water needs worldwide in 2030 could increase to levels 40% higher than current capacity.

The answer to these issues and the improvement of citizens' quality of life is and will be the key line of work for FCC Group, a company that has the technical skills and innovation capacity required to meet the new reality of cities.

FCC Group's technical abilities and innovation capacity

- ▶ Appropriate management of water resources throughout its entire life cycle.
- ▶ Efficient use of fossil fuels and promotion of renewable energies.
- ▶ Management of industrial and domestic wastes.
- ▶ Development of intelligent urban systems to accommodate demographic growth.
- ▶ Implementation of accessibility solutions to help meet the needs of an aging population.
- ▶ Generalisation of more efficient and environmentally friendly transport.

CHALLENGE I CSR

CHALLENGE I

POPULATION CONCENTRATED IN LARGE CITIES

Urban areas account for the majority of the world's population; undeniably, in 2008 urban population exceeded rural population. United Nations' predictions indicate that by 2050, three quarters of the world's population, some 6.9 billion people, will live in cities.

At the same time, cities have become consumption centres and are the origin of 67% of global primary energy demand. In other words, urban communities are the driving force behind economic prosperity, but they are also the main emissions centres: in 2007, the 10 cities with the highest amount

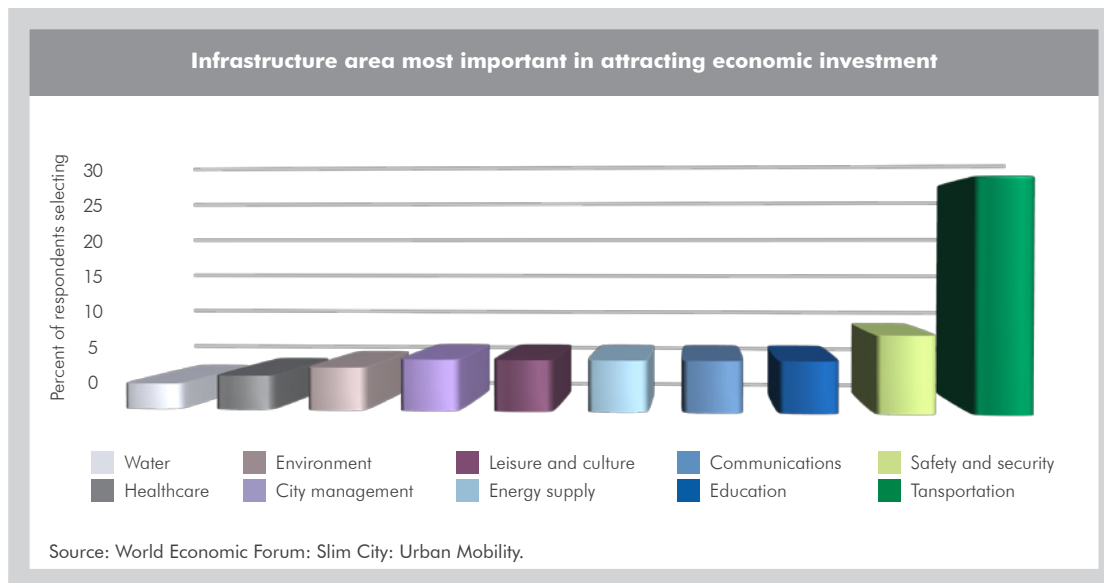
of economic activity generated a GDP higher than all the last 162 countries on the list of countries ordered by their GDP together. They also produced 70% of global urban CO₂ emissions.

For these reasons, FCC Group sees cities as the centre of the challenges created by sustainability, as they are where innovative solutions with significant and rapid impacts should be implemented.

Opportunity: innovation in infrastructures

Increasingly, when defining certain sustainable conditions in the contract terms, such as reducing carbon emissions, public authorities require the companies awarded the contract to offer energy-efficient solutions. The infrastructure division in the FCC Group (CFF Construcción and Cementos Portland Valderrivas) covers the complete cycle of the concession, from project design and execution of the work, to its maintenance, operation and return to the Public Administration when the concession comes to its end. This is one of the company's bastions of innovation through sustainable construction activities in all its phases and the development of new products in its cement businesses.

Infrastructure procurement policies can have a significant influence on the sustainability of the construction works and on support for local economies. The possibility of using locally sourced building materials with a higher-than-average recycled content is increasingly taken into account in construction works. Setting a minimum amount of recycled material in the procurement of building materials is a growing practice.



CSR CHALLENGE I

FCC Group leverages the synergies between sustainable construction activities requiring new, more efficient materials and recycled materials, and the measuring and control of the impacts of its activities. For FCC Construction and Cementos Portland Valderrivas, measuring their carbon footprint, monitoring environmental indicators and developing innovative projects and products are essential to remaining in leadership positions in their respective markets.



FCC Construction, with an accumulated experience of more than 110 years, is FCC Group's referential company in the construction and citizen services market, contributing over 56% to the Group's turnover.

Its activities cover all areas of construction, and it is one of the world's leading companies in civil works (roads, railways, airports, hydraulic and marine) and building works (residential and non-residential) in both the national and international markets.

It also has a proven track record in developing projects under concession and also has a number of subsidiary companies devoted to industrial and energy sectors and in construction-related businesses.

FCC Construction has a stable presence in different countries around the world, where it acts directly or through its local companies, subsidiaries and holdings.

FCC Construcción's 2011 turnover amounted to 6,686.2 million euros.



The FCC Group is the majority shareholder in Cementos Portland Valderrivas, the largest Spanish cement group. Its activities are focused on the manufacture of cement and concrete and on the production of aggregates and mortars.

Cementos Portland Valderrivas has eight cement manufacturing plants in Spain. In addition, the concrete division has 104 plants operating and the mortars division has 14 production facilities. Lastly, the aggregates division, which specialises in the operation of gravel pits and quarries, has 28 production plants.

Moreover, in the United States it has three cement factories in Pennsylvania, South Carolina and Maine, and nine concrete plants. In Tunisia, the business has one cement plant and four concrete plants.

GCPV's 2011 turnover amounted to 609 million euros



CHALLENGE | CSR

In addition, transport is one of the challenges that large cities have to cope with. Urban infrastructure will be a point that will mark the competitive difference among cities, according to the Siemens Megacity Challenges study. Investment in transport and communications infrastructures is one of the most important determinants of urban growth and economic development. Traditionally, infrastructure development has been linked to financial performance variables, such as saving time or reducing accidents. Future investments could focus on considering its contribution to improving the lives of citizens. FCC Versia offers a response to the needs of modern cities by providing logistic services, by maintaining urban infrastructures and by the distribution of vehicles and special equipment for environmental services.



FCC Versia groups together different activities, which are a diversification of FCC businesses. These businesses are street furniture, logistics, airport handling, maintenance of urban infrastructures and the distribution of vehicles and equipment necessary for environmental services. All these activities have a common denominator: their end-users are mainly city inhabitants. They offer essential citizen services in public spaces, for supplies, to support travel as well as providing street-cleaning equipment

Although the origin of FCC Versia's activities is Spain, currently over a third of the turnover is from other countries, such as Belgium, Italy and Portugal in Europe and United States and Brazil in America.



In 2011 FCC Versia's turnover amounted to 767.3 million euros.

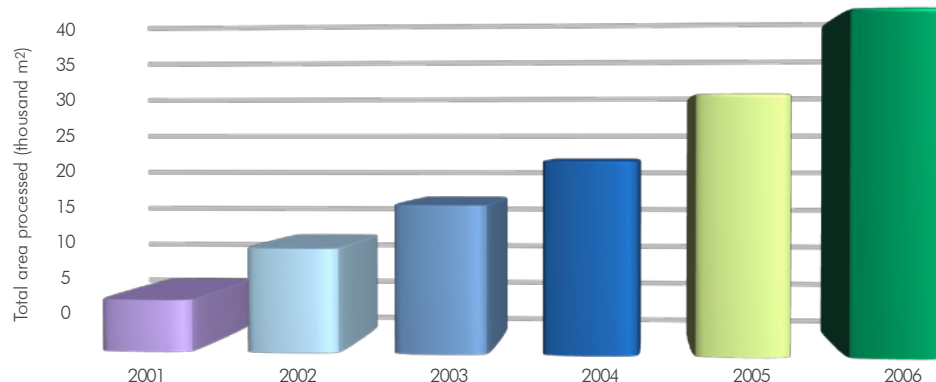
CSR CHALLENGE II

CHALLENGE II

TOWARDS A LOW-CARBON ECONOMY

The transition to a low-carbon economy will have a high cost. The Stern Report states that limiting the concentration of atmospheric CO₂ to 550 parts per million by 2050 will represent a cost that is approximately 1% of global GDP. The report also indicates that a delay in decision-making and in the implementation of effective actions will mean an even higher cost. The International Energy Agency estimates that the United States must invest 550 billion dollars annually in renewable energy and energy efficiency by 2030 if the goal is to limit the concentration of atmospheric CO₂ to 450 ppm. For its part, New Energy Finance's Global Futures estimates the figure at 515 billion dollars over a lengthy period of time. According to the Green Investing study by the World Economic Forum, investment opportunities are focused in three areas, which are basically energy efficiency, smart grids and energy storage.

Evolution of the solar heat surface area in Barcelona due to the ordinance



Source: World Economic Forum: Slim City: Sustainable Buildings.

Opportunity: consolidate our presence in the renewable energies market

Energy-related businesses are undergoing a consolidation process in Spain, while the necessary resources are being developed, before leaping into other high potential markets. Energy efficiency and using energy from renewable sources – wind, water, solar and biomass – are two key mechanisms in FCC Group's energy and climate change strategy, a fundamental pillar of the Company's Corporate Social Responsibility Master Plan.



FCC Energía develops projects in the field of renewable energies, energy efficiency, cogeneration and energy recovery from waste.

Currently, it is operating fourteen wind farms with a total installed capacity of 421.8 MW. This area also has two photovoltaic farms with a 20 MW capacity and two solar-thermal power generation plants under construction. All FCC Energía facilities are located in Spain.

In 2011 FCC Energía's turnover amounted to 74 million euros.



CHALLENGE III CSR

CHALLENGE III

EFFICIENT WASTE MANAGEMENT

Waste management is an underlying problem resulting from increasing urban growth and development. As noted in the study *The Future of Cities* by the World Economic Forum, the use of digital technology for the monitoring of wastes, legislation designed to increase efficiency in waste disposal and consumer pressure on manufacturers are factors that would help solve this problem. By 2020, wastes will have grown by 35% in comparison to those generated in 2000, according to the

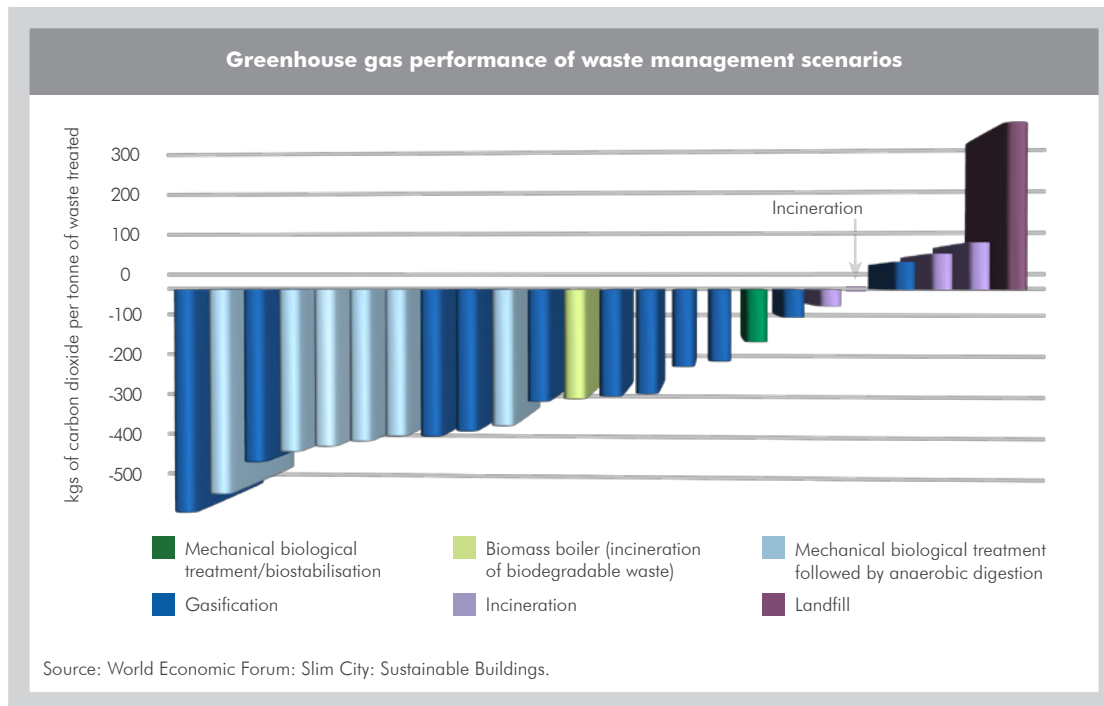
European Union. The European Union's goal is to increase recycling and recovery by 20% by 2020 in comparison to 2000 levels.

The FCC Group notes that the trends point to the establishment of new dialogue models for all those involved. The company believes that its responsibility is to contribute by means of their business activities to meeting these challenges, transforming them into opportunities, so that it can provide long-term value to society as a whole.

Opportunity: International presence in waste management

FCC Group environmental services companies develop their sustainability strategy around reducing the climate footprint, around efficiency and around the development of technologies that will enable maintaining a supply of services that meet the new demands of consumers and public administrations that require more in terms of the environmental impacts of business activities.

The new European Directive on Waste Management includes objectives for 2020 for member states to recycle 50% of municipal waste and 70% of construction and demolition waste (CDW). Buildings and residential areas must have spaces to separate waste by type, thereby encouraging residents to recycle. The separation of wastes at their source will increase the viability of producing energy from them as well as solutions to convert organic waste into compost.



CSR CHALLENGE III



The FCC Group provides its urban water treatment services through its subsidiaries: FCC Medio Ambiente, Waste Recycling Group (WRG), A.S.A. and Proactiva medioambiente (with a 50% equity interest in the latter).

The urban sanitation services provided comprise mainly waste collection, street cleaning, the transport and treatment of urban wastes and the maintenance and upkeep of parks and gardens. The FCC Group is a leader in this sector in Spain and is one of the largest operators in Latin America, the United Kingdom, Austria, Portugal, Egypt and the following eastern European countries: the Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria and Serbia. It provides services to more than 72 million citizens.

Since 2007, FCC Medio Ambiente has electric and hybrid vehicles in its fleet for carry out its services.

The 2011 turnover for this FCC business exceeded 2.5 billion euros.



FCC Ámbito provides services in the field of integrated management of industrial waste, industrial cleaning, decontamination of soil and external intervention in case of accidents, spillages, discharges, etc.

In 2011, FCC Ámbito processed more than 2,300,000 tonnes of industrial waste. It is currently the Spanish market leader in the treatment of this kind of waste, managing over 1,500,000 tonnes per year at its own plants. Internationally, it is present in the United States, Portugal and Italy, where it processes over 800,000 tonnes.

One of FCC Ámbito's most significant activities this year was the commissioning of the first alternative ecological fuel plant, derived from non-hazardous industrial waste (WDF) in Castellbisbal (Barcelona), which can replace conventional fuel, such as petroleum coke, in cement or similar type industries.

FCC Ámbito's turnover exceeded 318 million euros in 2011.

CHALLENGE IV CSR

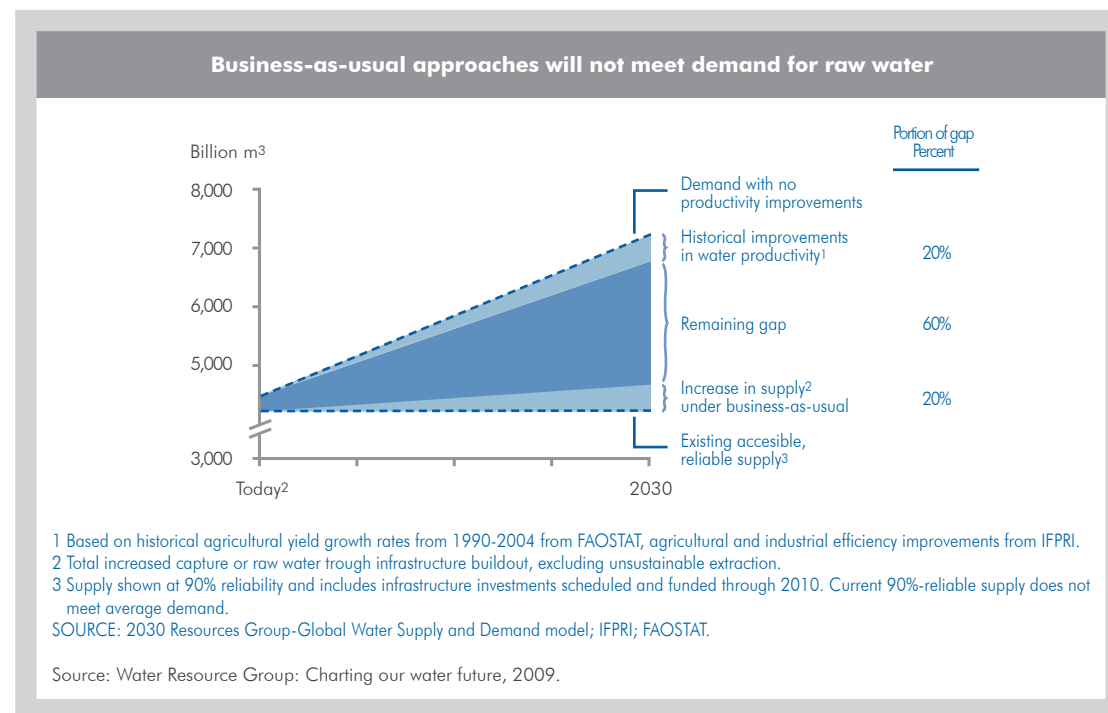
CHALLENGE IV

WATER SHORTAGES

According to the report Charting Our Water Future 2009 from the leading organisation Water Resources Group, in an average economic growth scenario, if there are no gains in efficiency by 2030, worldwide water needs will grow from 450,000 hm³ to 690,000 hm³, a figure 40% higher than current supply capacity. This global figure is the sum of a large number of local data from

municipalities with a large number of watersheds, located especially in developing countries, where the situation is even worse and the water deficit to supply the population exceeds 50%.

An analysis of these trends has made FCC Group develop new dialogue models for all parties involved, thus leading to the awareness of the company's responsibility to contribute through its business activities to overcoming these challenges and creating value for society.



CSR CHALLENGE IV

Opportunity: solutions for an increasing demand for water

According to the study Charting Our Water Future, the only solution to satisfy the demand for water would involve an additional investment in obtaining water resources of some 200,000 million dollars a year, five times the total annual current expenditure on this type of supply infrastructures. The application of the best available technology solutions would reduce the additional investment to a quarter – 50,000 million dollars a year – with an annual capital cost of around 19,000 million dollars to 2030.

The FCC Group's expertise in developing solutions for the optimal management of water can be found in its subsidiary aqualia. Currently, it is one of the few companies in the world able to provide answers to all the needs associated to the different water uses: for agriculture, industry and human consumption. It is currently the third largest water management company in the world, as published in Global Water Intelligence. With its more than 7,000 highly qualified professionals, aqualia applies the latest technology to offer its customers the answers and solutions that optimise the service.

In terms of inefficiency in water resources and operations, the usual losses are 40%, and up to 70% in some cities; aqualia focuses its efforts on its commitment to efficiency and technology to reduce leakages.



aqualia is the company that manages all FCC Group's water cycle activities. aqualia meets all the needs arising from the ways water is used. Its three areas of activity are: integrated water management, design and construction of water infrastructures and global solutions for water use in industry.

aqualia is the third-largest water management company in the world. It provides services to about 1,100 municipalities, serving over 28 million people worldwide.

aqualia is the leader in its sector in Spain with a 36% market share of outsourced water management. In the rest of the world, the company operates in Portugal, Italy, the Czech Republic, Poland, Romania, Algeria, Egypt, Saudi Arabia, the United Arab Emirates, China, Mexico and Chile, among others.

In 2011, aqualia's turnover amounted to 844,9 million €.



FCC - AT YOUR SIDE 24 HOURS A DAY CSR

FCC - AT YOUR SIDE 24 HOURS A DAY

FCC Group is a company specialising in the provision of citizen services. The Group's dedication to serving citizens and its commitment to making cities more sustainable places is the hallmark of the Group's business activities.

This same diversification has enabled FCC Group to offer comprehensive, 24-hour service to the community, from the provision of community services and the development of infrastructures, to the promotion of renewable energies.



Generation of clean energy

FCC Energía is active in the energy industry, with special interest in the areas of cogeneration, energy efficiency and renewable energies.

Construction and refurbishment

FCC Construcción is a world reference in the execution of civil engineering works: roads, railways, airports, hydraulic and maritime works. Besides the company has extensive experience in the construction, refurbishment and renovation of buildings that integrate the most advanced techniques in intelligent construction, security and comfort.

24-hour comprehensive water management

Aqualia serves more than 28 million people in 1,100 municipalities in 17 countries by supplying, treating and desalinating water. It is currently the fourth-largest water management company in the world and applies the latest technological advances available.

Street furniture

CEMUSA specialises in the design, manufacture, installation and maintenance of street furniture and its advertising sales. With over 25 years of professional experience, CEMUSA offers its services in over 140 municipalities in Europe and America. Cities such as New York, Madrid, Barcelona, Río de Janeiro, Boston, Lisbon and Genova provide the best showcase of the Company's designs.

Conservation of roads and forests

FCC Group carries out the maintenance of over 1,600 km of dual-carriage ways and 2,100 km of roads as well as activities to prevent forest fires.

Decontamination of contaminated soil and water

FCC Ámbito provides its services from more than 100 facilities in four countries, recycling and managing around 2.5 million tonnes of industrial waste per year.

Comprehensive waste management

FCC Group provides urban sanitation services to over 50 million citizens worldwide, integrating new treatment techniques and developing specific projects for each city.

Logistics

FCC has 64 operational centres in the main logistics cities in the Iberian Peninsula, 1,000,000 m² of storage space and over 300,000 m³ of controlled-temperature storage.

CSR FCC'S VIEW TO 2020

FCC'S VIEW TO 2020

The FCC Group would like to be recognised as a company committed to the development of the communities it serves through the activities, goods or services it provides. In order to be part of the solution to the sustainability challenge and to take better advantage of the opportunities in citizen services markets, FCC Group aims to:

- ▶ Better understand and connect to the real needs of citizens and to be the protagonist of these changes.
- ▶ Create new capabilities that enable the design of better sustainable solutions.
- ▶ Strengthen the organisation in order to respond better, faster and more consistently to the challenges posed by the transformation of urban centres worldwide.

OPERATING PRINCIPLES THAT GUIDE THE BEHAVIOUR IN THE DAY-TO-DAY WORK OF ALL OF THE COMPANY'S EMPLOYEES.

Doing things well

At FCC we have always done things well because we cannot conceive of any other way to work, and this is an essential element of the commitment we have with all our interest groups, both internal and external. Doing things well means we must give the best of ourselves in terms of both professional competence and personal attitude.

Integrity

At FCC, integrity is a personal and professional requirement. Having integrity means – besides fulfilling our commitments – respecting the people we interact with and behaving in an honest, upright and transparent manner every day, in all our activities and in every country we operate in. This is a holistic view of business that goes beyond the economic legitimacy of the organisation by assuming its responsibility in building a more balanced and prosperous society.

Efficiency

Efficiency is part of our history and is one of the reasons we are successful. For all FCC's employees, being efficient means to be austere, minimising the use of resources of all kinds and making the most out of them in our work and when achieving our objectives. At FCC, efficiency is an economic, environmental and social asset.

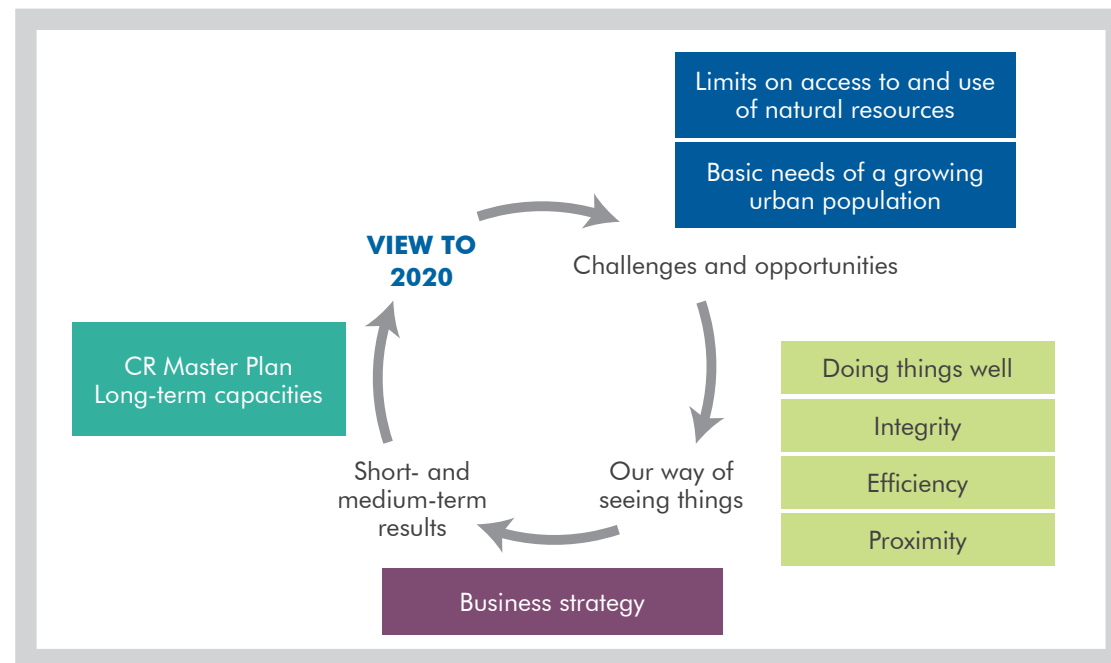
Proximity

We are a citizen services company that maintains close communication with the societies in which we operate, thereby responding to the changing needs of communities in the 21st century. This principle requires us to respect the expectations of the individuals that are part of these societies, while at the same time trying to provide answers that satisfy the public interest.

FCC'S VIEW TO 2020 CSR

To do this, the company has renewed its values, which are FCC Group's four corporate principles that guide the company's business and the daily work of all its employees: integrity, efficiency, proximity and to do things well.

The principle of integrity goes beyond fulfilling the commitments made by the company and its professionals: it is FCC's contribution to achieve a balanced and prosperous society, with honesty and transparency, wherever the company operates. Efficiency means optimising resources to maximise their return in economic, social and environmental aspects of each of the business activities. The principle of being close to its interest groups allows FCC to meet their expectations with greater understanding; ultimately, doing things well is a value that has been an integral part of the company since its inception, and something it considers necessary for success.



Structure of the Corporate Responsibility Master Plan

As part of this view to 2020, in 2011 the FCC Group adopted its new Corporate Responsibility Master Plan covering the 2012–2014 period. The Plan also takes stock of the results of the previous one (2009–2010), strengthening the points in the Plan on which the company can move forward in an even more resolute manner. The balance of performance against objectives, along with a comprehensive analysis of trends related to the needs of the sustainable cities of the future and the challenges related to sustainability in each one of FCC Group's business areas, is the basis for defining the company's new corporate responsibility strategy.

The Corporate Responsibility Master Plan 2012 – 2014 focuses on the FCC Group's new principles and its corporate strategy based on consolidation, internationalisation, diversification and making the most of synergies between businesses. The lines of action that have been defined and that determine the structure of this report are based on the Plan's three strategic approaches:

- I. **Exemplary behaviour.** The principles of integrity and doing things well are the origin of the first pillar of the Master Plan. The aim is to position FCC Group as an example of authenticity in its commitment and its way of doing business. To do this, one of the first tasks carried out along this line has been to strengthen the company's ethical framework, allowing it to address the major challenges facing FCC with an aim to promote exemplary behaviour.

Within the company's ethical framework, a commitment to people will guide FCC's behaviour in all its business activities and at all levels: safeguarding the health and safety of its employees, promoting equality and diversity, identifying potential areas for integrating groups that have special needs and those that are vulnerable, and extending these commitments to communities, suppliers and contractors.

CSR FCC'S VIEW TO 2020

- II. Intelligent services.** The principle of efficiency is the inspiration for this pillar of the Plan. As a Citizen Services company, FCC Group must assume the challenge that is part of its business activity, and be part of the solution to the problem of greenhouse gas emissions generated by highly concentrated populations in urban areas. In order to address this challenge, we propose a strategic focus on innovation aimed at mitigating climate change and on capacity-building directed at adapting the company to new scenarios affected by this phenomenon.

For FCC Group, innovation and efficiency as the best tools for combating climate change are at the core of the concept of intelligent services. The company is currently involved in developing a climate change strategy whose guarantee of compliance is underwritten by the company's highest governing body, represented on the Climate Change Commission, which will act as the primary prescriber within the Group in matters relating to climate change. The application of the climate change policies from the Commission until its enforcement in all lines of business will materialise the actual implementation of the intelligent services.

FCC also must investigate what future sustainable cities will be like, applying its know-how to the design of eco-efficient citizen services.

- III. Connecting to citizens.** The principle of close communication with citizens is underpinned by the belief that the company can and should be a catalyst for citizens to be the protagonists of a sustainable city. FCC Group wants to promote sustainable habits in the cities where it operates, by relying on the commitment of the people who are part of the company, by remaining in contact with the interest groups involved and in constant consultation with prescribers in strategic markets.

This connection with citizens is aimed at linking the management of the FCC Group to the trends and needs of the communities of the future. The joint involvement of FCC Group and the public in addressing the urban challenges of this century, based on the capacities developed by the company and the commitment of its employees, will be the starting point for the promotion of sustainable habits.



FCC'S VIEW TO 2020 CSR

THE ARCHITECTURE OF THE CORPORATE RESPONSIBILITY MASTER PLAN 2012-2014

We are an example of authenticity in commitment

EXEMPLARY COMMITMENT

Position FCC as an example of authenticity in its commitment and in its way of doing business

1

Have a referential framework for initiatives relating to integrity and business ethics.

We are leaders in the design of the sustainable cities of the future

INTELLIGENT SERVICES

Position FCC as the leader in the design of the sustainable urban communities of the future.

2

Develop new solutions for key issues that enable us to be leaders in the design of the communities of the future through an innovative and effective management model in connection with our business activities.

We are a catalyst to enable citizens to be the protagonists of sustainable cities

CONNECTION WITH CITIZENS

Transform citizens into the protagonists of sustainable cities

3

Promote initiatives that encourage citizens to be aware of sustainability and integrate the indications from citizens into our decision-making.

POSITIONING
2020

PRIORITIES
STRATEGIC

5 ACTION
PROGRAMMES

2 ACTION
PROGRAMMES

5 ACTION
PROGRAMMES

SUPPORT TOOLS

GOVERNANCE AND MONITORING OF THE PLAN

OPERATIONAL CR PROGRAMMES IN THE AREAS

ACTIONS AND
OBJECTIVES

CSR FCC'S VIEW TO 2020

Responsibility in the implementation of the Master Plan 2012 – 2014

FCC Group believes that the implementation and application of corporate responsibility throughout the organisation requires a stable organisational structure driven by senior management and committed to carrying out operations in the different business activities in the FCC Group's portfolio. The coordination of corporate policies and those stemming from the areas, divisions and business units is done through the Communications and Corporate Responsibility Department. The policies, master plans and reports detailing the degree of progress on actions taken in this regard are submitted to the Management Committee and the Board of Directors for supervision, in line with the responsibility assumed by this body in the field of corporate responsibility.

Each business area has its own lines of action in which the company's strategic priorities are further detailed. All of them are covered by the FCC Group's Master Plan, which sets new objectives for the 2012 – 2014 period.

Results of the Sustainability Master Plan 2009 – 2010

With the approval of the Second Corporate Responsibility Plan 2009 – 2010, the Board of Directors of FCC established, as one of the Group's strategic objectives and that of the different business areas, the commitment to the sustainability of its activities by promoting socially responsible actions that meet the expectations of its interest groups, a commitment that was also incorporated into the Group's Strategic Plan.

There were six strategic lines and progress in each of them has allowed us to analyse the position of FCC Group in each, allowing us to take a big leap into the new commitments reflected in the new Master Plan 2012 – 2014 in order to address the great challenges of the cities of the future.

The results of the Second Master Plan (2009 – 2010) are explained in the next table.

GOOD GOVERNANCE

The objective is to promote and consolidate the principles of good governance, integrity and transparency in all the organisation's activities.

ACHIEVEMENTS

- ▶ There were 9,350 people trained in Equality, Harassment Prevention and Ethical Behaviour.
- ▶ Implementation of a centralised procurement model.
- ▶ Inclusion of clauses on compliance with the principals of the Global Compact and FCC Group's Code of Ethics in contracts.
- ▶ Incorporating social responsibility indicators when registering suppliers.
- ▶ Creation of the Risk Management Department.
- ▶ Progress in the Horizonte reporting tool.
- ▶ Information security management system in accordance with ISO 27001.

FCC PEOPLE

ACHIEVEMENTS

Talent management

Attraction and retention of talent in order to ensure the professional development of the human team through the preparation of Development Plans for Management Personnel.

- ▶ Selection process for IESE students for strategic Group projects.
- ▶ FCC-Alpine Programme.
- ▶ Development of the Group's equality and diversity policy.
- ▶ Implementation of an Internal Mobility Programme.
- ▶ Plan for Corporate Training and collaboration with top-level business schools.
- ▶ Definition of management skills for FCC.

Plans for promoting equality

Promotion of policies on access to employment, training and promotion; equal pay, reconciliation of personal life/family/work, and the improvement of working conditions and occupational health and safety conditions of working women on equal terms with men.

- ▶ Commitment to no gender-based discrimination in employment on job application forms and in the link to attach CVs on the FCC Group's website.
- ▶ Working with monitoring indicators to analyse and correct potential discrimination in the selection process.
- ▶ 'Workplace Equality' seal of distinction for aqualia: the first and only company in its sector in Spain.
- ▶ As part of the Management Development Programme organised by the School of Industrial Organisation, training was provided to pre-management women.

FCC'S VIEW TO 2020 CSR

Communication

- Driving the process to integrate employees into the Group, fostering their participation and motivation by improving internal communication, both upwards and downwards. Analysis and study of the various existing communication channels and merging them by drawing up a Communication Plan.
- First Internal Communication Plan.
- Launch of Group-wide awareness and collaboration campaigns.
- Creation of the Employee's Portal and dissemination of services for employees.
- aqualia sends 160 newswatches a year.
- aqualia organises the International Drawing Competition for employees' children and grandchildren.

Work/personal life reconciliation

- Continue with the work/personal life reconciliation policy aimed at different groups in the organisation, without any bias in terms of gender or any discriminatory issues taken into account when applied.
- Flexitime for working day.
- 2010 – 2011 New workday hours at headquarters.

Diversity management

- Discard any discriminatory practice related to including candidates based on gender, language, nationality, age, education, race or disability in the implementation of the Group's diversity policies through compliance with the laws of the countries where we operate and establishing projects to promote the integration of people.
- Collaboration with Fundación Adecco through the 'Plan Familia'.
- Participation in the Autonomous Community of Madrid's Employment and Disability Fair.
- Developing Group's Equality and Diversity Policy.
- The Group has hired 1,019 people with disabilities.
- Agreement with Fundación Once (Spanish Association for social integration and cooperation of people with disabilities to hire 150 people with disabilities.
- Agreement with the Ministry of Health, Social Services and Equality and the Red Cross to promote the social integration of women who are victims of gender violence.

Occupational health and safety

- Improved health and safety conditions where we carry out our business activities, with the resulting benefit for workers. Projecting the Group's image with its commitment to the prevention of occupational risks.
- Consolidation of OHSAS certification (approx. 64% of the company's business activities).
- Implementation of the Protocol for the Notification of Serious or Fatal Accidents.
- Occupational Risks Prevention Communication Plan (PRL); PRL email address.
- Development of FCC's Strategic Road Safety Plan 2010 – 2015.
- A 24% reduction in the accident frequency rate in 2010 in comparison to 2007.
- Reducing the accident seriousness index in line with the targets set, by 10%.
- Launch of Phase 2 of aqualia's Occupational Risk Prevention communication campaign with new messages and materials.

Internationalisation

- Properly structure and channel the management of people in the international scene in order to implement whatever activities are proposed in the different fields of business activity.
- Selection of a single HR information system.
- Development of a comprehensive employee master record (A homogenous tool that allows you to get computerised and parameterised information of FCC Group's personnel).
- FCC's First Global HR Meeting.
- International Mobility project launched by aqualia to offer employees the opportunity to develop their professional careers on an international level.

COMMUNICATION AND REPUTATION

- Strengthen FCC's reputation in matters of CSR, with special emphasis on external and internal communication of socially responsible actions
- Internal and external communication policy
- FCC presence in CSR forums
- Stakeholders

ACHIEVEMENTS

- Collaboration with Forética, the Excellence in Sustainability Club and the State Council for CSR.
- Listing on DJSI 2010 and continued presence on FTSE4Good and FTSE4Good Ibex .
- Participation in the CDP (Carbon Disclosure Project), and in the Business in the Community index .
- The new Network Communication Network internal newsletter and the Communications Room.

CSR FCC'S VIEW TO 2020

COMMUNICATION AND REPUTATION

ACHIEVEMENTS

- ▶ First Roundtable of FCC Group's clients.
- ▶ Stakeholder Engagement & Trust tool at Cementos Portland Valderrivas.
- ▶ Signing of agreements: WWF-Spain, Fundación Plan, Fundación Once, Iberdrola, Citroën, Caritas, Fundación Exit and the Red Cross.
- ▶ aqualia forums with stakeholders.
- ▶ Summer courses at Rey Juan Carlos University and the University of la Laguna.
- ▶ International Drawing Competition.
- ▶ Open house for interest groups held 350 times.
- ▶ Launch of new corporate website.

OUR CORPORATE CITIZENSHIP

ACHIEVEMENTS

The goal is to define a line of social action within FCC's strategy. Among other actions, to consolidate and expand the already-initiated corporate volunteer programme.

- ▶ Design of a conservation and improvement plan for FCC's Carriage Museum.
- ▶ Start-up of the Volunteer Portal.
- ▶ Inauguration of the series of conferences on 'FCC Volunteers' on the Madrid and Barcelona sites of the Fundación Esther Koplowitz.
- ▶ Member of the Advisory Council of the Cooperation Fund for Water and Sanitation of the Spanish Agency for International Development.
- ▶ €13.4 million devoted to community social development.

CARING FOR THE ENVIRONMENT

ACHIEVEMENTS

Definition of a line of social actions within FCC's strategy.

- ▶ Reduction of GHG emissions in 2010 by 16% compared to 2008.
- ▶ Of the energy consumed in 2010, 4.4% came from renewable sources.
- ▶ The Energy Division generated 1,769 GWh of renewable energy in 2009 – 2010.
- ▶ Installation of charging stations for electric vehicles in the Torre Picasso building and in Avenida Acanto and Avenida General Perón in Madrid.
- ▶ Certification of aqualia's energy management system.
- ▶ 74% of FCC Group is certified in accordance with environmental standards.
- ▶ Carbon Trust Standard certification gained 2010, WRG.
- ▶ Replacement of existing sources of energy in the Aldeby with renewable sources.
- ▶ Collaboration with many associations and forums about the environment.
- ▶ Implementation of smart water meters.

RESPONSIBLE INNOVATION

ACHIEVEMENTS

The aim is to boost R&D&i as a strategic and competitive factor in our business management.

- ▶ Aqualia: certification under UNE Standard 166002:2006 (Management of R&D&i).
- ▶ FCC Construcción renews its R & D & I management certificate for three years.
- ▶ R&D&i investments of 23.6 million euros in 2009 and 11.4 million in 2010.

EXEMPLARY BEHAVIOUR CSR

EXEMPLARY BEHAVIOUR

Aware of the need to act transparently, honestly and with integrity and, above all, consistently, the Corporate Responsibility Master Plan 2012 – 2014 aims to strengthen the FCC Group's ethical framework with the objective of promoting exemplary behaviour. To this end, the company plans to have advanced tools for managing issues related to corruption and bribery that will reinforce the Group's commitments within the code of conduct.

Everyone in FCC Group, regardless of his or her responsibilities or geographic location, undertakes to act in an ethical, honest, and transparent manner. The company also has suitable means to safeguard these principles of conduct throughout its value chain, from the procurement of products and services to their delivery to the end user, the citizen.

Exemplary behaviour – 2011 milestones

- ▶ Preparation of the Report on Internal Control over Financial Reporting systems (Spanish acronym SCIIF) in connection with CNMV's (Spanish Securities Exchange Commission's) best practices
- ▶ Development of a project to modernise the Human Resources Information and Management System
- ▶ Creation of a 'shared services centre'
- ▶ Development of FCC Group's Crime Prevention and Response Manual
- ▶ International business accounts for 51% of total sales
- ▶ Review of FCC Group's Code of Ethics
- ▶ Creation of the Response Committee
- ▶ Ethics Channel Auditing in accordance with the ISO 27001 Standard
- ▶ Promotion of local hiring
- ▶ Process to redefine the global competences model, nationally and internationally
- ▶ Redesign of the systems for assessing overall performance
- ▶ Implementation of the Corporate Training Model and Plan
- ▶ Development of specific training to support the internationalisation process
- ▶ Development of the Internal Mobility Programme.
- ▶ Development of FCC Group's Equality and Diversity Policy
- ▶ Creation of the Equality and Diversity Management Team (Spanish acronym EGID)
- ▶ Collaboration agreement with the Red Cross to hire women at risk of social exclusion
- ▶ Achievement of the "zero accidents" objective in FCC Ámbito
- ▶ Development of activities within the framework of the Human Resources Management's Communication Plan
- ▶ Corporate Responsibility Award from the Construction and Wood Foundation of the Comisiones Obreras Trade Union
- ▶ Almost all purchasing done from local suppliers
- ▶ During 2011, 688 million euros were negotiated under the new Procurement Model.
- ▶ One hundred per cent of bids managed under the new Procurement Model
- ▶ Requirement that 100% of FCC Group's suppliers are familiar and comply with FCC's Code of Ethics
- ▶ Breach of the Global Compact Principles may result in the termination of any contract

CSR EXEMPLARY BEHAVIOUR

ACTION PROGRAMMES

MASTER PLAN FOR SUSTAINABILITY 2012 – 2014

OBJECTIVES FOR 2014

- ▶ Make us of a referential ethical principles/integrity framework
- ▶ Promote integration and social inclusion – commitment to people
- ▶ Sustainable guidelines for actions in the value chain – responsible contracting
- ▶ The new framework for ethical behaviour covers 100% of FCC's activities and of those of its main contractors
- ▶ Increase in the number of people who work for FCC with special needs
- ▶ Development of a programme to support employees at risk of social exclusion in Spain
- ▶ 100% of suppliers critical to sustainability and key in terms of magnitude, assessed on environmental, social and ethical criteria

▶ 1. QUALITY MANAGEMENT AND RESPONSIBLE GOVERNANCE

For FCC Group, good governance means ensuring that the company is managed focusing on creating long-term value for its shareholders in a manner in which environmental and social variables, as well as the expectations of competing interest groups, are integrated into its administration and management model.

FCC Group's senior management continues to ensure that operating under the principle of transparency, one of the most effective ways to generate trust towards the company and to prevent the occurrence of bad practices is a strategic priority. In this regard, FCC's governing bodies apply the highest standards of corporate governance and its managers are in constant contact with its interest groups in order to know what their perception of the company's performance is.

FCC Group's actions regarding corporate governance are available in the compulsory Annual Corporate Governance Report, available on FCC's and the Spanish National Exchange Commission's (CNMV) websites.



EXEMPLARY BEHAVIOUR CSR

1.1. Good governance in FCC Group

FCC Group believes that good governance is fundamental to ensure appropriate strategic guidance for the company. Since the entry into force of the Unified Code of Corporate Governance of listed companies, FCC Group has adapted a large part of its standards to the point that it has incorporated almost all of the recommendations in the Code into its own corporate governance model.

Compliance with these recommendations and the commitment to information transparency in this area represent the effective implementation of FCC Group's commitment to good governance. In this respect, the composition of the Group's Board of Directors covers, firstly, the principles of effectively representing the structure and, secondly, the balance of its governance.

Good governance ensures the proper strategic guidance for the company. Knowing this, at FCC Group we incorporate the highest international standards of good governance into the management of our company.

1.1.1. General Shareholders Meeting

The General Shareholders Meeting is FCC Group's main decision-making body. At the General Shareholders Meeting held on 1 June 2011, shareholders representing 76.37% of the company's capital either attended or had a representative present.

In accordance with the right to information prior to the General Meeting of Shareholders, FCC Group makes all necessary information available to the shareholders from the date the meeting is called through its website, and establishes channels of communication such as the Electronic Shareholders' Forum.

1.1.2. Board of Directors

The main function of the Board of Directors is to ensure that the company is being managed in the long-term interest of its shareholders by monitoring and supervising strategic corporate decisions. At present, the company's Board of Directors has 18 directors, five of whom are independent. The presence of five women on the Board is worth mentioning, resulting in 27.7% of Board members being women, one of the highest ratios in listed companies in Spain.

In 2011, the Board of Directors held ten plenary meetings and promoted a number of activities related to good governance and corporate responsibility, among which the most important are the following:

- ▶ Chair of FCC Group's Corporate Responsibility Committee
- ▶ Chair of the Committee for Monitoring the Internal Rules of Conduct and the Code of Ethics
- ▶ Monitoring of the Corporate Social Responsibility Policy: review of compliance with the Second Corporate Responsibility Master Plan and approval of the Third Corporate Responsibility Master Plan (2012 – 2014).
- ▶ Approval of the Corporate Responsibility Report and Corporate Governance Report

In addition and with the aim to optimise its operations, the Board of Director's Regulations envisage the self-assessment of its performance and that of its members, the quality of its work and the effectiveness of its rules, and to implement, where necessary, measures to improve the effectiveness of its operation.

1.1.3. Board Committees

In order to conduct the comprehensive monitoring and control of the issues most relevant to the correct operation of the company, and to achieve greater efficiency and transparency in the exercise of its powers and in the performance of its duties, the Board of Directors has four committees: the Strategy Committee, Appointments and Retributions Committee, Executive Committee and Audit and Control Committee.

1.2. Risk control and management

The approval of the Risk Control Management Plan, as well as the regular monitoring and supervision of FCC Group's internal control and information systems is, given its special relevance, the responsibility of the Board of Directors.

With the support of risk managers from the different business areas whose activities it coordinates, the Risk Control and Management Department is constantly updating and improving both the definition and assignment of responsibilities regarding risk management at

CSR EXEMPLARY BEHAVIOUR

operational level, as well as of related procedures and methodologies, among which are:

- ▶ The identification of key risks for FCC Group based on their potential threat to achieving the organisation's objectives
- ▶ The assessment of the risks The risk assessment scales are defined in terms of their potential impact should they materialise, and the probability of their occurrence
- ▶ The classification of the risks
- ▶ The optimisation of controls and risks through the establishment and monitoring of action plans relating to the most relevant risks, including indicators to measure and monitor them
- ▶ The mechanisms for regular communication of the results of the assessment and monitoring of the risks, as well as of their materialisation
- ▶ The implementation of specific procedures to document risk management when taking business decisions
- ▶ The regular and systematic updating of the risk assessment processes and controls described above

The risks affecting FCC Group have been classified based on international best practices and by applying the COSO II methodology.

FCC GROUP'S RISKS

Strategic Risks

- ▶ Strategic planning / market / country.
- ▶ Technological capacity / Innovation.
- ▶ Reputation / Corporate governance management.

Operational Risks

- ▶ Management of tendering and contracting.
- ▶ Selection of partners, subcontractors and suppliers.
- ▶ Human resources management and on-going professional development.

Compliance Risks

- ▶ Code of Ethics.
- ▶ Management of legal risks.
- ▶ Management of fiscal risks.
- ▶ Internal control over financial reporting system (ICFR).
- ▶ Protection of personal data.
- ▶ Quality management systems.
- ▶ Environmental management systems.
- ▶ Information security systems.
- ▶ Occupational health and safety systems.

Financial Risks

- ▶ Capital risks.
- ▶ Interest rate risks.
- ▶ Exchange rate risks.
- ▶ Solvency risks.
- ▶ Liquidity risks.
- ▶ Concentration risk.
- ▶ Credit risk.
- ▶ Risk-hedging financial derivatives.

EXEMPLARY BEHAVIOUR CSR

STRATEGIC RISK MANAGEMENT

Strategic planning / market / country

FCC Group's external presence is concentrated in OECD countries and in selected emerging economies, where a rigorous analysis of operational and financial market risks is conducted.

Technological capacity / Innovation

Various tasks are being carried out, such as redesigning and implementing a corporate balanced scorecard that enables the automatic availability of management indicators. Specifically, in the areas of managing suppliers, procurement, billing, staff training and submission of bids, FCC Group is implementing new technology systems to mitigate risk from both clerical errors and fraud.

Reputation management / Corporate governance

This is framed within FCC Group's Code of Ethics and within the work done on issues related to corporate responsibility and ethics. Social responsibility policies are an inherent part of FCC Group, for which conducting business requires a comprehensive commitment to the society it is part of.

OPERATIONAL RISK MANAGEMENT

Management of tenders and contracts

The company has policies and procedures that emphasise the technical and technological quality, economic viability and competitiveness of tenders. FCC Group is implementing a specific procedure for risk management in the different stages of tenders, contracts and performance of contracts.

Human resources management and on-going professional training

FCC Group is developing a project to modernise the information and human resources management system that will integrate all information into a single global database for the company. Additionally, the Group has created a 'shared services centre' and, in particular, is developing training plans for all the personnel involved in the preparation of the company's financial statements.

Selection of partners, outsourcing and suppliers

FCC Group's General Policy Guidelines and the application of the outsourcing model set out the minimum requirements for Group companies to be able to outsource public or private construction works. The Human Resources Guidelines also define job responsibilities in cases of outsourcing personnel. Finally, FCC Group has implemented an e-commerce platform in order to manage the procurement and supply processing and its relationships with suppliers.

SYSTEMS FOR CONTROLLING COMPLIANCE RISK

Code of Ethics

The Code of Ethics is the tool that guides and directs the actions of the company's professionals on social, environmental and ethical issues. In addition, FCC Group has also developed a Manual on Crime Prevention and Response.

Occupational health and safety system

FCC Group's activities are governed by the voluntary OHSAS 18001 Standard on health and safety.

Privacy policy

FCC Group has a programme that defines the legal, organisational and technical controls required in each case and maintains regular contact with regulatory agencies and relevant interest groups in order to stay abreast of any changes in doctrine or legislation that might affect the company.

Fiscal risk management system

This system establishes criteria for FCC Group's fiscal policy through the General Rules Guidelines and advises and coordinates tax efficiency in corporate acquisition or restructuring transactions.

Legal risk management system

Compliance with the legislation governing FCC Group's various activities is ensured by internal control procedures.

Quality in all activities

The FCC Group has quality management systems covering all its activities and has successfully passed the regular assessment audits. The quality committees are the highest executive bodies in this area and are responsible for setting guidelines, monitoring compliance and reviewing the system in accordance with the UNE-EN ISO 9001 Standard.

Environmental management systems

FCC Group has implemented environmental management systems in accordance with the ISO 14001 standard in its various areas of business activity.

CSR EXEMPLARY BEHAVIOUR

Internal control over financial reporting systems (ICFR)

FCC Group has prepared the ICFR Report for the 2011 financial year in connection with the best practices proposed in the report published by the CNMS (Spanish Securities and Exchange Commission) and has submitted it for review by the External Accounts Auditor.

Information security systems

FCC Group has Corporate Information Security policy that sets out the common criteria for information management in order to mitigate risks that could affect confidentiality, availability and integrity. In 2011, the information systems were subjected to independent review in accordance with the UNE-ISO/IEC 27001.

FINANCIAL RISK MANAGEMENT SYSTEMS

Capital risks

The company comprehensively analyses the cost of capital and the risks associated thereto in each investment project.

Interest rate risks

FCC Group has a policy of constantly monitoring the market and holds different positions depending on the asset being financed.

Exchange rate risk

This risk exists due to the Group's positioning in international markets. The company actively manages the exchange rate risk by carrying out financial transactions in the same currency in which the asset is denominated, i.e., an attempt is always made to get financing in the local currency.

Solvency risk

The most common ratio for measuring solvency and the capacity to repay debt is: Net debt/EBITDA. FCC Group's ratios are reasonable, thus fulfilling its commitments to the financing entities.

Liquidity risk

This risk exists due to timing differences between the resources generated by the activity and required funding needs.

FCC Group manages this risk by providing its businesses with a number of lines of credit sufficient and ample enough to meet any contingency that may arise in these uncertain times.

Concentration risk

This risk arises from the concentration of financing transactions with common characteristics and is broken down as follows: Sources of financing, markets/geography (domestic, foreign) and products and foreign currencies.

Credit risk

FCC Group is responsible for requesting financial business reports and assessing the financial soundness of clients before entering into contracts with them, as well as monitoring them on an on-going basis; the Group has established a procedure to follow in the event of their insolvency. For public clients, it is the Group's policy to not accept projects lacking an allocated budget and financial approval.

Risk-hedging financial derivatives

In general, financial derivatives acquired by FCC Group are accounted for as provided for in the regulations for accounting hedges as set out in the Notes to the Financial Statements.

The valuation of the financial derivatives was carried out using generally accepted methods and techniques by experts in the field that are independent from the Group and from its financing entities.

►►► For more detailed information on matters related to FCC Group's corporate governance and risk management during 2011, please refer to the Corporate Governance Report 2011, available on the company website: http://www.fcc.es/fcc/corp/esp/rc_gc.htm.

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► 2. ETHICS AND INTEGRITY

FCC Group would like to be recognised as a group of companies providing citizen services that has the suitable means to ensure the culture of ethics, integrity and transparency that distinguishes the company and is one of its main hallmarks.

Everyone in FCC Group, regardless of his or her responsibilities or geographic location, undertakes by means of the Code of Ethics to act in an ethical, honest, and transparent manner. The company also wants to safeguard these principles of conduct throughout its value chain, from the procurement of products and services to their delivery to the end user, the citizen.

The reference tool that effectively implements FCC Group's commitment to ethics and integrity is the Code of Ethics. Its aim is to stress the Group's corporate culture and rules of conduct and it serves as the guidelines to be followed in the company's business relations with third parties. FCC Group has complementary mechanisms, such as the Internal Code of Conduct in the Stock Market and the communications channel for incidents related to ethical matters, financial irregularities or workplace or sexual harassment.

2.1. The Code of Ethics, guarantor of FCC Group's proper conduct

The Code of Ethics is the standard of reference and one of the main tools with which the company guides the performance and conduct of its professionals in order to unify and strengthen its identity, culture and behaviour patterns. The Code addresses the expected behaviours of FCC Group employees and includes matters related to, among other issues, corruption and bribery, human rights, the development of human capital, occupational health and safety, and respect for the environment.

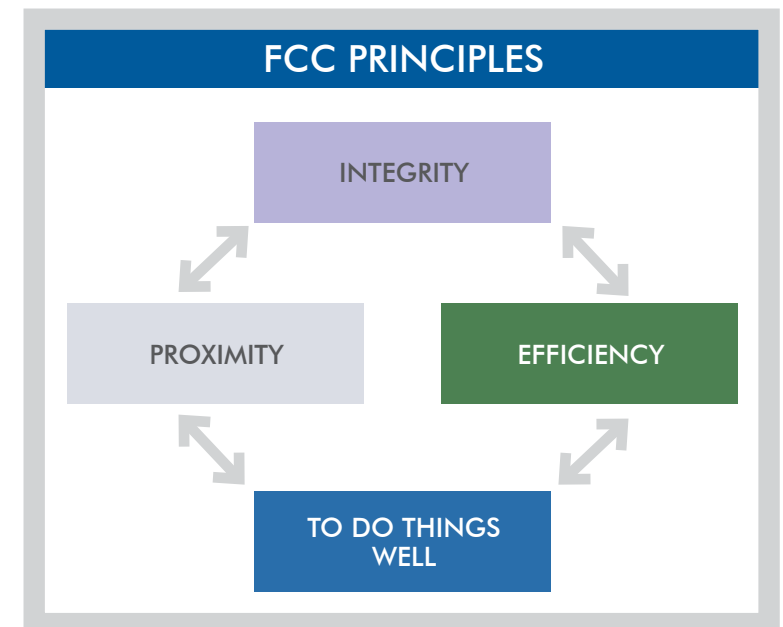
The Code applies in all countries where the company operates and affects all employees, regardless of their level of responsibility and of the geographical location they may work in. The Code's content is based on internationally recognised standards, such as the Universal Declaration of Human Rights, the ILO Tripartite Declaration, the OECD guidelines, the United Nations Global Compact and the Federal Sentencing Guidelines (USA).

It should be noted that the activities carried out by FCC Group's lines of business do not entail any risk of child exploitation or forced labour. In any event, FCC Group explicitly forbids this in its Code of Ethics, and on its employment contracts it requests documentation proving the date of birth of

all employees. In addition, FCC has assumed the provisions in the Global Compact regarding this matter.

In 2011, FCC Group revised its Code of Ethics in addition to updating its principles of conduct, to strengthen the commitments made by its directors, managers and employees in line with the principle of due diligence set forth in the Federal Sentencing Guidelines and to the reform of the Spanish Criminal Code in 2010, thus adapting its Code of Ethics to today's strictest legal standards.

It should be noted that FCC Group's Code of Ethics expressly states that the company carries out its business without interfering with or participating in the political processes of the countries and



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communities in which it operates. In this regard, any relationship FCC Group has with governments, authorities, institutions or political parties is based on the principles of legality and political neutrality.

In addition, FCC Group recognises the right of its employees to exercise their freedom of expression, political thought and, in general, participation in public life, as long as doing so does not interfere with the performance of their duties in the company.

2.1.1. Response Committee

Approved by the FCC Group's Board of Directors, the Response Committee is the body whose general role is to promote the dissemination, awareness of, and compliance with, the Code of Ethics in the company. It consists of the General Manager of Internal Auditing, who chairs the Committee, – the General Manager of Legal Counsel, the General Manager of Human Resources and the Manager of Corporate Responsibility, who serves as Committee Secretary.

ANOTHER STEP FORWARD IN COMPLIANCE: CRIME PREVENTION AND RESPONSE MANUAL

FCC Group's commitment to compliance, ethics and integrity has led its governing body to carry out pioneering headway, among publicly owned companies in Spain, in the development of a Crime Prevention Compliance Programme. Among these steps, in addition to the modification of the 2010 Criminal Code in the Code of Ethics, FCC Group has also developed a Manual on Crime Prevention and Response.

This set of internal regulations establishes a structured internal control system aimed at mitigating the chances of Group personnel committing a crime that can lead to the criminal liability of legal persons. That is why the procedures established ensure better control of the company, are binding and have the highest ranking in FCC Group's regulations. The Response Committee is a body chaired by the General Manager of Internal Auditing and depends functionally on FCC Group's CEO.

The procedures in the Manual provide for:

- ▶ Identifying behaviours that entail a risk of committing crimes in the context of the company and the implementation of internal controls by area
- ▶ Giving special attention to crimes that have a greater risk of occurrence
- ▶ Creating the Response Committee, in charge of responding to irregularities, especially those that may be related to criminal activities
- ▶ Establishing a Complaints Management System protected at the highest level, where all complaints received and any actions taken in connection to them are recorded

- ▶ Designating the position of the Controls List Manager for the implementation, supervision and improvement of the Manual
- ▶ Establishing a corporate training plan on preventing and responding to the possible commission of crimes, set in the framework of the Human Resources' training programme.

The Crime Prevention and Response Manual includes the requirement that all employees are obligated to report any information or evidence that a crime or irregularity may have been committed within the scope of the Group's activities, its employees or its managers. The communication channel ensures confidentiality and that there will be no retaliation against the complainant.

Throughout 2011, at FCC Group we have worked to strengthen the company's ethical framework by renewing the company's Code of Ethics and drafting the Crime Prevention and Response Manual.

▶▶▶ The Code of Ethics, the Manual and other regulations are available on FCC Group's corporate website. http://www.fcc.es/fcc/corp/esp/rc_gc.htm

2.1.2. Control of irregularities and resolving enquiries through the internal communication channel

FCC Group offers its employees an internal communication channel to report irregularities or for enquiries or suggestions for improving the company's existing systems with regard to the matters covered by the Code. All FCC Group personnel are required to report any breaches they discover related to the Code of Ethics. To do this, the company has set up an internal communication channel that allows all employees to make a confidential report of any breaches of the Code of Ethics they may observe.

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Monitoring of the communication procedure in matters relating to criminal offenses and in general with FCC Group's Code of Ethics, rests with the Response Committee.

During 2011, the company underwent an external review of its information security management systems in accordance with the ISO 27001 standard, focusing on risk management and on-going improvement of processes. This review included the reporting and communication channel associated with the company's Code of Ethics.

In 2011, the Code of Ethics channel recorded 14 reports of breaches on the following matters:

- ▶ Caring for the environment: 2
- ▶ Political neutrality: 1
- ▶ The health and safety of people: 1
- ▶ Professional development, equal opportunity and non-discrimination: 6
- ▶ Handling of information: 1
- ▶ Use and protection of assets: 2
- ▶ Money laundering and irregularities in payments: 1

There were no reports related to incidents of child exploitation, forced labour or human rights in any sense of the terms. All reports were resolved in accordance with established procedures.

2.1.3. Training on the Code of Ethics

Until 2011, FCC Group has provided training on the Code of Ethics through an online training module so that all FCC Group employees are aware of and understand the company's commitment to ethics, honesty and transparency, and receive guidance on how best to act in their daily work. In Spain, this training was offered to workers with online access.

The online training module is structured around the importance of compliance with the legal, regulatory and professional requirements assumed by FCC Group and the obligation to report any breaches, as well as around understanding the conduct commitments contained in the Code of Ethics and the procedures and protocols associated with it.

During 2011, the Company did not carry out any general training in this area as the Code of Ethics was being amended. FCC Group plans to implement actions to disseminate the Code in 2012.



Among the activities planned is the development of a training module in its international divisions aimed at ensuring awareness, understanding and compliance with the Code by employees as a key tool to building a culture based on shared values.

2.1.1. Internal Code of Conduct in the Securities Market

In compliance with current regulations, FCC has an Internal Code of Conduct in the Securities Market and a Committee, chaired by the General Secretary, which monitors it in order to, among other competences, to monitor that insider trading crimes are not committed within the organisation.

▶▶▶ The Internal Code of Conduct is available on FCC Group's company website. <http://www.fcc.es>

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► 3. FCC PEOPLE

FCC Group is a big company thanks to the efforts, commitments, abilities and dedication of its employees. It is the Group's people that will make it possible for the company to achieve the ambitious objectives proposed and to continue to create value for shareholders and for society as a whole. Having the best team of people is an important strategic priority for the company and, consequently, so is making FCC an increasingly better place to work.

The Human Resources Strategic Plan aims to promote internal communication through a positive work environment that contributes to the productivity and personal development of our employees. The aim is to provide attractive and stimulating careers and to make use of the attraction and retention of talent, of know-how management, and of equality and diversity to make the company a leader in people management.

Occupational health and safety is another of the hallmarks of FCC Group. The results achieved in this area are evidence of this and demonstrate a progressive decline in frequency and severity rates.

2011 HIGHLIGHTS

- Promotion of local hiring
- Redefinition of the global competences model, nationally and internationally
- Development of performance evaluation model for the entire Group, nationally and internationally
- Implementation of a flexible remuneration system
- Development of FCC knowledge maps and implementation of the Corporate Training Model and Plan
- Development of specific training to support the internationalisation process
- Development of the FCC Group's Equality and Diversity Policy
- Creation of the Equality and Diversity Management Team (Spanish acronym EGID)
- aqualia Gestión Integral del Agua S.A. was granted the Seal of Distinction for Equality in the Workplace
- Collaboration agreement with the Red Cross on the hiring of women at risk of social exclusion
- Development and implementation of the Global Employee Master Record
- Implementation of Internal Mobility Programme
- Design of the Responsibilities Matrix (Selection and Employment)
- Redesign of receiving CV via the website
- Achievement of the "zero accidents" goal in FCC Ámbito

- Implementation of activities within the framework of the Human Resources Management's Communication Plan
- Approval of FCC Group's Policy on Occupational Health and Safety and of the Corporate Manual on Occupational Health and Safety

3.1. Promotion and attraction of talent at FCC Group

Attraction and retention are a priority at FCC Group, which is aware that this is one of the factors that distinguishes successful companies. In this regard, the company's Human Resources Strategic Plan 2009 – 2011 has set out specific initiatives to attract and retain talent, to enhance motivation and a sense of belonging, and to increase the international vision of the people in the Group. Activities planned include the following:

- Promotion of global internal mobility
- Consolidation of a culture of results-orientated management
- Development and integration of compensation and benefits policies and models
- Reinforcement of the training processes common to the different business divisions
- Implementation of a system to analyse potential and for succession planning for key positions
- Definition of management skills for FCC Group

The Department of Selection and Employment manages the task of attracting talent to our organisation. In 2011, FCC received over 40,000 CVs and carried out 332 selection processes. In 2011, 32,988 new people joined the company, and 1,139 employees received promotions.

3.1.1. Promoting internationalisation

The Group has the FCC-Alpine programme, which is aimed at attracting high-potential civil engineers with an international profile

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and fluency in English and German. The programme's objective is to initially hire them to work for FCC Construcción. During this period, they will work on a unique construction project while at the same time they take part in a training programme, with the ultimate goal of being hired by our Austrian construction company, Alpine.

FCC Group also has a full programme of collaboration with universities, business schools and other educational centres through which it promotes entry into the labour market for new graduates. In 2011, 145 interns started their careers in one of FCC Group's companies.

Similarly, the Group has regularly implemented a series of internal mobility plans and initiatives to increase motivation and promote the company's culture. The Internal Mobility Project published a total of 226 job offers. In addition, more than 200 Group employees were transferred to carry out their work outside Spain. It should be noted that local hiring, an objective of the aforementioned Human Resources Strategic Plan, accounted for about 55% of hires recorded in 2011.

To support the internationalisation process, the policy on language training has been redefined and given fresh impetus, and specific training schemes have been incorporated into the Training Plan. Lastly, a course has been designed to support internationalisation for our employees prior to their transfer abroad that provides them with international legal, financial and multicultural management knowledge.

*Key:

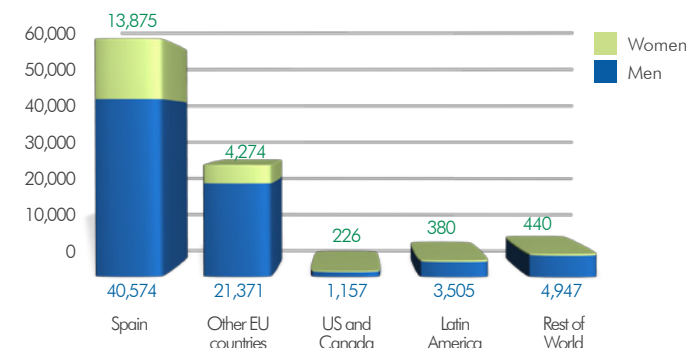
Category 1: Executives and managers, department heads and site managers

Category 2: University graduates, section heads, heads of department, heads of workshops and qualified personnel

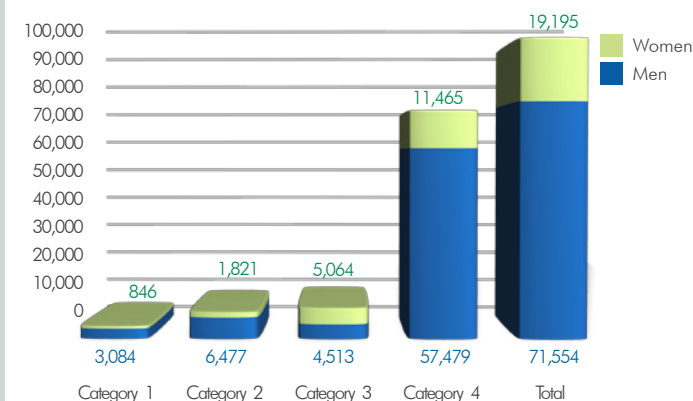
Category 3: Technical and administrative assistants and middle management

Category 4: Workers and junior staff

Distribution of employees by gender and location

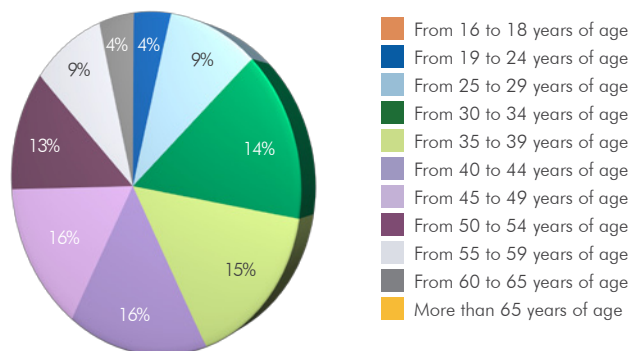


Distribution of employees by gender and job category

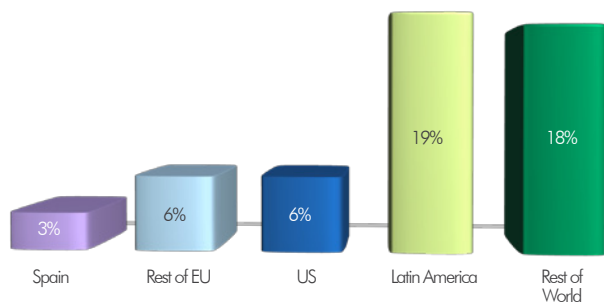


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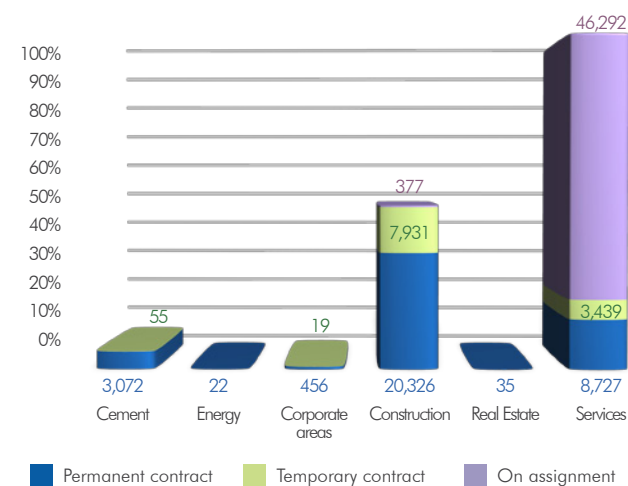
Distribution of employees by age



Average employee turnover by geographical area



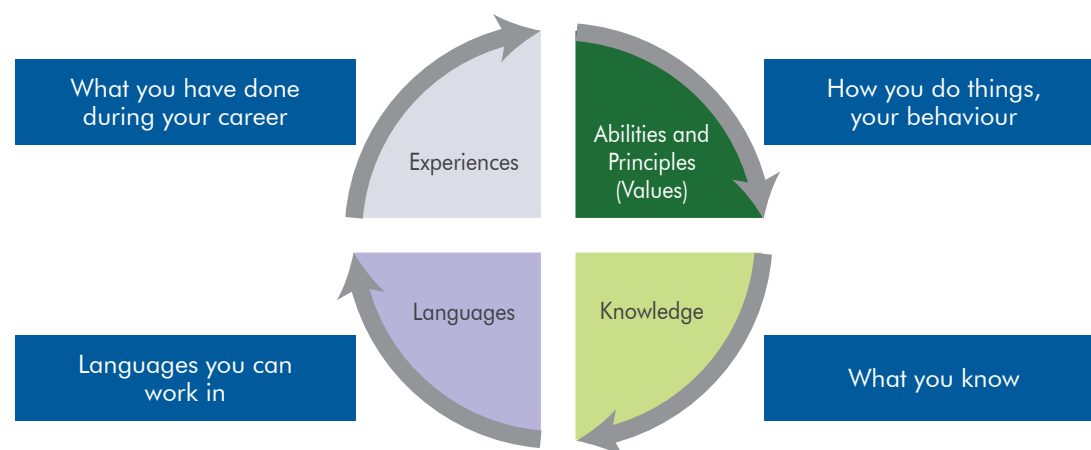
Distribution of employees by type of contract and business division



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Hours of training by business activity (category and gender)

ORGANISATION	MEN					WOMEN					Total
	Category I	Category II	Category III	Category IV	Total	Category I	Category II	Category III	Category IV	Total	
Central services	2,978	4,288	3,619	87	10,972	506	3,895	3,614	0	8,015	18,987
Environment	1,258	91,960	11,547	106,914	211,680	314	19,828	2,149	29,279	51,570	263,250
Field of industrial waste	274	3,404	479	413	4,570	0	712	223	35	970	5,540
Aqualia water management	4,257	21,513	19,935	24,629	70,334	156	8,386		6,513	22,054	92,388
FCC Versia	1,343	16,589	36,595	61,157	115,684	487	6,071	52,332	6,582	65,472	181,156
Construction	32	103,795	420	12,314	116,561	56	30,229	143	1,485	31,913	148,474
Transport	727	1,170	194	3,911	6,002	145	675	433	1,062	2,314	8,316
International environment	12,840	16,462	59,018	49,864	138,184	3,962	9,499	11,454	11,948	36,863	175,047
Cement	2,148	6,107	8,217	11,771	28,243	249	1,065	3,344	287	4,945	33,188
Global Vía	0	0	486	0	486	0	0	154	0	154	640
Total	24,598	191,076	143,293	343,280	702,246	5,561	62,798	79,157	77,223	224,270	926,985



3.2. On-going commitment to the development of human capital

One of Group FCC's objectives is to provide careers and development opportunities that are attractive to the best professionals in the market.

The Human Resources Strategic Plan has resulted in the implementation of an organisational model based on responsibilities and abilities, and on the integration of compensation and benefit policies and models. The Plan also includes the objective of reinforcing training as a route to skill building and full professional development.

In 2010, FCC Group redefined the abilities model at national and international levels, from senior management positions to contract manager positions. The skills required to perform each job in an optimal manner can be defined as a body of knowledge ('what you know'), skills and principles ('how you do things, your behaviour'), languages ('languages you can work in'), and professional experience ('what you have done during your career').

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The company is currently working on redefining of a global abilities model for other groups.

FCC Group is also undergoing a process of redesigning its performance appraisal systems, with the aim of making them common to all employees. The model is based on an annual process of goal planning, monitoring and performance evaluation. The aim is to improve people's contributions to company goals and to facilitate their professional development.

In relation to organisational models, 2010 saw the development of the Job Evaluation Project, which consists of analysing what each position contributes to the organisation and of classifying positions by organisational content. The objective is to have a tool to help manage the design of the organisational structure, the classification system and the remuneration policy. In 2010, as part of this plan, we evaluated senior management at the national level. The second phase of the project began in 2011 and is aimed at the subsequent levels of the organisation. Around 1,600 different positions have been evaluated, as well as senior management positions in the international area.

In relation to compensation and benefit policies, in 2011 a flexible benefits system was implemented. This system allows employees to allocate a portion of their compensation to certain benefits instead of receiving cash.

In the field of training, in 2011 FCC Group provided a total of 926,985 hours of training (8% more than in 2010) to over 114,273 participants (13% less than in 2010), with a total investment of €17,644.295 (14% more than the previous year). The drop in the number of participants is due largely to a training session on the Code of Ethics, Equality and the Prevention of Harassment held in 2010 for nearly ten thousand people.

Training at FCC has the following main objectives:

Firstly to obtain increased performance and efficiency from personnel while carrying out their duties and in company operations, and secondly to achieve the professional development objectives of personnel (to improve their employability).

HOW IS TRAINING CONSIDERED BY FCC

- ▶ As a support for the Strategic and Business plans.
- ▶ To develop individual and group talent that is needed at any given moment.
- ▶ As an efficient way to implement a sense of belonging, culture and common values to the entire organisation
- ▶ To manage the Company's know-how and best practices.

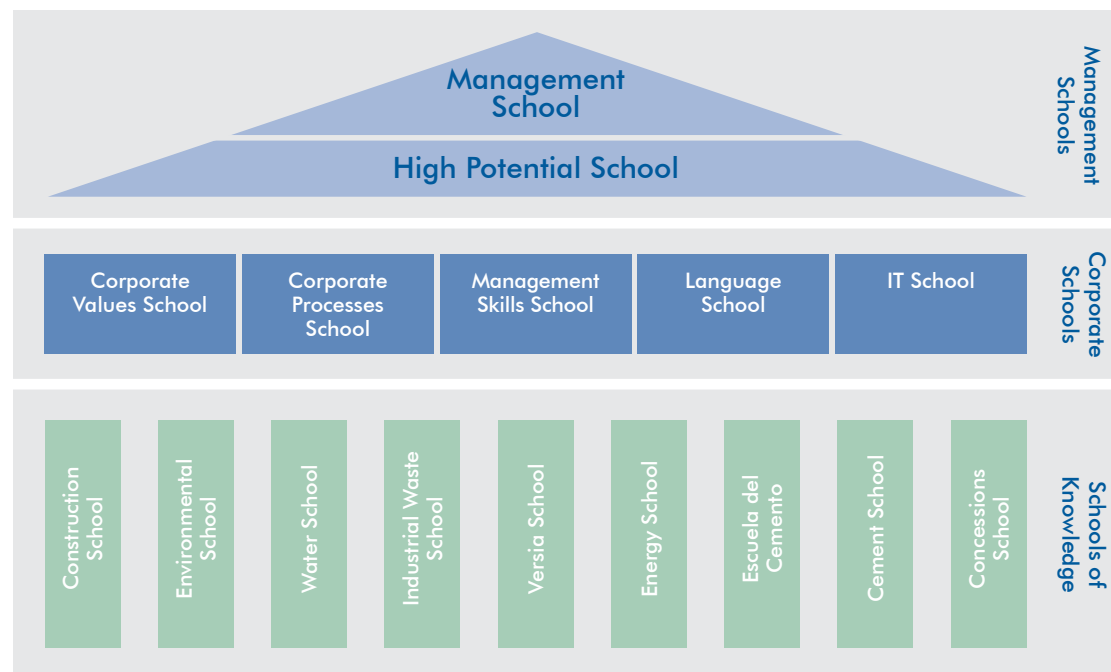
FCC'S PILLARS FOR TRAINING

- ▶ Collaboration with the most prestigious Business Schools.
- ▶ To preserve and disseminate the Group's know-how, culture and values.
- ▶ To align training to the needs generated by the business strategies.
- ▶ The sharing of knowledge and experiences should be part of each employees work.

FCC organises training in the style of a Corporate University based on the businesses and our Strategic Plan, with different schools.

- ▶ Management Schools are aimed at increasing the knowledge and skills of executives and future executives; this is managed in a standardised fashion throughout the different business and corporate areas.
- ▶ Corporate Schools are aimed at providing training on FCC's culture and values, corporate processes, training on skills and abilities, language training, office automation systems, etc. In short, any training that cuts across the different business and corporate areas.
- ▶ And lastly, the Schools of Know-How, which disseminate our know-how linked to the various activities within FCC.

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In order to achieve these objectives, and as a complement to the training plans of each business area, matters that should be common to and cut across all the areas have been included in a Corporate Training Plan: training for the management team, training on FCC's culture and values, training on corporate processes, training in skills and abilities, language training and training in office automation systems.

During 2011, the Corporate Training Model and Plan was implemented further.

- ▶ Within the School of Management, over 200 executives have received training at the IESE business school, and more than 100 executives have participated in the School of Industrial Organization's (EOI) Executive MBA Modules.

- ▶ Within the Corporate Processes School, training has been provided on Finance, Legal matters, Project Management, Information Security, Procurement, etc. matters, much of it specially designed to support the internationalisation of FCC.
- ▶ Finally, in the Language School, specific language training programmes have been encouraged for more than 600 people. These programmes require the student to make the most of and progress in the training as a necessary condition for being able to continue in the programme.

3.3. Key success factors in managing FCC Group people

Diversity, equal opportunity, non-discrimination and the eradication of all forms of harassment are principles and rules of conduct that are part of the set of FCC Group's ethical values.

3.3.1. La diversidad del equipo FCC

FCC Group believes that diversity is factor that enriches the company and generates synergies that enhance know-how and that, therefore, can build competitive advantages. The commitment to diversity is embodied, among other things, in the generation of employment among groups at risk of social exclusion.

In addition, and along with the Code of Ethics, FCC Group has other corporate tools to shape the company's commitment to a corporate culture that enhances respect among employees and equal opportunities for women and men. These are mainly the Equality Policy and the Protocol for the Prevention of Sexual and Workplace Harassment.

FCC Group employs 1,019 employees with some degree of disability and has signed an agreement with Fundación ONCE (for social integration and cooperation) that will enable 150 people with disabilities to be hired between 2011 and 2013. The company also has signed other agreements with different entities a result of which

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the Group will hire people at risk of social exclusion, such as certain groups of young people or women who are victims of gender violence.

3.3.2. Equal opportunities

Equality is part of FCC Group's corporate culture and is strengthened by the development of initiatives tailored to each line of business. In this regard, the company has continued to develop equality plans already agreed in previous years with the main trade unions, implementing specific actions in areas such as access to employment, career development, education and work/personal life reconciliation, among others. New equality plans have also been negotiated at Flightcare and Cemusa, two Group companies.

FCC GROUP'S EQUALITY AND DIVERSITY POLICY

During 2011, FCC Group worked on developing its Equality and Diversity Policy. Managing diversity is a central feature of all Group business activities.

The following have been proposed as objectives at the executive level:

- ▶ Maintenance and implementation of the protocol on the prevention of workplace, sexual or gender-based harassment. The procedure to be followed in this regard is published on the intranet as well as on the internal communication channel igualdad@fcc.es, ensuring direct and immediate attention from company management on any issue relating to this matter;
- ▶ Implementation of the already-created and operating EGID (Spanish acronym for Equality and Diversity Management Team), with the collaboration of one person per company with an equality plan and the assignment of responsibilities to each of them (gender violence, work/personal life reconciliation, etc.), provided with formal training on equality;
- ▶ Implementation of collaborative spaces on the intranet for EGID members and spaces for disseminating equality in an open fashion to the entire organisation;
- ▶ Development of committees to monitor the equality plans, taking part in their regular meetings aimed at providing the supervision and revision of the plans and the preparation of annual reports;
- ▶ Fulfilment of the cooperation agreements on combating gender violence entered into with various private foundations and public agencies on the inclusion of women who are victims of this scourge, and the promotion and dissemination of awareness campaigns;
- ▶ Renewal of equality plans that expire in 2012: FCC, S.A. and FCC Construction, S.A., and the negotiation of new equality plans for FCC Sistemas Industriales y Energéticos, S.A. and for FCC Ámbito, S.A.;
- ▶ Internationalisation of online training on equality, prevention of harassment and establishment of equality plans and programmes appropriate to the legal and cultural environment of the country;
- ▶ Deployment of onsite training for people without access to the intranet;

- ▶ Development of training activities and preparing pre-management women aimed at facilitating their access to management posts;
- ▶ Increase in activities related to personal/family/work life reconciliation.

FCC Group is committed to creating a culture of inclusion that seeks out, respects and values differences; it is aware that a workforce built on diversity helps to achieve business objectives and to develop innovative working methods that increase efficiency and improve the quality of services.

Based on this principle, FCC Group implements work practices in order to ensure that no employee or potential candidate is treated discriminatorily for any reason beyond his or her skills, knowledge and professional performance. In addition, internal mechanisms have been set up that ensure that any claims in this matter are thoroughly investigated and result in the adoption of measures in line with the findings of the investigation.



FCC Group also has a training module that encourages employees to reflect on the equal opportunities and to understand the importance of managing this properly. The company is reviewing this module due to the rewording of the equality policy; as a result, it did not provide training on this matter during 2011.

In order to manage equality and diversity across all its business activities, the company has created and implemented the Equality and Diversity Management Team (EGID) – composed of those responsible for the development of the equality plan in each of the Group's businesses and areas of activity, together with the Corporate Department of Labour Relations, which promotes and coordinates the policies on equality and diversity. Its main function will be to generate synergies between the different areas so that the actions undertaken can be extended to all business areas.

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Understanding diversity and equality as key aspects in the management of FCC Group personnel makes our team our greatest asset

In the area of equality, FCC's adherence to the "Principles for the Empowerment of Women" in the United Nations Global Compact is also worthy of mention, which aims to strengthen the participation of women in all spheres of economic life. The company also supports other initiatives such as the Ministry of Health, Social Policy and Equality's Campaign against Gender Violence and the awareness campaign promoted by the NGO Save the Children.

In 2011, aqualia was awarded the 'Workplace Equality' seal of distinction by the Ministry of Health, Social Policy and Equality. This award recognises companies that are worthy of recognition due to their design and development of policies on equal opportunities between men and women. Among the criteria assessed in order to receive this award are the implementation and outcome of the measures contained in the equality plans, the establishment of procedures and criteria for the periodic assessment of these plans, the implementation of positive actions that actively promote equal opportunities, and aspects of the companies' organisational models and social responsibility.

Obtaining this certification reinforces the path undertaken by aqualia, in line with FCC Group's policies, that promote the professional development and performance of its employees under the guarantee of equal opportunities. In this regard, the Equality Plan entered into with the Comisiones Obreras Trade Union (CCOO) and the General Union of Workers (UGT) in 2009 remains in force.

In accordance with the social action policies developed by Human Resources and based on FCC's commitment to the communities it serves, in 2011 the company, through its Environment office in Madrid, organised the first seminar on 'The Homeless'. This activity falls within the framework of collaboration that FCC, as the company contracted to provide cleaning services, is carrying out with Social Local Emergency and Rescue Services (SAMUR) in the city of Madrid.

This collaboration consists mainly of sharing what FCC workers may know about the location of and other helpful information on those who are homeless, as well as the activation of Social SAMUR when these people are in emergency situations.

Furthermore, and to mark International Day of People with Disabilities, held every 3rd December, the same Madrid office held its 'First Disability Awareness Day'. The seminar, which was attended by a large group of employees including technicians and managers, is part of the Inserta Agreement, a commitment made by FCC in 2010 to mainstream disability in the organisation, and was organised jointly with the FSC Inserta Madrid provincial office.

3.3.3. Workplace and Sexual Harassment Prevention Policy

The first task to be performed to prevent harassment is mainly related to training. Therefore in 2010 a training initiative for almost ten thousand people was carried out on Harassment Prevention.

On an executive level the following objectives have been proposed: implementing and maintaining the prevention protocol for workplace, sexual or gender related harassment and the procedures explaining how to act are published on the internet. The communications received via the internal Communications Channel are processed and immediate corporate awareness and attention are guaranteed, complaints are fully confidential without any fear of retaliation on any matter related to these issues. In addition, there is an objective to internationalise on-line training on harassment prevention and to establish plans and programs adapted to the legal and cultural environment of each country.

20 incidents were recorded in 2011, (2 for sexual harassment and 18 for workplace harassment) and all the files have been closed.



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3.3.4. Dialogue with employees

Active dialogue with employees is vital to understanding their concerns, expectations and concerns. For this reason, participation and dialogue are commitments and hallmarks of the company when it comes to managing people. FCC Group actively promotes internal communication among its employees and between the employees and the company. The various internal communication initiatives are part of the strategy to unite workers around a common project, to value the organisation's culture and to embody the company's transparency in providing information and company management.

FCC Group has the Responsibility for Internal Communication. Its main objective is to promote the activities related to communication and specific internal services that are, in turn, deployed in the Human Resource Department's First Communication Plan. This plan sets out the strategies and guidelines that enable the initiation and dissemination of goals, objectives and projects and the development of a network for communication and dissemination of messages to all the people within the Group.

One of the major communication activities implemented at international level was FCC's Second Global HR Meeting in November 2011, which was attended by the heads of HR operations of all the Group's companies and businesses. Its aim was to share know-how and experiences in order to move forward with the policies and projects in line with global company strategy with the intention of increasing our efficiency, competitiveness and addressing the important challenge of internationalisation. The national meeting was held in December 2011.

In addition to disseminating campaigns on raising awareness of and collaboration and participation in the various social and professional causes and commitments assumed by the Group through its Human Resources Department, the role of Internal Communication is to promote the efficient provision of information of interest to workers, with special emphasis on information and messages, policies and strategies directly related to management of the company and its employees' work environment.

Similarly, FCC Group's strategy actively promotes collective bargaining and participation in conferences and activities carried out by labour union organisations and federations. FCC Group maintains channels of dialogue with union representatives and all organisational changes are consulted in advance with the employees' legal representative bodies as well as with the unions present in these bodies in a process of constructive dialogue. In Spain, the entire FCC workforce is covered by collective bargaining agreements, either by sector or by company. This method of providing a basic regulation of working conditions is predominant across the entire organisation in the different countries, notwithstanding other methods of regulation.



In addition, the company adheres to the United Nations Global Compact, and the OECD Guidelines for Multinational Enterprises, which makes express reference to the freedoms of association and collective bargaining, are among the guiding principles of its policy. Moreover, in order to prevent retaliation at the local level due to the exercise of activities related to trade unions, representation, demands or collective bargaining, managers from the area of labour relations are given instructions to provide advance notification to company management of any disciplinary action aimed at anyone in any of the aforementioned situations, so that it can study and, where appropriate, authorise the implementation of punitive actions.

Along this line, given that some of the countries where the company operates have not ratified the ILO Conventions on collective bargaining and the freedom to belong to a trade union, we negotiated an international framework agreement with the Building and Woodworkers' International Federation (BWINT), reached before the end of the year and signed the following year on 21st February 2012.. This framework agreement expressly sets out these rights and a mechanism for protection against the abuse of either, a formula for

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the publication and dissemination of the agreement at the local level and a joint body to study and resolve conflicts. This is the first international framework agreement signed by a Spanish company operating in the construction industry.

Finally, it should be noted that employees are notified in advance of all changes related to organisation, operations and local or foreign transfers. However, there is a prior consultation process when these changes may involve a change in the ordinary working arrangements of employees. Relevant information is provided to workers' representatives and/or trade unions present in the area affected prior to the adoption of a final decision, and a negotiation process is initiated in order to exchange the perspectives and aims of the different parties.

3.4. Health and safety – a priority at FCC Group

Maintaining a safe and healthy work environment is one of FCC Group's corporate strategic priorities. The company continually strives to support and strengthen its culture of prevention, exchange experiences and ensure that knowledge about best practices is transmitted between the different businesses.

The responsibility for FCC Group's health and safety rests with the Human Resources Department, and is adapted to the organisation's complex structure by taking into account management areas, types of activity, corporate departments and perimeters of action. However, it should be noted that each FCC Group subsidiary sets its own targets for improvement in the area of occupational safety and takes the appropriate steps to achieve these objectives based on the specific nature of their activities.

DEVELOPMENT OF FCC GROUP'S FRAMEWORK FOR ACTION IN OCCUPATIONAL HEALTH AND SAFETY

FCC Group's Board of Directors has approved the **Policy on Occupational Risk Prevention** that reflects the global principles of occupational health and safety applicable throughout the company.

This document, presented by the Human Resources Department, emphasises the importance of preventing occupational risks and of continuously improving health and safety conditions. To this end, there are three main lines of action identified as the main focus of this policy:

1. Continuous improvement in working conditions and in the reduction of accidents
2. A commitment to compliance by the entire organisation
3. Involvement of all interest groups, including clients and suppliers

This policy is the result of extensive experience in the field of occupational risk prevention and includes all binding principles in accordance with current legislation in this matter.

In addition, the Human Resources Department has approved and disseminated through all the organisation's departments the **Corporate Occupational Health and Safety Manual**. This manual defines the corporate criteria and standards upon which, in general, the management of risk prevention in FCC Group companies and business areas should be based.



The manual is a reference tool as well as a tool for the internal regulation and preventive activities of the organisation. Its purpose is to standardise and internationalise management criteria aimed at properly complying with corporate policy on the matter.

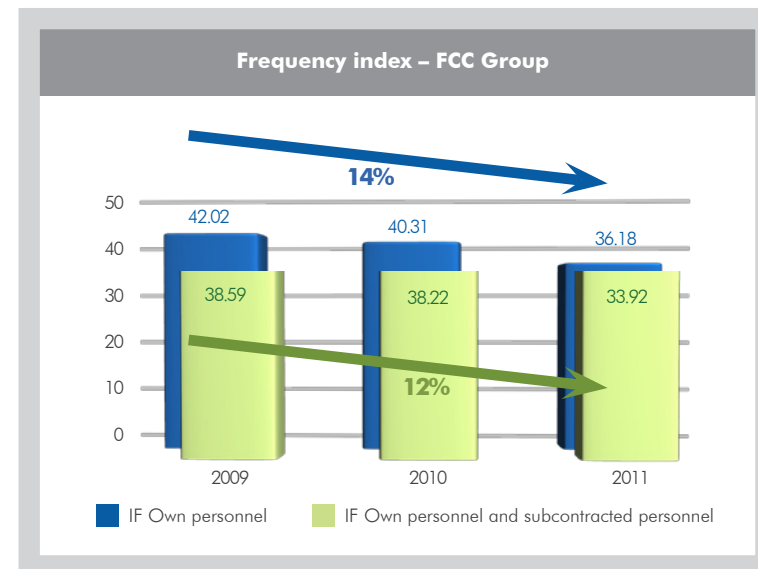
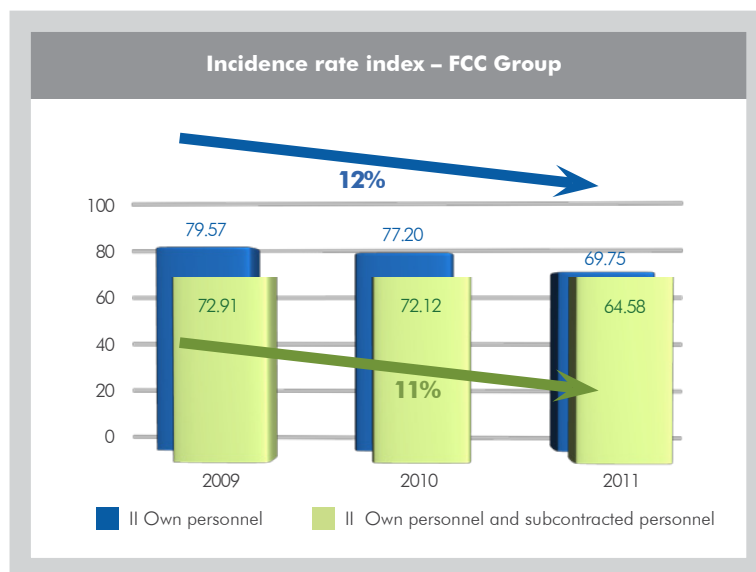
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FCC Group's commitment to occupational health and safety is clearly demonstrated by the growing number of Group companies certified by independent external bodies in accordance with the OHSAS 18001 standard. In 2011, over 80% of the people working at FCC Group were covered by systems certified under this standard, both in Spain and internationally.

3.4.1. "Zero-accidents" culture

FCC Group's management system and the new reorganisation of work help to maintain and continue our aspirations towards the primary goal of '0 Accidents' set by the Group. With this goal, beginning after the establishment of the new structure and management, the company has launched several lines of work and carried out initiatives aimed at maintaining and strengthening the integration of a prevention culture and at improving the results. These activities include:

- ▶ The development and presentation of the First Annual Prevention Awards.
- ▶ FCC Newsletter: disseminating information about healthy lifestyle habits and well-being for workers along with safe work habits in the Group.



- ▶ Creation of the Road Safety website on the Group's intranet.
- ▶ Launching specific campaigns (e.g., Building Safe Bridges, road safety).
- ▶ Training occupational risk prevention (ORP) technicians by means of workshops on health and hygiene, ergonomics and psychosociology, and courses on OHSAS audits.
- ▶ ORP Committee. Development of inter-area corporate meetings to address prevention management. Specific working groups.
- ▶ Integration of the ORP training programme into the Group's Training Plan.

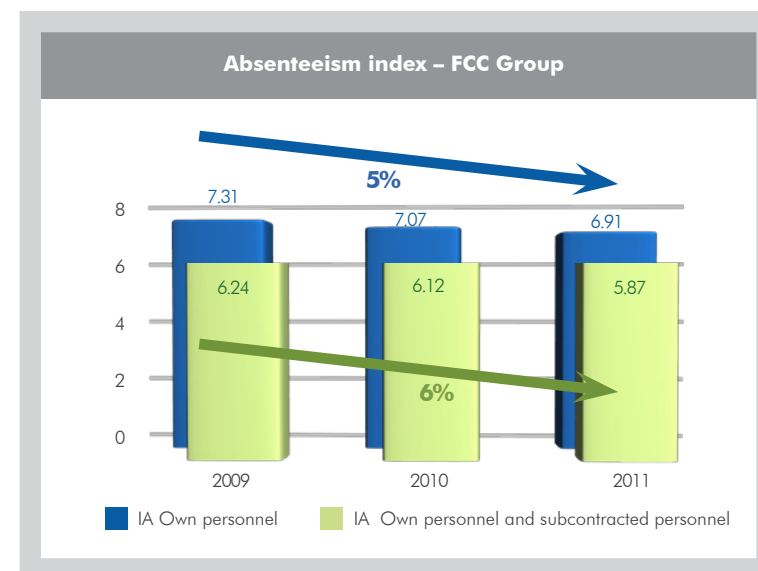
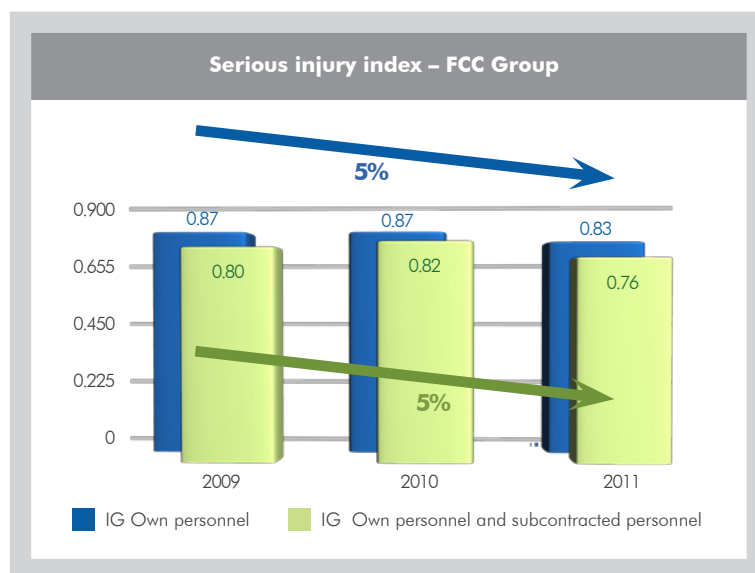
One of the accomplishments of this work is having achieved zero accidents in the FCC Ámbito division throughout all the territories it operates (Spain, the United States, Italy and Portugal) during the

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month of December. This division carried out meticulous risk prevention work and, as a result, there has been notable progress, including a 42% reduction in occupational accidents over the last three years; the creation of a Joint Prevention Service in Spain and certification in accordance with the OHSAS 18001 standard of the FCC Ámbito, the industrial waste division in Spain and Portugal.

Data for occupational accidents have continued the trend to improve when compared to previous years. This positive development is partly due to the actions and programmes implemented across the entire organisation.

Also in 2011, FCC Group provided 318,798 hours of training on health and safety to more than 62,400 participants, with an estimated investment of 4,995,808 euros. During the same year it is worth mentioning the integration of the ORP General Training Programme.



The accident rate indicators show significant signs of improvement over the last three years, taking into account both the simple index (own personnel) and the integrated index (own personnel and subcontracted personnel).

»» In itinere accidents and the number of related sick leave hours are not taken into account when calculating the indexes. This applies to the entire Group (national and international).

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3.4.2. Strategic Road Safety Plan 2010 – 2015

Another strategic activity for FCC Group along this line is the Strategic Road Safety Plan 2010 – 2015, which is the company's response to the social and work-related problems entailed by road accidents. The Plan is deployed in four specific action plans: Road Safety ORP Plan, Road Safety Health Plan, Road Safety Education Plan, which also addresses educational practices aimed at people with disabilities, and Road Safety Mobility Plan.

Furthermore, the Road Safety Strategic Plan is a project that is being progressively internationalised, and FCC Group has set a goal to cover more than 90,000 employees located world-wide and to have a direct impact on more than 200,000 people, including clients, suppliers and people in the workers' family environment. It will also have a significant impact on FCC Group's fleet, which totals more than 21,500 company vehicles.

As part of the Road Safety Strategic Plan, FCC Group has signed the European Charter for Road Safety, a European Commission initiative whose main objective is to implement specific actions to reduce road accidents, to assess the results and to promote awareness of the need to reduce deaths from this type of accident.

In addition, FCC Group and Fundación Mapfre have signed a collaboration agreement which establishes an exchange of resources, information, knowledge and experience in road safety and whose aims are to:

- ▶ Train and provide information about one of the most common risks: road accidents occurring during job-related travel
- ▶ Achieve a greater awareness of the risks involved as a driver and as a pedestrian

FCC Group works actively to incorporate best practices to encourage social awareness activities that contribute to the prevention of road accidents and to promote road safety education. In this regard, in 2011 the Group signed a collaboration agreement with FESVIAL (Spanish acronym for Spanish Foundation for Road Safety) which establishes a relation aimed at working on joint actions. This initiative is part of the Strategic Road Safety Strategic Plan 2010-2015 being developed by the Group.

3.4.3. Collaboration with external institutions

The FCC is an active agent in promoting and disseminating the culture of health and safety and good practices in this field. This is why it shares its knowledge in this field in various forums, organisations and associations dedicated to promoting good management practices.



The company is also a member of AESPLA (Spanish acronym for Spanish Association of Occupational Risk Prevention Services). At the national level, the company cooperates with the National Construction Confederation, the Association of Construction Companies of Madrid and the Regional Institute of Occupational Health and Safety; at the European level, FCC Construcción is working with the European Construction Federation, where it represents the Spanish Federation of Construction Companies. Within the industry, FCC Group is present in the Association of Spanish Construction Contractors' (SEOPAN) Commission on the Prevention of Occupational Risks and Social Security and in the Chairmanship of the Safety Commission of the European Construction Federation.

In addition, Cementos Portland Valderrivas is a participant in associations such as Oficemen and Anefa that study of indicators of work-related injuries and establish preventive action plans in order to eliminate the causes of accidents.

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► 4. THE FCC GROUP'S ETHICAL PRINCIPLES - ALSO PART OF THE PROCUREMENT AND SUPPLY CHAIN.

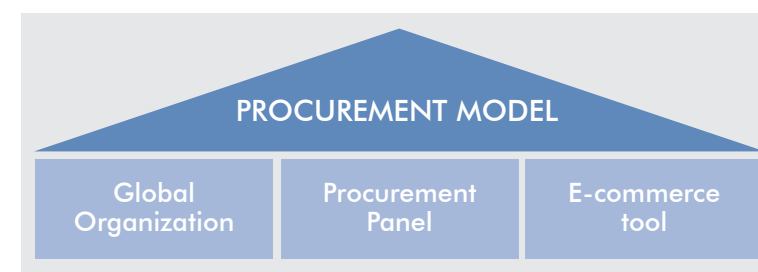
For FCC Group, ethical, honesty and integrity-based behaviour will necessarily entail including the companies involved in its procurement and outsourcing chain.

FCC Group bases its initiative strategy with suppliers and subcontractors on establishing stable and lasting business relationship, thereby supporting them in carrying out their business activities with efficiency and full guarantees. Because of the type of activity that FCC engages in and the products and services it requires, almost all of its procurements are from local suppliers; for example, in Spain these total well over 90%.

FCC Group has a Procurement Management Model whose main objective is to secure the cooperation of the leading companies that are the most competitive in their markets. The model uses responsible principles and the most advanced technological tools and methodologies available in the market to select these companies.

The FCC Group's Procurement Model is gradually being extended to all Group purchases. In 2011, it was widely applied in Spain for more expensive purchases (those higher than a threshold established per Business Unit) and on an occasional basis in all countries for certain purchases. This is a structural solution used to implement integrity and efficiency in the procurement and supply chain given that, in addition to making the most of synergies and building purchasing capacities that provide efficiency and generate value for FCC's businesses, it is designed to carry out purchases based on responsible principles in line with FCC's ethical precepts.

These principles include competition and equal opportunities, the segregation of duties between the managers of the Business Unit and the Procurement Department, transparency in the process and in decision-making, objectivity and agreement between all those involved in the purchase, and the mutual fulfilment of the conditions for awarding the contract.



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From the methodological perspective, the Procurement Management Model is based on three pillars:

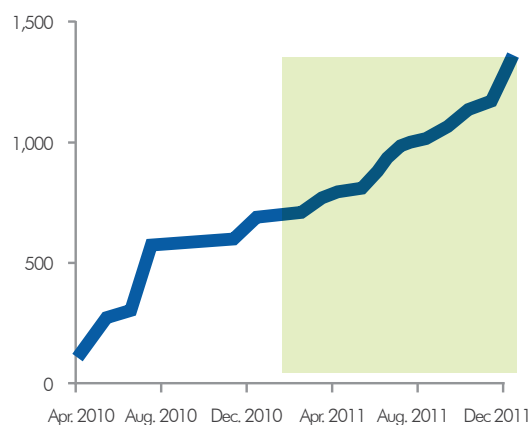
- ▶ A global organisation – the Procurement Department – located in the Group's parent company (FCC SA)
- ▶ Processes aimed at adopting shared decisions taken in a corporate body, FCC's Procurement Panel.
- ▶ An e-commerce tool that supports all activities providing efficiency to both FCC and its suppliers and facilitates the mutual fulfilment of commitments

During 2011, 688 million euros have been negotiated under the new Procurement Model with 100% of the tenders for this amount being handled electronically. In addition, purchase orders amounting to 269 million euros were placed electronically and invoices amounting to 130 million euros were received. In 2011, 1,171 suppliers were included in this electronic market. Along with the 511 included in 2010, the total number of suppliers registered in FCC's electronic tool as of December 2011 is 1,682.

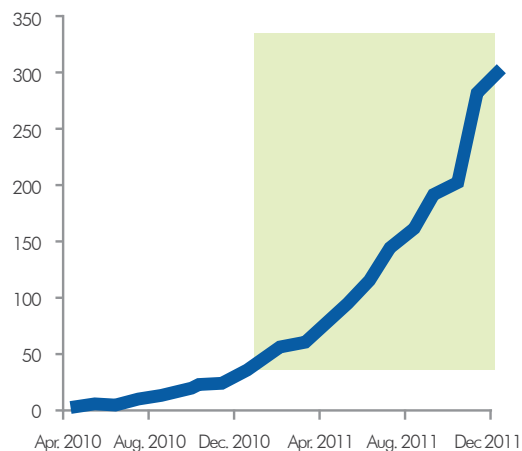
Moreover, in order to extend the principles of social responsibility and integrity to the supply chain, and following the guidelines of FCC's Management Committee, a clause on FCC's Code of Ethics continues to be included in all contracts with suppliers and subcontractors. This clause requires all suppliers, subcontractors and the companies we work with to be familiar with and to comply with the Code of Ethics, which is available in all the languages of the countries where FCC operates.

Another clause that continues to be included in contracts with suppliers is that of the obligation to comply with the Ten Principles of the UN Global Compact. In their contractual relationships with FCC, suppliers and subcontractors agree to assume the ten Global Compact principles promoted by the United Nations, which the

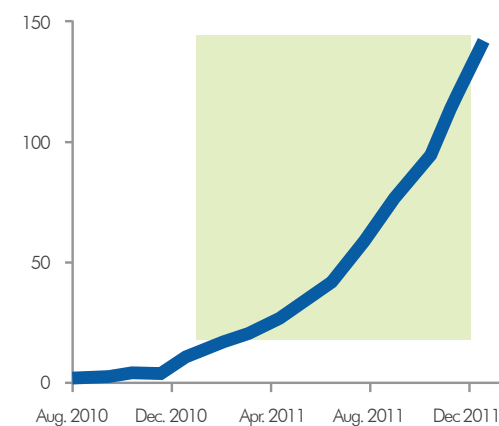
Negotiated using the Procurement Model (M€)



Electronic purchase orders (M€)



Electronic invoices (M€)



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Group agreed to in 2007 (www.pactomundial.org). Breach of any of these principles may lead to the termination of the contracts.

It should be noted that another criterion for the selection of suppliers are certifications of their quality and environmental management systems. In addition, some lines of business have complementary policies on supplier management that take into account the specificities of the business.

The goal is to secure the cooperation of the leading companies that are most competitive in their markets, using responsible principles during the selection process and encouraging their involvement in behaviour that exemplifies integrity.

► 5. FCC GROUP, A REFERENTIAL COMPANY

FCC Group was invited in 2011 to various forums to share information on its plan to reinforce ethics and integrity. In this regard, the Group has had the opportunity to present its achievements and progress in this area to major opinion makers - (Madrid Stock Exchange, State Ports, Instituto de Empresa Business School, Chamber of Commerce, Centro de Estudios Garrigues, Forética, Club de la Energía, Parliamentary Groups, State Corporate Social Responsibility Council, San Pablo CEU University, etc.)

Within the forums in which the company is actively involved, (especially the Club of Excellence in Sustainability, Forética and SEOPAN's CSR Commission), it is worth mentioning that the aforementioned club has launched a Corporate Governance Commission, FCC directs the work of this commission through its Corporate Responsibility Manager, and leading companies in this matter in Spain are represented on the Commission. The agenda of the Commission includes various issues related to the matter, such as the importance of ethics in organisations, the analysis of the implications of the Sustainable Economy Act on corporate governance, the European Union's Green Paper on the European framework for Good Governance, the reform of the Criminal Code and issues related to remuneration systems, action guidelines for proxy advisors and the peculiarities of good governance in the different types of companies represented at the Commission.

This commission is attempting to give impetus to member companies and to promote the development of programmes for effective ethical compliance.



5.1. Recognition of FCC Group's work on sustainability

In 2011, the work done by FCC Group in favour of local communities, the well-being of citizens and the environment, received numerous awards, among which were the following:

- FCC Group received the Corporate Social Responsibility Award presented by the Comisiones Obreras Trade Union's Construction and Wood Foundation in the category 'Commitment to the Community' at the first edition of these awards. With this recognition, the Citizen Services Group saw its efforts recognised, in the words of the jury 'to create a solidarity network by focusing its work on groups with special difficulties'.
- FCC Group also received the second-place prize at the European Environmental Awards from the Fundación Entorno for the design and implementation of a protocol to quantify greenhouse gas emissions from construction. FCC was awarded second place in the 'Sustainable Development Management' category. This

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project, a pioneer in its sector, consists of the implementation of a protocol to measure greenhouse gases (GHG) in order to improve knowledge about emissions from construction activity and for the stringent quantification of these gases.

In addition, FCC Group continues to be part of the most prestigious indices that measure sustainability and responsible investment, such as DJSI World and STOXX, and has obtained the SAM Bronze Class rating; FTSE4Good and FTSE4Good IBEX. The Group has also participated for the third consecutive time in the Carbon Disclosure Project (CDP) and in the Business in the Community index (winner of the 'significant improver' award) through WRG.

►► For more information about the awards and recognitions received by FCC Group visit the company website: www.fcc.es



INTELLIGENT SERVICES CSR

INTELLIGENT SERVICES

The intelligent services that FCC offers intend to position the company at the forefront of the design of the sustainable urban communities. Its experience within the field of sustainability allows the Group to develop innovative solutions by means of a flexible and efficient management model.

Understanding and anticipating trends in urban communities of the future is possible through the identification and evaluation of opportunities. The Group focuses its strategies on the integration of carbon as a variable in its activities as a whole, with its business taking on the challenge of being part of the solution to the problem of greenhouse gas emissions generated in urban areas.

INTELLIGENT SERVICES MILESTONES IN 2011

- ▶ Creation of the Innovation Committee, coordinating body in this field under the FCC Group.
- ▶ Approval of the initiative presented at the INNVIETE Sustainable Economy Programme-2011.
- ▶ Approval of the IROSI project "Integrated Research on Sustainable Islands". Said project was one of seven selected from more than forty proposed in the 2011 Innpronta programme of the Centre for the Development of Industrial Technology (Spanish acronym CDTI).
- ▶ More than 60 projects under development during 2011.
- ▶ Participation of FCC Construcción in leading Research, development and innovation (RDI) forums
- ▶ Development of the Aqualia All-Gas Project for obtaining biofuels
- ▶ Development of FCC Group's Climate Change Strategy
- ▶ Constitution of the FCC Group's Climate Change Commission.
- ▶ Monitoring of FCC Construcción's GHG emissions in accordance with UNE-EN ISO 14064.
- ▶ Definition of the organisational parameter of FCC Environment Services to calculate its carbon footprint.

ACTION PROGRAMMES

- ▶ Anticipating the design of urban communities of the future – institutional work.
- ▶ Leadership in innovation –for the fight against climate change.

2014 OBJECTIVES

- ▶ Creation of a Global Eco-City observatory antenna.
- ▶ List of trends in the design of Citizen Services, based on knowledge of leading institutions.
- ▶ Definition, actions and heightening the Group's strategy to combat climate change.

▶ 1. THE INNOVATION OF FCC GROUP

FCC Group is aware of its responsibility to use natural resources in an ever more efficient way. The strong population growth forecast for the coming decades, combined with the phenomenon of more and more intense urbanization, will increase the environmental pressure on the planet.

In this context, the company assumes that the solution to this challenge is found in the search for efficiency and the intensification of technological research and development programmes, which position the company as a provider of quality products and services, and as a reference point for public administrations that are more and more in need of efficient formulas to achieve the objective of offering sustainable solutions to new social requirements.

1.1. The RDI, a pillar of sustainable growth

The focus of FCC Group on RDI is evident in the Corporate Responsibility Master Plan 2012-2014. Moreover, it is an issue that is closely linked to sustainability. The development of new materials, the optimisation of processes and efficiency in the use of materials are matters of vital importance in a context of increasingly scarce resources. The investment in innovation allows the undertaking of an effective contribution to sustainable development and, on the other hand, offers the possibility of developing competitive advantages by means of developing sustainable products and services.

An important fact related to 2011, was the creation of the Innovation Committee, a coordinating body in this field within the FCC Group. Its primary mission consists of aligning innovation activities with the company's strategy and establishing the research agenda. It also allows fluid and permanent communication between all areas of business, and establishes the guidelines and common objectives

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held by the Group, seeking to enhance the transformation of innovative ideas into final projects and developments that allow the differentiation of FCC to be perceived.

In the same year, the approval of the initiative presented at the INNVIERTE Sustainable Economy Programme-2011 was obtained. It aims to boost private initiatives of industrial capital within the Energy and Environment Sectors in order to jointly invest, with public funds, in technology and innovation-based SMEs that have potential for high economic growth.

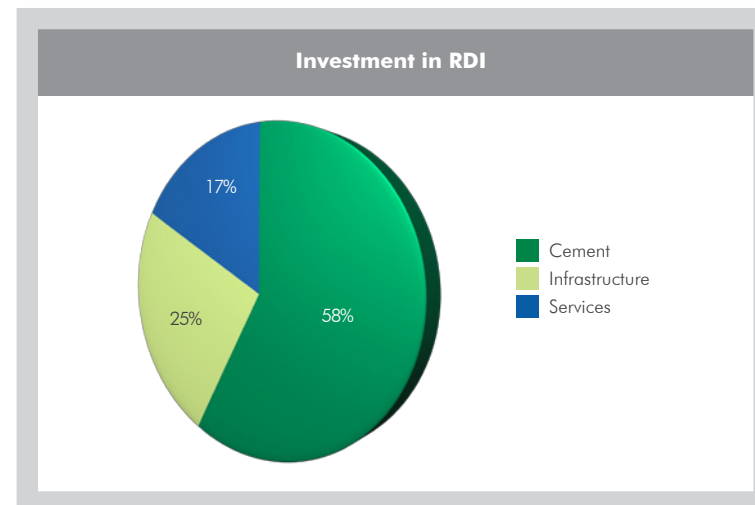
In parallel, the IROSI "Integrated Research on Sustainable Islands" project was approved, which was one of seven selected from more than 40 proposed in the Innpronta 2011 programme of the Centre for the Development of Industrial Technology (Spanish acronym CDTI). This is headed by FCC S.A through the Environment and Energy divisions, with other divisions from the Group also participating such as Aqualia, FCC Construcción and Cementos Portland Valderrivas, as well as several external companies (Acerinox, Prainsa, etc.). It has a total budget of more than 15 million Euros. Its objective is to conduct advanced and ambitious research on elements, materials, technologies and systems that are necessary for sustainable urban development of the future.

The minimization of negative environmental impacts whilst maintaining or improving the quality of the service provided is the objective that guides the research agenda of the company regarding RDI. With more than 60 projects in operation around the world, the primary areas of activity are focused on making methodologies, techniques, systems, equipment and processes more environmentally sustainable.

In particular these activities focus on:

- ▶ Sustainable urban development.
- ▶ Design of new high-performance sustainable products.
- ▶ Optimisation of processes.
- ▶ Improvements in information technologies, the control of processes and data management.

The importance that the company confers to RDI is seen in the level of investment that it sets aside for these projects. Specifically, investment in 2011 amounted to 16.3 million Euros, remaining at the levels of the previous period.



The FCC Group seeks to establish synergies between its areas of business with an individual margin sufficient to allow for the development of pioneering products and services, improving the quality of the service provided to the client.

INTELLIGENT SERVICES CSR

1.1.1. Innovation in Construction and Cement

FCC Construcción and Cementos Portland Valderrivas carry out specific sustainable construction projects, prioritizing the reduction of emissions and energy consumption, as well as the efficient use of resources. The following are included among the most important projects related to sustainable construction:

- ▶ Fénix Project focused on strategic research on safer and more sustainable roads. This Project aims to generate the scientific and technical knowledge necessary to develop safer roads for users with a minimal and sustainable impact on the environment.
- ▶ Buildsmart: The primary objective of the project is the incorporation and demonstration of constructive, innovative and cost-effective techniques and methods in buildings with very low energy consumption in different climatic zones.
- ▶ The Newcrete Project for the development of a new concrete material capable of acting with a property profile that achieves a material that meets the following objectives: a) Generation of a more sustainable material based on new lines of comprehensive use of construction and demolition waste. b) The elimination of the need to use bentonite slurries, c) Obtaining a quality material, without causing disintegration or problems due to a lack of compactness, d) Elimination of problems associated with maintenance in underground structural elements by developing improved durability, e) Use of new assembly systems, such as fibres.
- ▶ The CETIEB Project has as its objective the development of innovative solutions for monitoring air quality inside buildings, carrying out research into passive and active systems which improve the quality of same. The focus is on developing cost-effective solutions that ensure a broad application of the developed systems.

For its part, the Cement Division has created a Knowledge Management department that is directly related to the RDI area, which has somewhat increased corporate resources and involves over 120 people from the organisation in various on-going projects, backed by integrated RDI in the organisation.

In this RDI strategy the lines of work are focused on the research and development in the manufacturing of special products and materials with lower energy consumptions and less CO₂ emissions, the fight against climate change, both by means of fuel valorisation and by developing new products, and the design of products adapted to new niches in the market as substitutes for existing ones. For example, the development of innovative products such as express concrete; which is a quick-setting concrete that could be used in special conditions caused by natural disasters.



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1.1.2. Innovation in the Environment

The most recent initiatives in 2011 were focused both on the areas of mobility and emissions:

- ▶ The development of electric vehicles or electric hybrid vehicles for waste collection in order to reduce pollutant emissions has led to the launch of the electronic PLUG-IN hybrid tank vehicle (in the field of machinery). It consists of a 5m³ street washer with a reduced width of 2.2m, made from polyester, over an electrical-hybrid chassis which is rechargeable from the power grid and capable of providing a purely electric service. A vehicle with no pollutant gases has been made which has minimal sound emissions.

- ▶ Replacement of diesel for less pollutant alternative fuels.
- ▶ Manoeuvrability in the urban environment
- ▶ Reduction in sound emissions
- ▶ Improvements in the emission of exhaust fumes

▶▶ If you require more detailed information on the RDI projects of the FCC Group, please visit the company website: <http://www.fcc.es/fccweb/responsabilidad-corporativa/innovacion/retos/index.html>

INNOVATION IN FCC ÁMBITO, IN THE TREATMENT AND REUSE OF WATER



The Group's industrial waste division, FCC Ámbito, via its subsidiary in the United States, FCC Environmental, has undertaken a research and development project on recycling for the reuse of water used in fracking, a by-product of drilling for deposits of Natural Oil and Gas. This water is known as Flowback Water (2,500 cubic metres per well), it is contaminated with various heavy metals, such as Ba, Mg, Sr, Ca, Fe, sulphates, carbonates, bacteria and a high level of salinity. It also contains various dissolved chemical additives used in the starting water.

The objective of the research project was to study different types of water treatment in order to find the one that is most efficient, from an environmental and economic point of view. The treatment should clean the water to the point that it can be reused as starting water in the process of fracking operations. Finally, the most adequate treatment, which also meets all requirements demanded by the American Environmental Protection Agency (EPA), is a physical-chemical treatment, in which various chemical reagents are added in order to achieve the precipitation of heavy metals. As a result of this research, a mobile plant has been built which is capable of treating a volume of 50m³ / h of Flowback Water.

This plant offers a solution to the problem of discharge and treatment of Flowback Water while at the same time it offers many environmental advantages (reduction in the consumption of water from rivers, lakes and other natural sources, reduction in the use of chemical additives, and a reduction in the emission of greenhouse gases as a result of the transportation by land of the water in question, etc.).

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INNOVATION IN AQUALIA BENEFITTING EFFICIENCY AND CLIMATE CHANGE MITIGATION

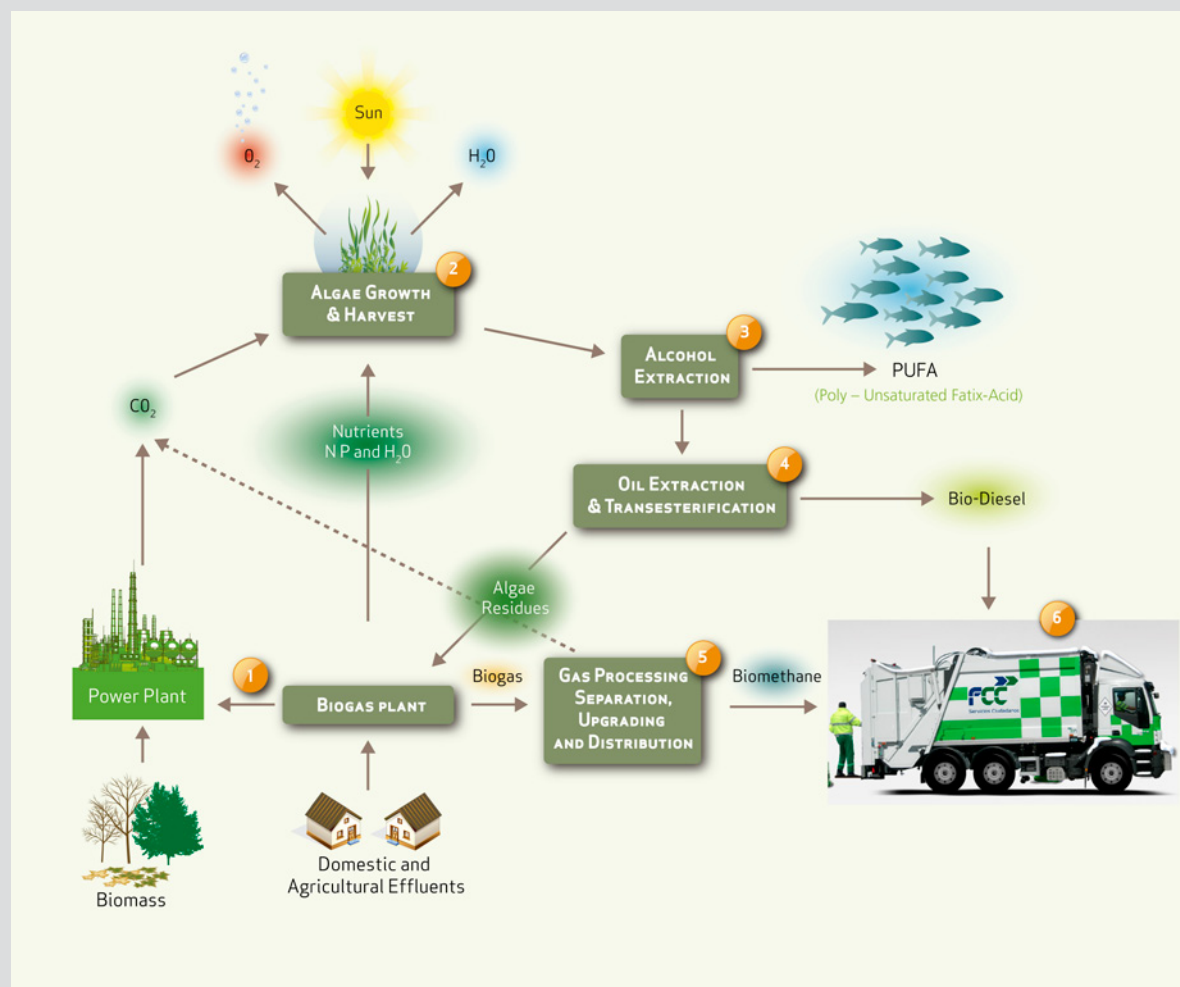
Aqualia, the FCC Group subsidiary that is devoted to comprehensive water management, in its commitment to innovation in the strategic line of intelligent services, has developed the All-Gas project that will allow biofuels to be obtained from the treatment of waste water. Under the leadership of Aqualia a further six research companies are participating from Germany, United Kingdom, Holland, Austria and Turkey.

The basis of the project is the use of wastewater for the cultivation of microalgae and its subsequent conversion to energy products such as biodiesel. The waste-water treatment plant -WWTP- of El Torno in Chiclana, Cádiz, has the essential facilities necessary for the research phase. In the adjoining municipal salt works, two lagoons, an algae collection system and a 10-hectar industrial plant for the cultivation of algae will be set up.

Among the advantages and innovations of the All-Gas Project is improved efficiency, since it involves the cultivation of fast-growing organisms such as microalgae, as well as the simultaneous elimination of nutrients from the waste water and the collection and processing of biomass for oil and other chemical extractions. This technology makes it possible to efficiently obtain biofuels such as biodiesel, biogas and biomass, without the need for large plantations of nutritional raw materials, and by which the consequential increase in foodstuff prices is avoided.

The All-Gas project falls within the framework of the commitment by the EU to reduce dependency on fossil fuels, so that by 2020 year 20% of energy will come from renewable sources.

The work of aqualia in technology platforms on water and biomass, for example Bioplat- with the support of the Ministry for the Economy and Competitiveness, and the experience in water management, has been reflected with outstanding recognition by prestigious publications such as Global Water Intelligence (GWI) as "Best Water Management Company in the World". And in 2010, the same publication awarded the financial closure of the water treatment plant in New Cairo, Egypt, with the "Water Deal of the Year" award.



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► 2. FCC GROUP AGAINST CLIMATE CHANGE

FCC Group shows its commitment to the fight against climate change by maintaining a thorough control over the GHG emissions of the entire company. FCC has made efforts to reduce carbon emissions associated with its business, promoting synergies that allow maximum advantage to be taken from existing capabilities within the Group. The importance of this fact is reflected in the Corporate Responsibility Master Plan 2012-2014, which includes, among its lines of action, specific initiatives aimed at guiding the strategies of the company to integrate carbon as a variable throughout its business activities with the goal of assuming a leadership position in innovation in the fight against climate change.

Within FCC Group the strategy to minimize emissions is based on:

- The optimisation of productive processes.
- Energy efficiency.
- The exploration and use of new and alternative fuels.
- The use and development of renewable energies.

2.1. The risks of carbon, a priority in our business

FCC Group, during 2011, carried out an initiative in order to determine the carbon footprint of the Group and to analyse the primary sources of emissions, specifically for each area of its business. This work has allowed the main operative risks to be established, by volume of business and from a financial perspective. Moreover, the company found opportunities related to adapting business to new scenarios and an increase in demand for services.

The most significant risks identified are related to regulatory changes, the rising cost of raw materials or a higher frequency of extreme physical phenomena. The opportunities however, are found in improving energy efficiency in production processes and the development of new products and services, especially in the energy sector.

Additionally, the analysis also allows us to deduce that the area possibly the most affected might be the cement one, since it is the main source of emissions of the FCC Group, and moreover it is subject to the European Emissions Trading Scheme, which is expected to become even tighter in the future.

If we consider the risks associated to the business, due to future restrictions and the volume of emissions of each business, not just Cement activities (within the European Emissions Trading Scheme) but also Environment related (pertaining to the diffuse emissions sector) are the two lines of business with the greater exposure to said risks, FCC Group is very aware of this situation, therefore these are lines of business that develop important initiatives within the field of managing climate change.

Alongside this, the study carried out showed the following results:

- Report of recommendations to strengthen the emissions inventory of the FCC Group and thus develop protocols for reporting and determining the carbon footprint of the Group.
- Identification of major emission sources and reduction opportunities in each business area and associated indicators (emissions per unit of activity).
- Quantification of costs and opportunities for a group of scenarios that can be used by the FCC Group to define objectives and strategies on climate change.

2.2. The fight against climate change, strategic in the FCC Group

The need for a strategic approach that brings together existing alternatives for joint action on climate change, its risks and opportunities, has inspired the development of a strategy on climate change at FCC Group.

The design objective of this strategy is to obtain a consensual result that addresses the diversity of positions in the company. At the same time, it involves making the most of this diversity which is where the greatest opportunity lies: for FCC to identify the most relevant action synergies and the most appropriate joint-methodologies for initiatives.

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DEVELOPMENT OF THE CLIMATE CHANGE STRATEGY OF FCC GROUP

General objective.

To set out a climate change strategy for FCC Group, which addresses challenges and opportunities, both in the area of mitigation (reduction of greenhouse gas emissions GHG) and in the area of adaptation (impacts of climate change).

Specific objectives.

- ▶ Establish the basis for calculating the carbon footprint of the Group as well as more specific studies of each organisation or area of activity.
- ▶ Identify key areas within each line of business where there is scope for reducing GHG emissions, with particular attention to energy aspects.
- ▶ Analyse the vulnerability, in the organisation and lines of business, compared to the expected impacts of climate change, taking into account the strategic future expected for each and their geographic areas of implementation.
- ▶ Examine the challenges and opportunities arising from the national and international regulatory framework on climate change and energy.
- ▶ Define the lines of action in both the areas of mitigation and adaptation, and outline actions to be implemented.
- ▶ Establish a strategy for communicating the results, both internally to the Group and externally to its customers, employees and the general public.

Our environmental strategy is based on climate change with the mitigation of risks derived from same and the adaptation of our business, in order to make the most of the associated opportunities.

2.2.1. FCC's Climate Change Commission, an impetus to fight against climate change

In 2011 the FCC Group Management Committee approved the setting up of the Group's Climate Change Commission as the coordinating body in the fight against climate change. Its primary objective will be the development of the company's strategy and its areas of business within this scope, focused on managing the risks associated with climate change, but mainly in the analysis and use of its associated opportunities.

Primary roles assigned to the Climate Change Commission

- ▶▶▶▶▶▶▶ Monitoring of FCC's greenhouse gas emissions inventory
- ▶▶▶▶▶▶▶ Analysis of risks and new opportunities concerning climate change
- ▶▶▶▶▶▶▶ Definition of the positioning of the Company in adaptation to, and mitigation of, climate change
- ▶▶▶▶▶▶▶ Drawing up the responses to external requests from relevant interest groups
- ▶▶▶▶▶▶▶ Established as principle prescriber within the Group, for matters relating to climate change

Some of the considerations that led to the establishment of this Committee are:

- ▶ The new European climate strategy that modifies the Emissions Trading Scheme, and which applies to the new activities of FCC.
- ▶ FCC group, as a citizen service company, can provide solutions to the problem of high concentrations of emissions in cities over the next decade.
- ▶ The required adoption of a strategy for water management that includes the effects of climate change on the variation of water regimes, floods and droughts; the commitments to managing and reducing the environmental impact taken on by FCC with the approval in 2009 of its Environmental Policy.
- ▶ The capacity of the company to offer services and build and design infrastructures with less energy consumption, fewer emissions and, in general, to reduce its environmental impact, adapted to adverse climatic conditions or to conditions that may change in the future.

The Commission, chaired by the Group's General Manager of Communication and Corporate Responsibility, has as its Vice-chairs, the company's General Manager of Energy and Sustainability and the Corporate Director for the Environment, Sustainability, Innovation and Knowledge Management of Cementos Portland Valderrivas, and comprises representatives from the Group's Corporate Responsibility Department, Cementos Portland Valderrivas, FCC Construcción, Aqualia, FCC Ámbito, FCC Medio Ambiente, FCC Energía and FCC Logística.

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2.3. Reducing emissions in business

In 2011, FCC Group's GHG emissions amounted to 11.917.117,51 t CO₂ eq, a figure that represents a reduction of over 6% compared to the year 2010 in absolute terms, due partly to the reduction in activities. For its part, the specific emissions (Mt CO₂ eq/M€ of turnover) were 1.01, a reduction of 23% compared to the 2010 figure. This reduction shows the efforts that have been made by the Group to reduce its relative emissions by means of efficiency in rendering services.

The divisions with the most important emissions in relation to the Group as a whole are the Cement and Services divisions respectively. Despite low consumption, compared with said two business areas, FCC Construcción also has plans to improve energy efficiency that result in emission reductions.

FCC CONSTRUCCIÓN VERIFIES ITS GHG EMISSIONS INVENTORY

In 2011 FCC Construcción became the first Spanish construction company to have its Greenhouse Gas (GHG) emissions inventory verified by AENOR. The verification is one of FCC Construcción's responses to climate change, which is primarily the result of having detailed knowledge of emissions generated.

Integrating the problem of climate change into the strategy of FCC Construcción also represents a clear competitive advantage, since the Government has decided to award sustainable behaviour. In this sense, a working group has been created to include the carbon footprint in public procurement, looking at the possibility of considering it, within the organization and / or the product or service, as prerequisite or scoring criteria in the tender specifications.

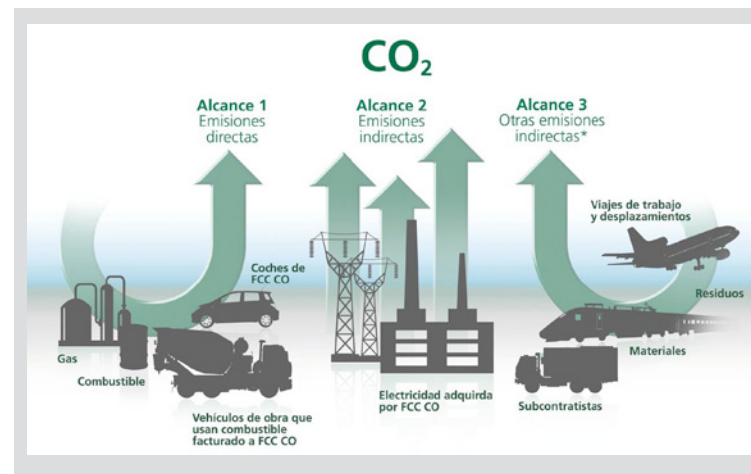
The "Construction CO₂ measurement Protocol" that was produced and verified in accordance with the requirements established by the standard UNE-ISO 14064-1:2006 "Greenhouse Gases. Specification with guidance, at the level of organisations, for the quantification and the reporting on the emissions and removal of Greenhouse Gases", within the framework of the European Network of Construction Companies for Research and Development (ENCORD).

The protocol reflects the GHG inventory from the year 2010 for activities carried out at worksites and fixed centres of FCC Construcción, located in Spain.

It also includes the quantification of the reduction of GHG emissions (avoided emissions) in the year 2010, thanks to the implementation of good practices at building sites.

The quantification of the GHG emissions of FCC Construcción is carried out under the operational control approach, taking into consideration the following scope in the definition of operational limits:

- Scope 1: Direct GHG emissions, from sources that are the property of, or that are controlled by, the company.



FCC CONSTRUCCIÓN VERIFIES ITS GHG EMISSIONS INVENTORY

- Scope 2: Indirect GHG emissions, associated with electricity consumed by the company.
- Scope 3: Other indirect emissions that are a consequence of the activities of the company, but that are produced from sources that are not the property of the company, and which are not controlled by FCC Construcción.

In the upcoming years, FCC Construcción hopes to again verify, every year, its inventory of GHG emissions. In 2012, the construction division of FCC Group intends to extend concepts included in its emissions' inventory, thus giving more coverage to activities of the company and reflecting more realistically the environmental impact of the company.

For this project FCC received from their Royal Highnesses, the Prince and Princess of Asturias, one of the runner-up awards of the European Environment Prizes, in its Spanish edition, which was awarded by the Fundación Entorno (Environment Foundation)

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2.3.1. Cement

The cement manufacturing activity of FCC Group, one of its main sources of GHG emissions, is regulated by the GHG Emissions Trading Directive. For the period between 2008 and 2012 it received an allocation of 7,763,269 t CO₂ per year for its eight manufacturing plants in Spain.

During the year 2011, the decline in activity in the cement business and the use of alternative fuels in the kilns, has led to a decrease in total emissions of 1.2 million tCO₂, 17% less than the previous year reaching 5,946,362, tons of CO₂.

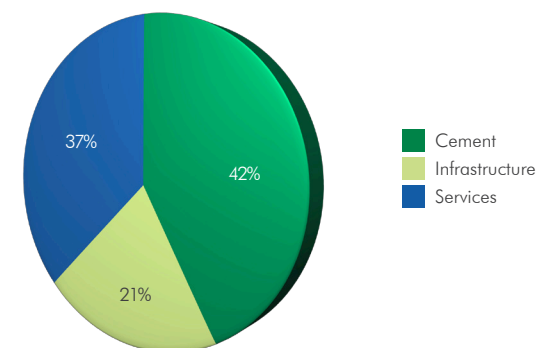
The GHG emissions produced in the process of manufacturing cement have two origins. Firstly, 60% of the amount emitted originates from the process of decarbonisation caused from converting the limestone (CaCO₃), which is used as the main material, into calcium oxide (CaO) and carbon dioxide (CO₂).

Secondly, the 40% remaining is produced in the combustion required to reach the high temperatures of the kilns in order to cause the chemical reaction which enables the formation of clinker (the main component of the cement). These emissions are therefore directly proportionate to fuel consumption and to the relationship between carbon content and the calorific value of fuel.

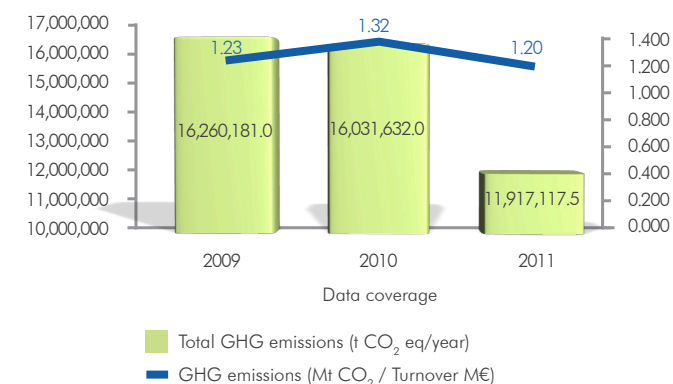
Cementos Portland Valderrivas has come up with a strategy for mitigating GHG emissions. Said strategy is in line with the corporate strategy for the fight against climate change undertaken by FCC Group and is based on the following:

1. Promote the substitution of natural raw materials for materials that are either fully or partly decarbonised (ash, slag, construction and demolition waste, etc.) in order to reduce CO₂ emissions in the firing of clinker.
2. Encourage the replacement of fossil fuels with alternative 100% biomass fuels (meat meal, wood waste, sewage sludge, etc.), or a partial biomass content that varies according to the type of waste (residual fraction of municipal solid waste, used tires, cellulose wastes, etc.) or other alternative fuels, with an emissions' factor which is less than traditional fuels. In this sense a target is set for increasing energy recovery by replacing fossil fuels with alternative fuels, reaching 30% by 2013.
3. Improving energy efficiency, optimising the clinker manufacturing installations in order to reduce specific consumption per tonne.
4. Increase the volume of additives in the manufacturing of cement, in such a way that the clinker factor is reduced per tonne of cement manufactured.

Origin of GHG emissions



GHG Emissions



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5. Participate in geological CO₂ capture and storage projects in order to analyse its viability within the cement sector.

The combined application of the first three possibilities for reducing emissions in the different factories of the Group must lead to greater adherence to the benchmark for CO₂ emissions per tonne of clinker (766 Kg CO₂/t ck) for the year 2013, as established in the corporate strategy for reducing emissions.

The company also maintains a very active attitude in taking measures to adapt to climate change in the research and development of new products with specific benefits that offer solutions to specific situations. Some examples might be the high-resistance cement and the quick-drying cement, used in areas that are exposed to extreme climatic events or in situations of natural disasters. This will allow the company to access new niches in the market.

DEVELOPMENT OF NEW CEMENTS TO COMBAT CLIMATE CHANGE

The Cementos Portland Valderrivas Group, acting as a pioneer in the Spanish cement sector, develops its RDI strategy, focusing on the optimisation of its processes and the development of new products with better and more specific benefits, in order to achieve a saving of natural resources used and a reduction in CO₂ emissions, while at the same time we contribute to the improvement of constructions, the provision of new solutions and services and an increase in the quality of life of our environment.

The research and development methodology of products based on the UNE 166002 standard, stipulates the different RDI activities, from technological surveillance and the generation of ideas to the protection and use of the results. Within the strategic lines of the Group, the environmental policies being employed to date are the following:

- ▶ The manufacture of new glass materials with a highly efficient production process and lower CO₂ emissions.
- ▶ The use of industrial by-products to replace the traditional raw materials of clinker for the manufacturing of new cement materials.
- ▶ Manufacturing processes with high energy efficiency.
- ▶ Carbon sequestration studies, physical and biological.

In addition to the lines of previous research, Cementos Portland Valderrivas works on reducing other impacts on the environment caused from its activity, such as pollutant or noise emissions, for which it has launched two research projects.

2.3.2. Services

The main GHG emissions of the services division are in the treatment and disposal of waste and in the use of fuel in transportation vehicles used in urban services. In the case of the urban waste landfills, the anaerobic reactions which occur during the decomposition of waste lead to methane emissions, a gas with a much higher greenhouse gas effect than CO₂. In 2011, the greenhouse gas emissions (methane and CO₂) in landfills amounted to 4,338,983 tCO₂ eq, 36% of emissions of the Group, a figure that shows the importance of this source of emission.

FCC Group has lines of investigation that are focused on reducing GHG emissions from these two important sources mentioned above. Firstly by replacing fuels for the generation of heat and the use of renewable energy and the progressive replacement of the lorry fleet for others that use clean energy. Secondly, by making use of the gases produced in landfill sites.

In this sense it can be highlighted that Waste Recycling Group (WRG), a subsidiary group in the United Kingdom, has a Carbon Policy, which formalises the position of the company to reduce emissions. In addition, WRG and FOCSA in the United Kingdom have obtained the certification in accordance with the Carbon Trust standard. This certification can only be obtained by demonstrating reductions in emissions and a commitment to on-going improvement on a yearly basis. These subsidiaries are designing an awareness campaign for 2012, aiming at continuing along these lines.

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ENVIRONMENTALLY FRIENDLY VEHICLES

FCC Group is actively committed to protecting the environment. One of the means by which the company exercises a greater impact on the environment and with which it makes more intensive use of resources, in this case fossil fuels, is with its fleet of vehicles. For this reason FCC Group has been working for years to improve the efficiency of its fleet of vehicles by incorporating the latest technology and by using vehicles that consume alternative fuels that are less pollutant than traditional fossil fuels.

Each line of business in FCC Group has its own fleet management system, and each one of them implement initiatives that adapt better to their business model. Additionally the type of vehicle used differs according to the activity undertaken by each area; therefore there are specific initiatives uniquely suitable for certain vehicles.

In general, some of the initiatives of FCC Group to improve the management of its fleet of vehicles and minimising the environmental impact from the use of same, are as follows:

- ▶ Use of particulate filters on diesel vehicles.
- ▶ Adaptation of vehicles to more demanding European and International environmental standards.
- ▶ Use of hybrid vehicles.
- ▶ Use of vehicles running on cleaner fuels (natural gas).
- ▶ Preventive maintenance. Conducting periodic reviews in order to identify any faults that result in inefficiencies.
- ▶ Use of long-life oils.
- ▶ Training vehicle drivers to drive more efficiently.

Proactiva Medio Ambiente has an Eco-efficiency Programme that includes lines of action for the reduction of energy consumption and improved efficiency. Cemusa, the urban street furniture subsidiary of FCC Group, designs new street furniture in accordance with eco-efficient criteria, in order to provide the new furniture with more efficient lighting and in order to integrate renewable energies into the designs, as well as carrying out awareness campaigns among its employees in order to make efficient use of the energy at their workplaces as well as among drivers of its vehicles.

Moreover, the FCC Group is carrying out various initiatives regarding the provision of services which use less energy consumption and emit fewer emissions. During 2011 an effort was made to define the organisational parameter of the services of the FCC Environmental Division in order to calculate its carbon footprint.

As the next step in the ce2d methodology that allows the Group to identify, quantify and establish the traceability of the specific indicators of environmental performance of our activities, during 2011, the Environmental division produced the document entitled "Guide to the quantification of GHG

emissions for the purpose of calculating the carbon footprint of the organisation".

On the foundation established by the GHG Protocol the organisational limit has been determined with operational control from which the carbon footprint is calculated for the year 2011. The calculation process, as well as the guide, shall be subject to a pre-evaluation process (as a prior step to verification) by an external certifying body.

According to the conclusions of the pre-verification report, the year 2011 will be chosen as the year as from which the organisation will be given a period to study the possibilities of setting out a strategy with improvement objectives to reduce its GHG emissions and energy consumption, all of which will be in line with market opportunities and needs that better enhance eco-efficient development.

During 2012 the carbon footprint calculation process shall be set out for services, its objective being to make an evaluation tool available for the purpose of energy management. This will also reflect the traceability of the continual improvement policy applied regarding efficient energy and the reduction of GHG.

2.3.3. Construction

The energy consumption of FCC Construcción is mainly due to the use of fuel that is necessary for the operation of its building site machinery, the equipment necessary to generate electricity, working vehicles, auxiliary plants for manufacturing on-site, boilers, etc. Additionally noticeable electrical energy consumption is produced for interior and exterior lighting, auxiliary plants, tunnel boring machines, etc. These consumptions are centred on initiatives implemented by this division, which can be grouped into three blocks: redesign of processes; replacement, modification or refurbishment of equipment; and changes in the behaviour of workers. FCC Construcción calculates the energy intensity of new construction projects, which in 2011

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amounted to 30,750 tCO₂eq per million Euros, of turnover.

Some of the initiatives carried out at FCC Construcciones' building works to optimise the fuel and electrical energy costs in 2011 were:

- ▶ Redesign of processes, such as the optimisation of transport distances, promoting the consumption of local resources that are closer to building sites, promoting the use of less polluting fuels, improve night lighting and the control of energy consumption.
- ▶ Replacement, modification or refurbishment of equipment, with the suitable maintenance of machinery and building site vehicles and fine-tuning the intensities and types of lighting installed.
- ▶ Awareness campaigns for workers, reducing speed limits at the sites and making both Group and subcontracted workers aware of the measures, which have been applied at 90% of the current works in progress.

Once these measures were implemented, the emissions reduced were calculated and the following results have been obtained: a reduction of 96.12 tonnes of CO₂ by reusing the soil at the same sites instead of transporting it to the landfill; a 5% emissions reduction due to the correct maintenance of machinery and an additional 5% from controlling the speed of the vehicles at the sites.

2.3.4. Clean Development Mechanisms: additional tools for the reduction of emissions

The Clean Development Mechanisms (CDM) form part of the flexible procedures established by the Kyoto Protocol to help developed countries to fulfil their commitments to reduce GHG emissions. FCC Group's strategy to reduce emissions also includes the development of these types of projects. Additionally, the projects create social and environmental benefits for the countries that take on the initiatives. FCC Group's CDM is developed in Iberoamerica through its Proactiva Medio Ambiente Division.

In 2011, Proactiva had eight CDM projects

- ▶ 4 CDM projects registered with the United Nations Framework Convention on Climate Change: in Mexico (the Mérida Project); in Argentina (the Fachinal Project), in Brazil (The Tijuquinhas project); and another project in Colombia (the Doña Juana Project).
- ▶ 3 projects have the national letter of approval and are in the CDM validation phase: Querétaro (Mexico), Tlalnepantla (Mexico) and Presidente (Colombia).



- ▶ 1 project in the design phase at the Sanitary Landfill at La Yesca (Chile).

The estimates for emissions' reductions for these eight projects can be estimated at 1,100,000 tCO₂eq per year. In this same year, Proactiva Brazil obtained certification for its carbon credits by the United Nations Framework Convention on Climate Change (UNFCCC). At present this project generates between 17,000 and 18,000 CERs per month. Moreover, energy efficiency equipment has been installed in the CDM Project of Querétaro (Mexico), which will allow reduced emissions to be reported by 2012.

For its part, Cementos Portland Valderrivas collaborates indirectly with the development of the flexible mechanisms of the Kyoto Protocol by means of its participation in the Spanish Carbon Fund (Fondo Español del Carbono). It obtained 77,913 emission rights in 2011.

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2.4. Renewable Energies: another way of mitigating climate change**2.4.1. Generation**

The company is strongly committed to producing emissions-free energy, which is inexhaustible and independent of fossil fuels. FCC Group has a recently set up a line of business, FCC Energía, which bases its activity on renewable energy, energy efficiency, cogeneration and energy valorisation of waste.

This division has solar farms, wind farms and solar thermal power plants with which it produces an important amount of electrical energy. It has a presence in six Autonomous Communities, and has fourteen wind farms and two photovoltaic plants in operation, as well as two solar thermal power plants under construction.

The two photovoltaic plants of FCC Energía have an installed capacity of 20 MW, and the energy production in 2011 was 33,740 MWh. The installed power in wind farms is 421.8 MW, and the energy production in 2011 reached 740,929 MWh.

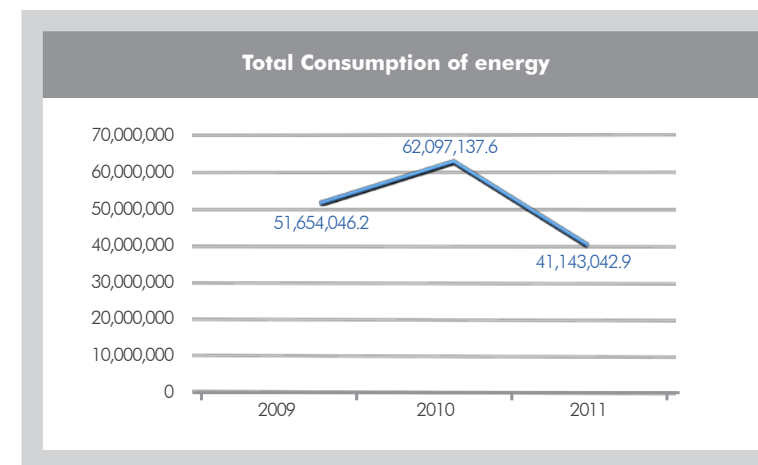
Thanks to the energy produced at the renewables centres of FCC Energía, atmospheric emissions were reduced by 211 thousand tCO₂.

2.4.2. Consumption of renewable energies and alternative fuels

In 2011, the rate of renewable energies consumed directly out of the total direct energy consumption, which amounted to 34,798,033 GJ, was 7%.

The Cement Division, the most energy-intensive consumer in the Group, has focused its activities in 2011 on promoting the use of alternative fuels from waste destined for landfill, especially biomass.

For Cementos Portland Valderrivas, energy recovery from waste is a priority option rather than depositing waste at landfills or elimination, as it is more environmentally-friendly and in addition,

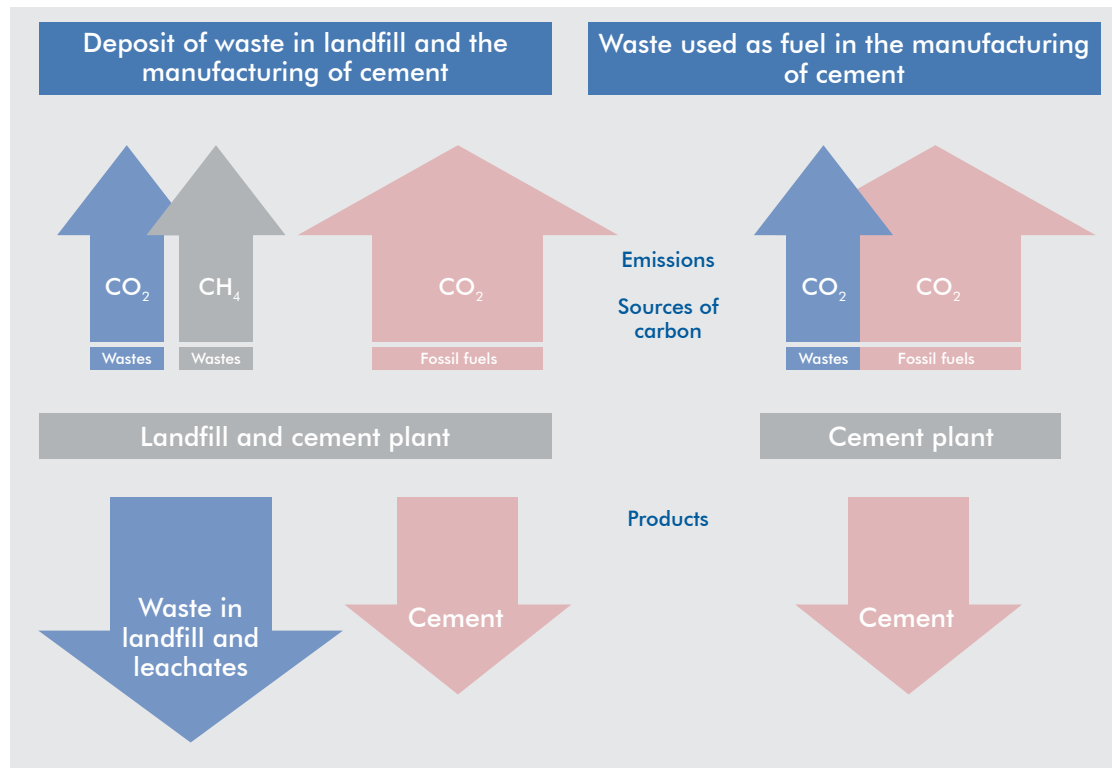


it does not endanger human health. In this respect, in 2011 energy recovery started at the El Alto and Monjos plants and energy replacement has increased at the four Spanish plants where recovery was already being performed. All this has meant that in 2011 the energy replacement rate at Cementos Portland Valderrivas Spain has doubled when compared to the previous year.

In addition, the Cementos Portland Valderrivas Group has two industrial waste treatment plants in the United States, where alternative fuels are made from liquid and solid wastes of fuel, solvents, coolants and crushed solid waste.

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WASTE RECOVERY DIAGRAM FOR THE MANUFACTURING OF CEMENT



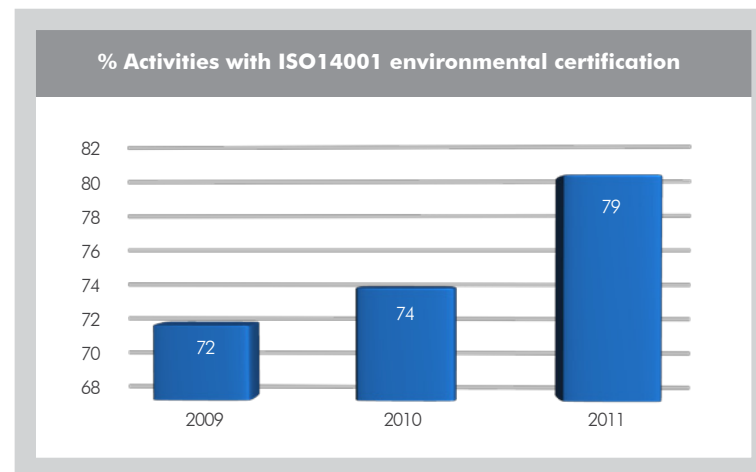
During 2011, by replacing fossil fuels with biomass, FCC avoided the emission of 134,291 t CO₂e in Spain.

3. ENVIRONMENTAL MANAGEMENT OF FCC GROUP'S ACTIVITIES

3.1. Eco-efficiency

Year after year eco-efficiency provides clear results for the company. Positive environmental effects are achieved by reducing the use of resources and the cost-effectiveness of projects is improved significantly.

A basic instrument for generating eco-efficiency in production processes is the solid environmental management system that the Group has. In 2011, the company continued to promote the environmental certification of its activities and facilities, exceeding 79% of its total certified activity.



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Despite this continuous improvement effort, in 2011 there were financial penalties for breach of various environmental regulations, which amounted to a total of 420,068 Euros.

The reliability of performance indicators is a vital requirement for establishing and developing effective improvement plans. To this end, FCC Group has "Horizonte", a centralized management system that enables the collection and management of the entire Group's sustainability information. This information serves as a starting point for the design of specific corrective action plans where opportunities for improvement are greater and more effective.

3.1.1. Promoting sustainable use of materials

The company actively promotes the environmental optimization of production processes, recycling and recovery as a means of reducing the environmental impact.

Each line of business has its own initiatives to reduce the consumption of materials. FCC Construcción promotes the use of scrap material for alternative uses, carrying out proper segregation and selective separation.

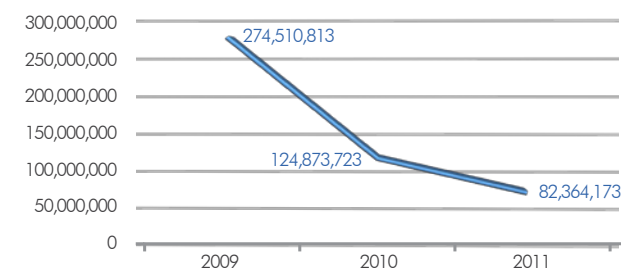
Meanwhile, Cementos Portland Valderrivas encourages the use of alternative raw materials to replace natural raw materials and to reduce the consumption of resources while helping to reduce CO₂ emissions when these materials are partially decarbonised. In 2011 the consumption of alternative raw materials for clinker and cement with regard to the total raw material required for the production process amounted to 7.3% in the US and 7.2% in Spain. This is an upward trend with regard to the previous year for both Spain and the US and is mainly due to the increase in the consumption of fly ash in the case of Spain and plaster and concrete remains in the US. In spite of the efforts, in 2011 FCC Group consumed 82.4 tonnes. This figure cannot be compared to previous years due to the variation of the scope of consolidation of information in 2011.

3.1.2. Water, the most precious resource

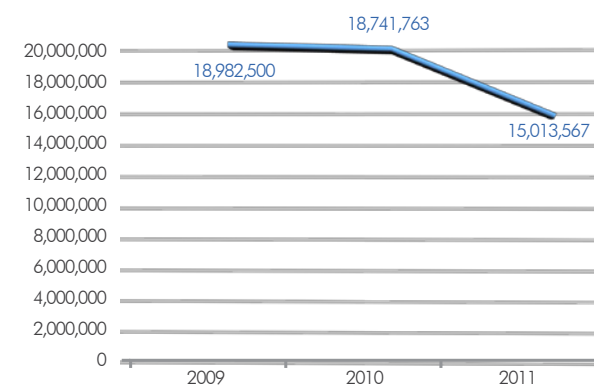
3.1.2.1. Water consumption

Water is necessary for all activities undertaken by the Group. From the manufacturing of cements, concrete, steam generation from waste in power generation plants, decontamination of industrial waste and street cleaning and garden maintenance activities. The table shows FCC's water

Materials consumption (t)



Water consumption (m³)



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consumption according to each business division and the graph shows the origin of the water consumed. As far as it is possible, and as long as the characteristics of the activity so allow, FCC Group uses non-drinking water.

In 2011, FCC Group's water consumption amounted to 15,013,357 cubic meters, of which 35% is from municipal supplies. This level of consumption represents a 19% reduction with regard to consumption in 2010, although the 2011 amount excludes Proactive's data in the total calculation of services.

In general, the overall awareness of the responsible use of water is an efficient initiative undertaken by the Group's activities as a whole. In the case of FCC Construcción, this also extends to the awareness of subcontractors, and measures are undertaken to reduce its consumption, such as the provision of automatic cost-effective systems and the reuse of effluents in process waste water.

FCC also has a subsidiary, aqualía, specialising in comprehensive water management which will be discussed in a later section of this chapter.

Water consumption in the Cement Division

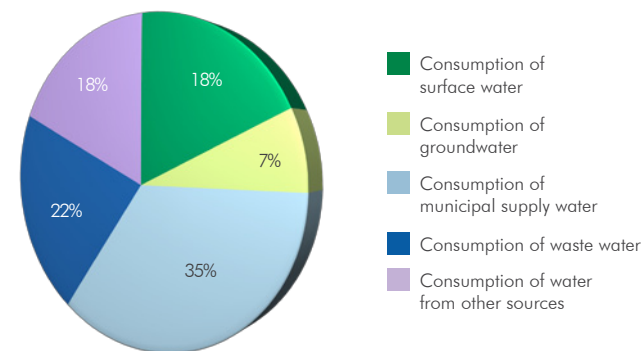
The Group has established, as a future challenge, the improvement in water use in the manufacturing of cement. Consumption in 2011 amounted to 3,416,215 cubic metres, of which 22% came from groundwater, 14% from municipal water, and the rest from other sources. This consumption represents a reduction of almost 4% with respect to the previous year.

The reduction in water consumption is achieved by placing recycling systems in the concrete division, as well as by installing of water recycling systems for cleaning vehicles in factories and quarries and the renovation of distribution and water collection networks.

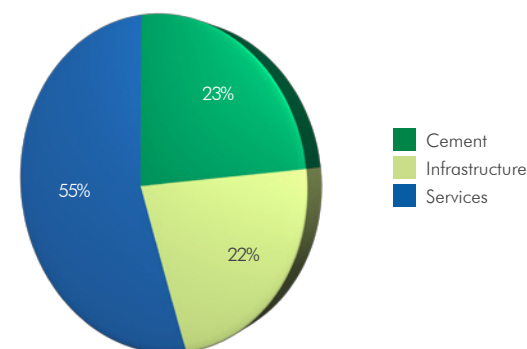
Water consumption in waste management activities

In the activities of urban waste management the need for water consumption is high, although the percentage of recycled water used is growing. In the case of landfills, water is used to reduce the impact of dust, for sweeping and for washing down wheels. Water intake is attempted from nearby lagoons or other sources rather than using the water network which is used only during the summer due to lack of water in the environment.

Consumption of water according to its origin



Consumption of water by divisions



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In Spain the trend to use alternative sources of water (wells, rainwater and regenerated water) instead of water from the network is increasing. Specifically the use of regenerated water represents the most significant proportion with 61.2% in the activity of watering parks and gardens. In treatment and waste elimination plants 95.6% of the water from alternative sources comes from rainwater and wells. In 2011, the consumption of water in this line of business in Spain amounted to 5,876,230.02, 13% less than the same figure for 2010 (5,081,214.8 cubic metres).

Water consumption in FCC Medio Ambiente

Water consumption in 2011 stayed at practically the same level as in 2010 despite the increase seen in the areas being watered in parks and gardens (an increase of 11,56%), where one would have expected to see a significant increase in the water consumption had it not been for the fact that almost all the additional area has automatic watering systems.

The consumption of water from municipal supply networks (51% of water consumed is from this source) has fallen by almost 2% compared to 2010, with a significant drop of 12% achieved in central offices and workshops as a consequence of saving measures and awareness campaigns implemented within the framework of the "ecological office" initiative.

The consumption of water from alternative sources, that amounts to almost 20% of the water consumed, (groundwater, stream water, storm water, reclaimed water and treated recycled water) increased by 1% covering up to 48% of the water requirements of FCC Medio Ambiente España. In addition, the consumption of water from wastewaters has remained constant compared to the previous year, which represents 28% of total water consumed.

Water consumption in other services

Several of the activities of FCC Versia are carrying out different measures to reduce the consumption of water, among which can be highlighted the use of recycled water in some cleaning processes, the implementation of flow reduction devices in green centres, the selection of vegetation that needs less water in green areas and pilot installations for the collection of rain water in industrial buildings.

Water consumption in Construction

One of the inherent features of the construction sector is the high consumption of raw materials, among which is water. The consumption is intrinsic to the activity itself, most significantly in civil works.

In 2011 consumption amounted to 3,299,384 cubic metres, which compared to the previous year's 6,035,294 cubic metres, represents a drop of almost 45% in absolute terms, due mainly to a reduction in activity.

This consumption, which is necessary, is addressed in a responsible manner. Therefore, at FCC Construcción works the concepts "saving", "better use", "reuse" are taken into account, and only the water that is strictly necessary is consumed. For the relative reduction of water consumption per unit, the building sites reuse the process residual waters as much as possible for the next activity, after the corresponding suitability study is performed, also to wash the lorries, the cooling of the tunnel boring head, etc.

3.1.2.2. Water management

Aqualia, a subsidiary of FCC Group, specialises in integrated water cycle management. Its experience in this area helps improve efficiency in the management of water resources in the other Group companies and controls all the phases in the water cycle, right down to the finest detail, pursuing the optimization of resources that promote Sustainable Development.

The integrated water cycle starts from the capturing, purification and treatment of the water collected from the natural environment, to its distribution and collection of used water for its subsequent purification and return to the environment where it was obtained from under optimum conditions that do not harm the environment. Aqualia offers all the solutions possible for the management of the integrated water cycle whatever its use may be: domestic, agricultural and industrial, serving a population of over 27,000,000 people worldwide. Its areas of activity are divided into three different lines:

- **Integrated water management**, among the most outstanding projects are the public water services, the control of the water

CSR INTELLIGENT SERVICES

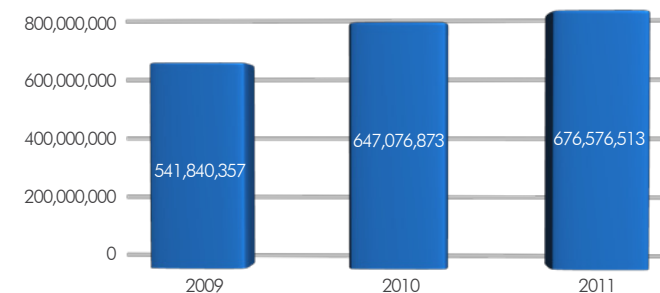
quality via aqualia Lab; the management of municipal aquatic sports centres, maintenance and operation of watering infrastructures, and management of hydraulic infrastructure concessions.

- **Design and construction of hydraulic infrastructures**, specialising in the design and construction of drinking water treatment, urban waste water treatment, reuse and desalination facilities.
- **Comprehensive services for the industry**, as solutions for process water, purifying industrial wastewater effluents, or compact waste water treatment plants for small populations, compact drinking water treatment and reuse equipment: sand filters and membranes, sludge treatment equipment, equipment for wastewater treatment: aeration, degreasing, flotation.

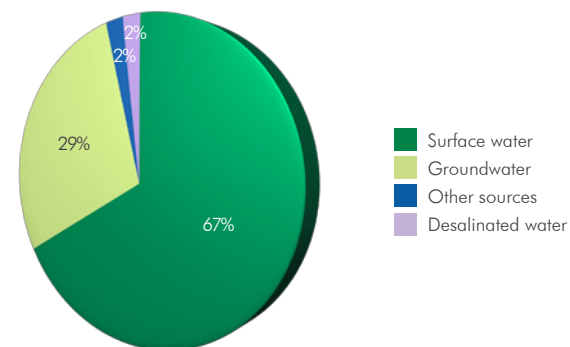
The total volume of captured water for management in Spain, Eastern Europe and Africa in 2011 was 676,576,513 cubic metres.



Volume of water captured for management



Sources of managed water according to where it was captured



►►► For more information on the activities and management of this company, visit the company website at: www.aqualia.es.

INTELLIGENT SERVICES CSR

AQUALIA, GUARANTEES THE SUSTAINABILITY OF WATER RESOURCES

One of the daily activities undertaken by aqualia is the detection and repair of leaks. aqualia understands that the preservation of the most precious resource should be among the highest priorities of this company which offers all the solutions for the needs of private companies, entities and local and public bodies, in all phases of the integrated water cycle and for all uses: either for human consumption or for use in agriculture or industry.

Depending on the characteristics of the piping, their review is carried out either weekly or daily. The preventative campaigns that the company carries out in order to detect the sounds produced by the leaks, together with the periodic evaluation of the valves and intelligent devices that control the pressure and adjust to the needs of the user, allow greater control of leaks with the consequential reduction of water losses in the network.

With regard to the maintenance and operation of infrastructures for watering, aqualia applies the latest technological innovations to optimise the use of the resources in the area and thus facilitates the efficient use of the water. This focus on innovative solutions and sustainable development within the context of modernising the irrigation process, had led to the generation of SISGRE, an integrated management system that provides optimal control of all the assets in each Irrigation Community.

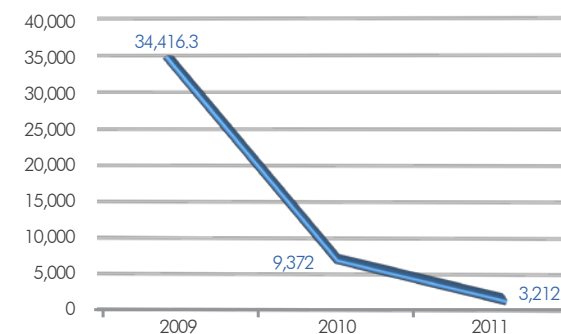
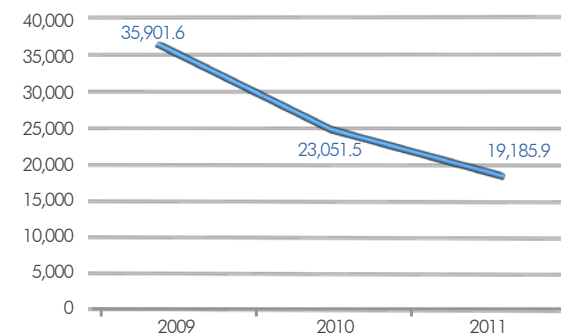
SISGRE makes it possible to consult intelligent mapping (aerial photos and satellite images) as well as providing access to simulations, historical analysis, thematic maps and the display of infrastructures, among other applications. The ultimate goal is to improve the performance of a given area in the region and make efficient water use possible.

3.1.3. Atmospheric emissions

The Group's main emissions, in addition to carbon dioxide emissions (CO_2), are nitrogen oxides (NOx), sulphur dioxide (SO_2), CFC and solid particles. NOx emissions are produced primarily in the Cement Division; SO_2 emissions are mainly produced in the Services Division, and the particles in the Infrastructure Division.

The company has initiatives to reduce emissions associated with combustion, which directly lead to the reduction in particle emissions, NOx and SO_2 . Additionally, each business area has its own initiatives to reduce these emissions.

This way, the Cement Division works actively to reduce its NOx emissions by means of injected ammoniated water. For its part, the Construction Division prevents its emissions by means of an exhaustive control of its machinery and the use of the best technology available.

 SO_2 (t) emissions NO_x (t) emissions

►► The figure is different to that published in 2010 due to an error detected after the Corporate Social Responsibility report was finalised.

CSR INTELLIGENT SERVICES

All facilities with sources of atmospheric emissions that have Integrated Environmental Authorisations have established emissions' limitations. In general, they all have gas scrubbers or sleeve filters, depending on the characteristics of the process generating the emissions.

Moreover, FCC Group facilities emitted 33,637 tonnes of substances into the atmosphere that are harmful to the ozone layer, and a total of 2,956,737.2 tonnes of particles.

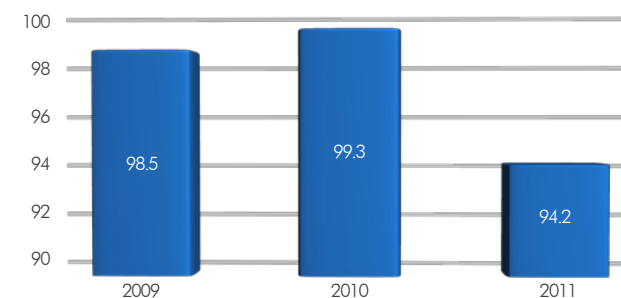
3.1.4. Control of discharges and the prevention of spillages

The majority of waste water discharges are treated beforehand at treatment plants. FCC Group also manages and treats other waste discharges that do not come from its own activity; these are controlled in accordance with parameters that follow the requirements authorised by the river basin authorities or other agencies.

FCC Group companies carry out numerous initiatives for the purpose of preventing, reducing and controlling possible spillages of chemical products, oils and fuels, or any other potentially harmful substances.

The environmental management systems of the Group include numerous preventative measures. However, during 2011 FCC Group, in its Construction Division, recorded 84 accidental discharges, mainly of hydrocarbons, oils and cleaning water from gutters and tanks. The amount of spillages was reduced. For its part, in Cementos Portland Valderrivas and in the Waste Recycling Group only one and two accidents were recorded respectively. This information allows us to appreciate the robustness and capillarity of environmental management systems and allows data to be collected on the company to this regard. In all cases the necessary corrective measures were taken to minimize the impact on the environment. The total volume of the Groups discharges amounted to approximate 4,7 million m³.

Treated waste waters %



3.1.5. Working towards optimum waste management

3.1.5.1. Generation of wastes

FCC Group, once waste has been generated, seeks to find the best option for its management, preferring to reuse, recycle or recover waste rather than disposing of it in landfill sites. In 2011, 23.77% of waste managed was sent for composting, recycling or recovery. The amount of waste produced in 2011 amounted to 4,830,697 tonnes, of which only 6% was hazardous.

Each line of business has its own waste management plans, with the common approach being to minimize its generation. Proper segregation of waste at source greatly facilitates subsequent recovery or disposal, which is the first essential step to achieving more efficient waste management.

►► The variation in the percentage of wastewaters treated with regard to previous years is due to a change in the data collection criterion

INTELLIGENT SERVICES CSR

Waste generation in the Cement Division

One of the most relevant points in the Environmental Policy of Cementos Portland Valderrivas is the reduction in the generation of waste and improvement in waste management as far as its elimination is concerned. To do so, at each workplace selective collection of wastes generated is carried out according to the legislation in force. In any event, the criteria of minimising the production of waste prevails and the best option is sought whenever possible: recycling, reuse and/or recovery as opposed to elimination or deposit in the landfill

The amount of waste generated by cement activity in Spain amounted to 25,278 tonnes in 2011, of which 3.3% was hazardous waste. With regard to the treatment of wastes generated, 30% of hazardous waste and 70.2% of non-hazardous wastes managed externally went to recycling or recovery operations.

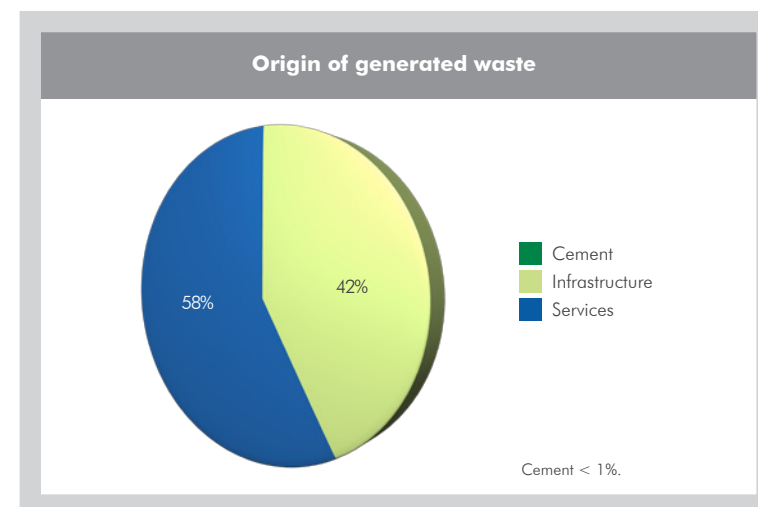
Waste generation in the Services Division

The total amount of waste generated in services activities, amounted to 2,798,737 tonnes in 2011, which represents more than 96% of waste generated by the FCC Group in said year. Of this amount, 476,665 million tonnes (17% of the Services figure) was produced by aqualia as a consequence of the increase in the waste water treatment capacity due to the management of new treatment facilities in 2011.

The integrated water cycle management inevitably involves the production of waste, from the construction of facilities to the treatment of waste water. aqualia is constantly innovating in order to find ways and means to reduce this waste to a minimum. In this sense its activity in RDI supports this line of work by implementing new technologies that enable:

- ▶ The reuse and recover of sludge produced in wastewater treatment processes of the WWTP. The sludge, after passing through a drying and composting process, can be reused for agricultural purposes.
- ▶ The generation of biogas from organic waste water digested by bacteria in the digester. This allows it to be used as a fuel for boilers that feed the digester as well as for electrical energy.

Waste generation in the Construction Division



All the building sites of FCC Construcción adopt the necessary measures to reduce the generation of waste and to guarantee its classification at the site itself and its subsequent selective removal. For all waste generated, and especially in the case of hazardous waste, health and safety conditions are met with regard to storage prior to delivery, thus avoiding contamination of the area due to any discharges or leaks that may occur. The inert waste generated at the site itself and at other nearby works can be treated and utilized, thus reducing consumption of natural resources and the saturation of landfills. In 2011, the total waste generated amounted to 2,007,512 tonnes, of which only 0.03% was hazardous waste.

CSR INTELLIGENT SERVICES

3.1.5.2. Waste management

FCC Group has a line of action which specialises in the comprehensive waste management of all types: industrial, municipal, hazardous, non-hazardous, recyclable, banal, and others. To this respect, FCC Group has specific companies involved in waste management such as FCC Medio Ambiente, WRG, ASA, FCC Ámbito y Proactiva Medio Ambiente (50% owned). Its geographic scope includes areas such as Central Europe, UK, U.S., Latin America, Portugal and Spain.

Throughout 2011, FCC Group has collected more than 24 million tonnes of different types of waste, the majority being from raw waste coming from urban collections.

Waste collected, Selective waste collection, Raw waste, Non-hazardous industrial waste, Hazardous industrial waste

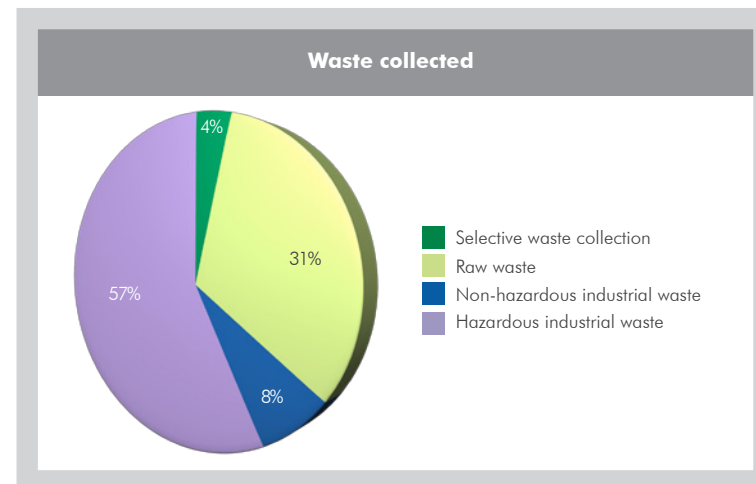
With regard to waste treatment, FCC Group has facilities for the treatment of all types of waste. In 2011, more than 500,000 tonnes of hazardous waste and more than 15 million tonnes of non-hazardous waste were received at its waste management facilities. In this sense, the company carries out recovery processes, elimination in controlled landfill, deposits in slag tips and stabilization. Regarding hazardous waste, 70% of waste is managed by being transferred to an end manager. Meanwhile, 75% of non-hazardous waste is disposed of in landfill sites, and almost 18% of this is recovered using heat, chemical or biological treatment or in construction and demolition plants.

ECOLOGICAL ALTERNATIVE FUEL DERIVED FROM WASTE IN CASTELLBISBAL (BARCELONA)

FCC Ámbito takes the next step in solving the environmental problem of waste generation by implementing the Group's first plant for the production of an ecological alternative fuel, derived from non-hazardous waste of industrial origin (WDF). This fuel is suitable for cement plants or the like, given its high calorific value, low percentage of chlorine content and moisture and easy handling.

This modern WDF plant, located in Castellbisbal (Barcelona), has a treatment capacity of 45,000 tonnes / year, with an estimated production of 30,000 tonnes / year of WDF fuel, it is at the forefront of such facilities in Spain.

The waste used for manufacturing of WDF comes from material recovery facilities in which all recoverable fractions have been



removed beforehand (paper, cardboard, plastics, metals, etc.). After the recovery of materials, the fraction suitable for energy recovery as a WDF is selected and more than 60% of the waste destined for landfill is reduced.

The use of WDF enables the replacement of conventional fuels, such as the petroleum coke type that is currently used in cement, at a rate of around 30-40%.

With the outstanding cost savings generated by the use of this fuel compared to traditional fuel, there is room to add environmental benefits including: the significant decrease in the tonnage of CO₂ emitted by cement (one tonne of WDF can offset the emission of more than one tonne of CO₂) and the increased life span of the landfill due to the fact that only unusable waste is sent.

INTELLIGENT SERVICES CSR

3.2. Biodiversity protection

The company develops an assessment of the environmental aspects of its activity before embarking on its projects, which allows the evaluation of different alternatives, minimizing its impact on the environment and finally carrying out the activity in the most environmentally friendly way.

FCC Group's activities are associated with a certain environmental impact which is sometimes inevitable. The main effects on the environment take place in the Cement and Construction divisions. To mitigate the average effect on these divisions, the Group is developing comprehensive management approaches for the restoration of affected spaces and it is encouraging biodiversity. The estimated surface area of protected zones or areas of high value for biodiversity, contained within, or adjacent to, the activity of FCC's business areas is almost 170,000 hectares.

Cementos Portland Valderrivas engages in natural resource extraction in quarries and gravel pits. Some are in, or close to, protected areas or areas of high value for biodiversity. The main impact of these activities is the alteration to habitats and ecosystems due to the use of the space and the extraction by blasting or ripping, shredding and transportation. In order to attenuate this, the company is implementing restoration plans that allow these areas to be rehabilitated or restored, as far as possible, to the original state of the exploited areas. This practice is carried out both in the limestone quarries, from which material is removed to produce cement, and in the aggregate quarries and gravel pits of the Group. In this regard, in the development of their projects, FCC Group carries out actions to protect and improve the natural environment of these spaces, in addition to promoting the conservation of ecosystems and their biodiversity.

The total area affected by the quarries and gravel pits exploited by Cementos Portland in Spain, from the start of its activity until 2011, is 18,395,947 m². Of this surface area, 8,049,655 m² is completely restored (taken as its final phase of restoration) and 10,346,291 m² is either already restored or will be restored in the future. FCC Construcción carried out the decontamination of soil, on a surface of 326 m². Moreover, Waste Recycling Group has facilities covering an area of over 1,200,000 m² near protected natural areas or places of high biodiversity.

FCC Construcción has an internal guide called "Basic Guide for actions in protected natural areas," which provides guidance for implementing good practices related to minimizing the effect on the biodiversity diversity, in order to protect animal and plant species that could be affected. In this regard, 75% of FCC Construcción's building works protect the specimens that are affected by the construction

itself or by the construction machinery and vehicles traffic, this percentage increases to 82% in the case of civil works.

This allows FCC Construcción to define indicators and to monitor the degree of compliance of each of them within the ten groups identified as having environmental impacts. Please contact us if more information is required.

►►► For more information and further details on the quantitative data on these activities please visit the FCC Construcción website: <http://www.fccco.es/>

CSR

THE RECOVERY OF FCC'S ENVIRONMENTAL RESOURCES

FCC Ámbito has been decontaminating soil for over 20 years, and is currently a leader in the industry. Since the very beginning the company has focused on the recovery and reuse of two key resources, soil and water (mainly groundwater), when they are contaminated as a result of industrial activity.

2011 saw the launch of two major projects: the project for the elimination of chemical pollution of the Flix reservoir (Tarragona) and the removal of contaminated sludge from the Wastewater Treatment Plant of Consorcio I.A.S in Sicily (Italy).

The decontamination of the Flix reservoir is carried out by means of a joint venture with FCC Construcción and is aimed at the extraction and processing of over 900,000 m³ of waste and contaminated sediments (PCB, DDT, chlorinated solvents, metals), generated by the chemical industry in the area.

The project involves the environmental dredging of 960,000m³ of sediment, its delivery to a grain separation plant, its subsequent dehydration treatment by thermal desorption of approximately 90,000 tonnes of chemical oxidation and/or the stabilization of 75,000 tonnes, and the subsequent storage in a Secure Warehouse of all extracted and treated material.



Furthermore, in 2011, over 30 initiatives involving the recovery of groundwater were carried out, most of them by treatment in situ using mobile plants. The total amount of in situ treatment of contaminated soil was more than 260,000m³, without prior excavation and the recovery of about 20,000m³ of groundwater. As a result of these works more than 31,000 Kg of pure contaminant was removed from the subsurface.

FCC Ámbito, through its subsidiary Ecodeal, participated in the recovery of around 80,000 tonnes of waste from the environmental liabilities initiative of former industrial areas of Portugal and, through its subsidiary FCC Environmental it has continued to treat waste, mainly contaminated water, which was generated as a result of the oil spill in the Gulf of Mexico.

CONNECTING CITIZENS

FCC Group seeks to maximize the positive impact of its activities in the communities where it operates, through the generation of the highest added social value.

To this end, the company involves citizens in implementing solutions for the development of sustainable cities. It therefore involves the development of elements of "active sustainability" in which citizens are the main source for improving sustainable and responsible habits and behaviour.

The strategy that guides FCC Group's social commitment and its businesses is also focused on encouraging employee participation in company projects, from the conviction that the involvement of FCC Group employees in its social commitment is essential to its success. Thus, people in the group are able to collaborate in creating a more sustainable, equitable and diverse city.

2011 HIGHLIGHTS

- ▶ Construction of a school in Haiti in collaboration with Fundación PLAN ESpaña.
- ▶ More than 3500 children took part in the environmental education project "The future of the earth lies in the classroom".
- ▶ Education cooperation agreements.
- ▶ Social emergency agreements with Caritas España and Fundación PLAN ESpaña.
- ▶ Agreement with Fundación PLAN ESpaña to develop the programme entitled "I don't have a vote but I have a voice".
- ▶ Selection of "FCC Volunteers, Carriers of Joy" as a finalist in the fifteenth edition of the CODESPA awards for its project with the Esther Koplowitz Foundation.
- ▶ Consolidation, in collaboration with the Esther Koplowitz Fundación, of the programme entitled "Fridays' Residence, Our House", which has

CONNECTING CITIZENS CSR

involved over 80 well-known people from the social, business, scientific and academic worlds in Spain who have given up their time and provided their knowledge to elderly people in need.

- ▶ Inclusion of the FCC Group's Volunteer Programme, in collaboration with the Esther Koplowitz Foundation, in the catalogue of best practices in volunteering of the Sustainability Excellence Club.
- ▶ The launch of the volunteers' website.
- ▶ The launch of the new FCC company website and other digital channels.
- ▶ The conclusion of the fourth round of dialogue with interest groups involving Cementos Portland Valderrivas.
- ▶ Participation in industry associations and CSR forums

ACTION PROGRAMMES

2014 OBJECTIVES

- | | |
|---|---|
| <ul style="list-style-type: none"> ▶ Continuous learning - sustainable radar. ▶ Connecting with citizens - active sustainability. ▶ Corporate Volunteering ▶ Pursue the maximization of sustainable value - positive impact action. | <ul style="list-style-type: none"> ▶ Conduct consultation groups with prescribers in strategic markets ▶ Develop pilot projects both nationally and internationally, in order to promote sustainable habits ▶ Quantify the dedication of the FCC employees in local commitment programs. Strengthen corporate volunteering in collaboration with the Esther Koplowitz Foundation ▶ All public tenders have metrics regarding the impact of our services |
|---|---|

▶ 1. FCC GROUP'S SOCIAL COMMITMENT

Because the Group feel it is part of the communities where it operates, FCC Group undertakes a diverse range of social commitments, since each line of business has its own approach in this area, developing activities related to its business strategy, with the common aim of generating a positive impact of company activities.

At FCC Group we have designed our social commitment strategy in harmony with our corporate strategy

1.1. FCC Group and its social commitment

As it is present in thousands of urban communities, in over 50 countries, FCC Group develops strong social commitment in these communities. In 2011 the total investment earmarked for social projects, focused on education, helping people with special needs, conserving heritage and disseminating art and culture, amounted to 6.18 million euros.

As a Group it has signed collaboration agreements with well-known Third Sector entities such as Cáritas España and Fundación Plan España, in order to address situations of social urgency as a matter of priority as well as primary care projects that these non-profit making organisations undertake.

In 2011 the Cement Division of FCC contributed more than 1 million Euros to different social projects, to which its collaboration with Third Sector entities such as Intermon Oxfam can also be added.

For its part, the sustainable initiatives implemented by FCC Medio Ambiente to protect the environment and encourage the efficient use of resources, as well as other social contributions, represented an amount of around 2.7 million Euros.

At Proactiva, the Green Schools Project can be highlighted, developed in Buenos Aires, which encourages the schools in that city to adopt an eco-efficient culture, developing activities that involve the separation of waste, as well as the saving of water and energy.

Additionally, in 1997, Waste Recycling Group established WREN, a non-profit organisation whose objective is to benefit as many people as possible, especially those living near landfill sites managed by WRG.

The investment philosophy of this British organisation is to collaborate with local communities by means of citizen participation and in choosing projects that have a high impact on their environment. In 2011 it donated 16.5 million euros to social projects.

For further information please visit the website: www.wren.org.uk

CSR CONNECTING CITIZENS

1.2. Education, the central theme of the Group's social commitment

Education is one of the key factors for economic development and social progress of communities. For FCC, cooperation in the field of education constitutes one of the basic lines of action of the activities of its social commitment.

The knowledge and experience of its employees are the main assets of the projects developed by the company within the scope of education. They cover university, secondary and primary education.

COLLABORATION WITH EDUCATIONAL CENTRES: COMMITTED TO TEACHING

Each line of business develops activities with educational centres by means of collaboration agreements. The following are worth mentioning:

- ▶ The Environment Division of the Group spent 2.7 million Euros on initiatives to protect the natural environment and to promote the efficient use of resources. Moreover the Green Schools Project can also be highlighted. Developed in Buenos Aires, it encourages the culture of eco-efficiency in schools. It involves the separation of waste and the saving of drinking water and energy.
- ▶ Cementos Portland Valderrivas participated in educational events at the University of Navarra, the Valdeolea State Junior School (Cantabria), and the Albero de Alcalá de Guadaira State Secondary School. It also took part in the first edition of the FCC Environmental Classroom at the Sagrados Corazones School.
- ▶ FCC Construcción upholds agreements with several universities, study centres, post-graduate and technological centres, offering scholarships to their students and supporting different lines of research. As an example, it has been collaborating for over 20 years with the School of Civil Engineers at the Madrid Polytechnic University offering training courses for last year students at this University and it sponsors the FCC Construcción Awards, that are given to the three best students each year.
- ▶ aqualia has signed agreements with universities and business schools and has participated in specific courses and other technical seminars. The participation of aqualia executives in the Second Edition of Senior Management Development Programme (SMDP) can be highlighted, which was developed in collaboration with the University of Nebrija, which aims to provide social and business skills, as well as offering internal cohesion for aqualia executives.
- ▶ Cemusa takes part in the TEC-MUSA Project (Technologies for sustainable and accessible urban mobility) for which a range of technologies to be incorporated into passenger and cargo vehicles has been developed, with low or zero emissions and advanced accessibility and customer-communication features.
- ▶ Also noteworthy are some of the projects within the scope of education carried out by Waste Recycling Group. The company designed a training programme for children and young people in which participants are made aware of the important role played by citizens in the recycling chain. Furthermore, the training programme included complete information about waste recycling processes.

Additionally, FCC Group has signed a collaboration agreement with Plan España for the joint development of the education project "I can't vote, but I've got a voice", in which it intends to cooperate with said entity in order to achieve a fairer, more pluralistic and equal society. The agreement lasts until 2014 and provides for the training of more than 700 children in seven Spanish cities.

THE FUTURE OF THE EARTH LIES IN THE CLASSROOM

During 2011 FCC Group launched the second edition of its environmental classes under the slogan "The future of the earth lies in the classroom".

The aim of the initiative is to educate children from an early age on the impact that our daily activities have on the environment and to develop attitudes, behaviours and habits that are environmentally friendly.

The FCC Group wants to demonstrate its close involvement with the society it serves. In this first phase of the project it has collaborated with the Sagrados Corazones School in Madrid, a city in which the company has been developing different activities for decades. This year, the FCC Environmental Class has been driven by the incorporation into the project of three new prestigious centres of the Community of Madrid; these include the Orvalle, Mater Salvatoris and El Parque Schools, which join the project together with the Sagrados Corazones School, which was able to enjoy this Environmental Class last year too.

In 2011 around two thousand students attended the environmental classes. By means of these sessions taught by professionals from FCC in the field of sustainability and the business divisions, the children have become aware of the environmental impacts that their everyday activities generate, as well as becoming aware of the consequences of climate change and they have received information about how their daily activities can contribute to improving their environment and natural surroundings.



The environmental model is supported by dynamic and very visual presentations, games and activities, and finishes off with a guided tour of one of the facilities managed by FCC Group, either a waste treatment centre or a wastewater treatment plant.

The content is prepared and taught by personnel who are experts in these matters that come from business divisions of the Group, such as Construcción, Cementos Portland Valderrivas, Aqualia and FCC Ambito.

CONNECTING CITIZENS CSR

AQUALIA PROMOTES THE RATIONAL USE OF WATER AMONG THE YOUNGEST MEMBERS OF OUR COMMUNITY

Again, following the success achieved in the previous eight years, and to commemorate World Water Day 2011, aqualia organised the ninth annual International Children's Painting Competition, which on this occasion considered what a luxury it is to have quantity and quality, of something as precious as water and the role of aqualia in providing water to homes and to return it to the natural environment in optimum conditions. To do this, we have chosen the slogan "Water, the transparent luxury. Give it some colour".

The painting competition, aimed at all children who are studying primary years 3 and 4 in municipalities where aqualia provides its services in Spain, Italy and Portugal, draws attention to aspects related to both the nature of the resource itself and its management.



THE FCC CARRIAGE MUSEUM, A LEARNING SPACE

The city of Barcelona is home to a magnificent collection of wagons, carriages and old wheeled machinery, which offers the visitor a unique opportunity in Spain to get to know the history of carriages in this country as well as the evolution of the machinery that made it possible to provide the first city services in the twentieth century.

This collection, of high economic value and the only one of its kind in Spain, includes nearly 50 carriages and wagons of different styles and periods, and more than 500 saddlery objects, which all belong to the Piera collection, entrepreneurs from the quarries of Montjuic and the founders of Fomento de Obras y Construcciones (FOCSA), the origin of FCC and now owned by the Group.

The collection also includes wheeled machinery that was involved in providing services to the city and that date back to the beginning of the last century and which enabled the development of the city of Barcelona.



This museum, located in Josep Pallach Street, in Barcelona, allows the visitor, and especially school children, to get close to the artefacts, as they take a tour through the history of the carriage in Spain and the services that carriages have provided to Spanish citizens.

FCC preserves this rich historic and artistic heritage as part of its social responsibility.

1.3. FCC Group's projects and the evaluation of their social impact

FCC Group is aware of its social impact: its activities are a source of wealth and employment, and the infrastructures and the services that it provides are a driving force for progress for society.

However, the Group's activities may have negative impacts on the communities in which they are developed. Operations that have the

CSR CONNECTING CITIZENS

highest risk of impact on local communities are operations involving the extraction of materials, carried out by the Cement Division, and the activities of the divisions involved in waste management. Before the start of the projects, FCC Group conducts the appropriate environmental impact study, choosing the most environmentally friendly option from the choices available. Furthermore, some companies of the Group implement processes of dialogue with local communities in order to get their opinion and adapt to their needs and requirements.

With regard to social projects, FCC Group ensures its commitment to transparency and participation in all social projects developed by its lines of business, and does not simply carry out the role of a mere donor. Thus the Group employs control measures and periodic reviews of its projects in order to measure the scope of, and value generated from, projects that contribute to social development of communities where it operates.

►►► For more information on FCC Group's social commitments please visit our company website: <http://www.fcc.es/fccweb/responsabilidad-corporativa/ciudadania-corporativa/accion-social/index.html>

► 2. CORPORATE VOLUNTEERING

The "FCC Volunteers" programme includes the participation of its own employees, which help the Esther Koplowitz Foundation's social projects; a reference in Spain in providing assistance to society's most needy.

The programme is an opportunity to publicise and promote, among the other workers, the benefits of participating in corporate citizen projects, supporting the company's mission to create value for society and to contribute to the welfare of people.

FCC Group's Corporate volunteering plan

- Facilitates voluntary access to social action projects for as many employees as possible
- Promotes CSR within the company, its significance, its implications and its benefits
- Encourages a sense of belonging within the company

Since FCC Group initiated this programme in 2008, it has contributed year after year with various social initiatives within the scope of cooperation with the aforementioned Foundation, noting especially the homes created for the elderly or mentally handicapped. The volunteering projects are carried out in the field of cooperation and environmental education as well as helping in humanitarian emergencies. This collaboration is highlighted in three cities:

- "Nuestra Casa" Old people's residential home, Collado Villalba, Madrid.
- "Nostra Casa" Old people's residential home, Fort Pieç, Barcelona.
- Residential home for the physically and mentally handicapped in La Nostra Casa, Valencia.

In 2011, 447 people were helped by "FCC Volunteers", which involved the participation of 110 company employees.

Among the series of conferences, the most outstanding due to its originality is the one titled "Fridays at the Home", which is held in the residential homes of Madrid and Barcelona. These conferences consist of a platform for thought and discussion among the guests and residents. The speaker chooses a topic that transmits and shares their professional expertise with the attendees. After the conference there is an open floor to ask questions and generate discussion between the guests and residents. So far there have been over 80 speakers from the fields of medicine and research, university, culture, politics, business, etc.

This corporate volunteer programme has been selected by the Club of Excellence in Sustainability within its catalogue of good business practices and corporate responsibility.

CONNECTING CITIZENS CSR

Likewise, in the fifteenth edition of the CODESPA awards, the FCC Volunteers' programme. "Carriers of Joy", was selected as a finalist. These awards recognise the companies, SMEs and groups of employees, who have stood out the most for their commitment to developing countries.

The company has launched an internet page dedicated to volunteering, which can be found on the Group's website, and which promotes the activities of the programme. This online platform fosters a climate of association and of leisure activities among the volunteers.

WRG AND THE REUSE CENTRE AT HARPINGTON (UNITED KINGDOM)

The British subsidiary of FCC Waste Recycling Group, in collaboration with Hertfordshire County Council and the Sue Ryder NGO, is working on a project for social and environmental innovation that the recycling centre in Harpington (UK) represents.

This collaboration permits the design of new ways to recycle urban wastes that prevent them from being sent to the landfill, promoting by means of donations from volunteers their reuse in the field of social charity. For further information on this project, please visit <http://www.wrg.co.uk/>



The strategy that guides FCC Group's social commitments places emphasis on encouraging employee participation in company projects.

►► For more information on FCC Group's social commitment please visit the company website: <http://www.fcc.es/fccweb/responsabilidad-corporativa/ciudadania-corporativa/accion-social/index.html>

CSR CONNECTING CITIZENS

► 3. DIALOGUE AND PARTICIPATION

FCC Group maintains a strategy of dialogue and cooperation with interest groups of the company, by means of developing communication platforms which enable a closer relationship with them.

FCC actively takes part in various initiatives that improve the visibility and awareness of interest groups regarding the Group's activities and results.

3.1. Communication with interest groups

The strategy of dialogue with stakeholders is promoted from all lines of business within the organization. Consultations with interest groups allow FCC Group to identify their main concerns regarding the company. In general, these consist of the following: aspects related to communication with the environment, internal communications, restoration of quarries, local community involvement, local employment, professional development, climate change, alternative fuels, health and safety, supply chain, social action, welfare and equality, management of RDI, integration of disabled citizens and environmental investments.

In a citizen services company such as the FCC Group, communication with stakeholders should be on-going, in order to detect and meet the needs of the societies in which we operate.

The Group also uses various communication channels that allow projects and initiatives to be proposed, as well as active listening and response to the demands made by stakeholders that are inherent in each activity. The most prominent example is the corporate website, which has established itself as the channel used by FCC Group to disseminate information to its stakeholders. It reflects the Group's most remarkable performances and actions. In 2011 the website received a total of 184,841 visits and the new website was launched.

Along with the website, the Group's divisions maintain continuous dialogue with stakeholders throughout the course of the year, by means of consultation sessions, e-mails, newsletters and magazines, trade publications, and end-of-project surveys, among others.

Also worth noting is that the FCC Construcción website (www.fccco.es) recorded 124,963 visits during 2011, while its intranet received a total of 4,776 different users and 3,448,996 pages visited.

The work performed by aqualia in this regard is important, each year the Company organises fora with stakeholders and Cementos Portland Valderrivas, that include their opinions on decision making by means of the Bitácora Project. This project consists of meetings and dialogue sessions with employees on the one hand, and representatives of civil society on the other, in which they express their interests and demands. After each dialogue session a report is produced that is delivered to the Management Committee.

The project, in its fifth year, has achieved a participation rate of over 600 representatives of interest groups in eleven different locations. Within the framework of the Bitacora Project, the following 2011 achievements are worthy of mention:

- The confirmation of the improvement of both the employee confidence level indicators over the last three years as well as the evaluations carried out by employees on the initiatives undertaken by the company.
- The high confidence levels achieved in 2010 have been maintained by social representatives and their evaluation has gone down slightly with regard to the initiatives implemented by the company in response to their expectations.
- For the first time, a dialogue session was held with financial analysts and another with clients in the Northern Area, with a commitment to continue to hold them on a regular basis in the future. For further information please visit (www.valderrivas.es).

Furthermore WRG encourages the formation of a liaison committee for communication with the community for each major operating location; this includes representatives of the local community, and deals with operational issues on a regular basis. Similarly, for large projects, before applying for building permits, the site locations are confirmed with the local community.

CONNECTING CITIZENS CSR

3.1.1. Shareholders and investors

In 2011, the Stock Market and Investor Relations department organised 210 meetings. The company carried out several Roadshows, both nationally (Barcelona) and internationally (London, Paris, Amsterdam, Rotterdam, Brussels and Andorra), plus five reverse Roadshows."

What is more, on the company website there is an exclusive section for shareholders and investors with relevant information about the economic performance of the company, investor's agenda to communicate important events, and a specific communication channel for investors.

3.1.2. Employees

The main tool of communication with employees is the corporate intranet, FCCnet, although some lines of business have their own intranet. In addition, employees have the Employee Portal, with specific content for employees, and which has established itself as an effective communication tool. The Group's intranet averaged 8,397 visitors per day in 2011. The company also regularly convenes employees to inform them in-person on various matters, and uses the Ethics Channel, another internal tool of communication between employees and the company.

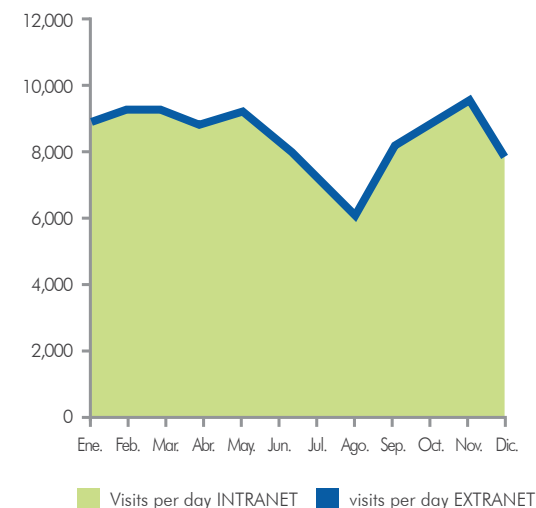
In 2010, the Group launched its online magazine "communication network", receiving more than 20,000 visits, it is currently available in twelve languages, and has reinforced communication to employees who do not have online access by posting it on the information boards at their work centres, with a global distribution of more than 2,000 posters in Spanish, these include the most significant headlines that appear in the "Communication network". This tool has continued to allow fluid communication with employees with a monthly average of 32,618 visits during 2011.

3.1.3. Suppliers and contractors

The behaviour of suppliers and contractors is vital to ensure compliance with the commitments made by FCC Group. To this end the company seeks to align their behaviour with corporate objectives. The training initiatives and awareness campaigns given to suppliers and subcontractors seek, among other things, to convey the importance of compliance with FCC Group's policies and standards.

3.1.4. Public administrations and regulators

Group companies frequently participate in self-regulation initiatives of the sector as well as in the development of new legislation relating to the company's area of activity. All FCC Group's business

FCCnet 2011 statistics by content areas

CSR CONNECTING CITIZENS

areas have implemented voluntary measures to maintain the highest standards of production and service in the different areas of activity.

3.1.5. Clients

FCC Group's direct clients are government, private institutions and individuals. The objective of the Group is to rigorously comply with its contracts, maintaining high standards of quality, while bearing in mind end-user satisfaction regarding the projects performed: the citizen.

Each Group company has quality management systems in place in accordance with the UNE EN ISO 9001 standard, the most renowned in its field. Each line of business has its own action plans with a view to increasing the percentage of certified activities under this Standard. In 2011, 84.5% of the total activities of FCC Group were certified in accordance with ISO 9001.

3.1.5.1. Communication with clients

The Group's activities have well established systems for quality management, which guarantee the quality of products and services. In order to achieve ever greater levels of reliability and quality, FCC Group is in constant contact with clients through various channels in order to analyse the relevant information and act accordingly. In general, all business areas use technical seminars, meetings and specific information on the internet, as well as other traditional communication channels such as regular visits.

Each company has its own means of communication with clients, because each client has its own characteristics. For example, FCC Construcción has a client interlocutor responsible for raising points of collaboration and addressing any suggestions received, as well as discussing the information gathered in meetings with customers, and will subsequently provide information on the actions taken as a result of their suggestions and contributions.

For its part, Proactiva Medio Ambiente has customer services offices in every country in which it performs the commercial management of water (Mexico, Colombia, Ecuador and Peru), including call centres that respond to service requests by phone, online contact through web pages and email, as well as the usual channels where the company records complaints and suggestions from its users. In addition, mobile units have been made available in Ecuador to meet the needs of suburban areas as well as nearby commercial services programmes, such as the initiative entitled "Proactive in your neighbourhood" developed in Colombia.

Finally it is important to mention that in 2011 aqualia launched a campaign focused on contact channels in which two million leaflets were distributed to the end client. Furthermore posters were produced for all the company's customer services offices as well as for advertisements in the press.

3.1.5.2. Customer satisfaction

In order to obtain the views of customers regarding the services and improvements that customers consider necessary, the Group carries out satisfaction surveys in different areas of business. The objective of the FCC satisfaction surveys is to become aware of the opinion and degree of satisfaction of customers with regard to projects, as well as to identify the most important areas of improvement for future projects.

Due to the diversity of activities and types of customers of FCC Group, the measurement criteria for satisfaction are decentralized, so that each business has its own measurement methodology, with the common goal of understanding the client's opinion on services provided and in order to develop improvement actions. Depending on the Group's subsidiaries, satisfaction surveys are conducted at least every two years.

3.1.5.3. Life cycle of the products and services

In general the life cycle of each of the products and services that FCC offers will involve the following phases:

- ▶ Developing the concept of the product: RDI.
- ▶ Certification, manufacturing and production.
- ▶ Marketing and promotion.
- ▶ Storage, distribution and supply.
- ▶ Use and service.
- ▶ Elimination, reuse and recycling.

CONNECTING CITIZENS CSR

Depending on the type of activity developed, the services are evaluated in order to test possible effects regarding employees' health and safety. However, due to the nature of the products developed, they are not susceptible to causing a significant impact on the health and safety of customers, therefore these project do not undergo these types of evaluations.

By means of FCC's information collection systems, in 2011 no incidents related to breaches of legal regulations or voluntary codes related to the impact of products and services on health and safety have been registered.

3.2.Presence in CSR associations and forums

In 2011, FCC Group continued in its participation and involvement in industry associations and CSR forums such as ASEPAM (Spanish Network for the United Nations Global Compact), Club of Excellence in Sustainability, Forética, CSR Commission of the CEOE (Spanish Confederation of Employers' Organisations), State Council of Social Responsibility of Companies (CERSE), Pro-Clima Forum Madrid, Fundación Carolina.

With regard to communicating its actions and participation in interest groups, the following can be highlighted:

- ▶ Internal magazine entitled "Communication Network" and the Communication Room.
- ▶ aqualia forums with suppliers, customers and the media.
- ▶ Benchmarking days of the Spanish Social and Economic Council (CES) with the FCC Medioambiente electrical vehicle.
- ▶ Stakeholder Engagement & Trust tool, in Cementos Portland Valderrivas with its interest groups
- ▶ Collaboration of aqualia with Water Alliance, to promote the latest trends and solutions in the world or water, with an angle of solidarity.
- ▶ aqualia's participation in the International Benchmarking Programme of the International Water Association.

In addition, each business division is part of its respective sectorial associations in each one of its areas of activity, through which it provides expertise and knowledge.

It should be highlighted that aqualia has become the first private company in Spain within the sector to adhere to the commitments of the Water Alliance, an organization created under the umbrella of the United Nations Millennium Development Goals (MDG), adopted in 2000 by a total of 189 countries. Water Alliance seeks to promote solidarity among water users in Spain and Central America.

FCC AWARDED WITH THE 'COMISIONES OBRERAS' TRADE UNION AWARD FOR ITS COMMITMENT TO SOCIETY

In 2011 FCC received, in the hands of its principle shareholder Esther Koplowitz, the 'Comisiones Obreras' trade union Construction and Wood Foundation award, under the category of 'Commitment to the community' for "creating a solidarity network that focuses its work on groups with special difficulties", as noted by members of the Jury.

The Trade Union's Construction and Wood Foundation valued FCC's work in promoting employee involvement on a voluntary basis in a solidarity network. The president of the Trade Union Foundation and the secretary general of FECOMA (State federation of construction, wood and similar workers), Fernando Serrano, was appointed to present the award to Esther Koplowitz, who showed her gratitude for the award on behalf of all employees of the Citizen Services Group.

In his speech, Serrano highlighted the importance of Koplowitz and her role as "entrepreneur" in transforming FCC into one of the most important companies in Spain. For the most senior figure in the foundation "to speak of companies is to speak of its workers, because when the workers have the proper training and when they are recognised and their efforts are valued, they form the main asset of the company".

CSR PERFORMANCE INDICATORS OF FCC GROUP

INDICATORS

Economic indicators	Units	2011	2010	2009
Net business turnover	Millions of Euros	11,755	11,908	12,700
Gross operating profit (Ebitda)	Millions of Euros	1,252	1,366	1,485
Net operating profit (Ebit)	Millions of Euros	401	778	790
Cash flow operations	Millions of Euros	999.4	967.8	1,602
Cash flow investments	Millions of Euros	5.2	[507.4]	[843.1]
Project portfolio	Millions of Euros	35,237.6	35,309	34,548
Generated economic value	Thousands of Euros	11,978,024	12,349,508	13,168,696
Economic value distributed by FCC Group	Thousands of Euros	11,564,606	11,646,906	12,352,960
Procurements (suppliers of materials and services)	Thousands of Euros	5,448,490	5,576,595	6,126,122
Other operating expenses	Thousands of Euros	2,137,231	2,105,851	2,174,662
Salary expenses	Thousands of Euros	3,292,672	3,258,153	3,296,522
Corporate income tax	Thousands of Euros	27,154	97,761	115,229
Interest and exchange rates differences	Thousands of Euros	479,688	401,100	405,027
Dividends paid to shareholders	Thousands of Euros	173,191	201,236	228,198
Economic contribution to corporate citizenship	Thousands of Euros	6,180	6,200	7,200
Significant financial assistance received from governments (subsidies)	Thousands of Euros	159,721	38,661	63,576
Activity with quality certification	%	87.7	86.6	83.0
Purchases from suppliers	Thousands of Euros	881,779	2,186,770	2,181,971
Total purchases from local suppliers managed directly	%	93.5	68.3	64.6
Ethics and integrity	Units	2011	2010	2009
Communications received through the Code of Ethics channel	nº	14	3	NA
Efficiency and technology	Units	2011	2010	2009
Investment in RDI	Thousands of Euros	16,326	11,400	23,621.8
Activity with environmental certification	%	79.0	74.0	72.0
SO ₂ emissions	kg	3,212,497.8	9,372,039.8	34,416,347.8
NOx emissions	kg	19,185,920.3	23,051,524.0	35,901,557.1
Particulate emissions	kg	2,956,737.2	510,893	26,798,919.0
Consumption of materials	tonnes	82,364,173.2	124,873,722.7	274,510,813.0
Consumption of raw materials	tonnes	69,119,630.2	NA	NA
Consumption of semi-manufactured products	tonnes	11,982,945.5	NA	NA
Consumption of auxiliary materials	tonnes	1,308,415	NA	NA
Materials of renewable origin	tonnes	10,580,426.5	NA	NA

PERFORMANCE INDICATORS OF FCC GROUP CSR

Materials of recycling origin	tonnes	10,615,176.0	NA	NA
Certified materials	tonnes	1,963,657.8	NA	NA
Eficiencia y tecnología	Units	2011	2010	2009
Water consumption	m³	15,013,567.1	18,741,762.9	18,982,500.0
Consumption of recycled water	m³	3,289,728.5	2,253,057.3	2,467,725.0
Consumption pertaining to surface water	m³	2,658,021.2	4,268,260.1	4,935,450.0
Consumption pertaining to groundwater	m³	1,110,799.4	1,030,034.0	1,138,950.0
Consumption pertaining to municipal supply	m³	35,588,446.5	5,610,195.0	7,213,350.0
Consumption pertaining to other sources	m³	2,748,111.5	5,580,216.5	3,227,025.0
Discharged waste water	m³	496,474,024.8	2,612,830.4	4,540,370.0
Purified waste water	%	94.2	99.3	98.5
Water captured to be managed	m³	676,576,513	647,076,873	NA
Percentage of groundwater captured	%	28.7	26.8	NA
Percentage of surface water captured	%	66.7	69.1	NA
Percentage of desalinated water captured	%	1.8	1.2	NA
Percentage of other captured elements	%	2.8	2.9	NA
Total waste generated	tonnes	4,830,697	10,277,579	23,394,425.0
Hazardous waste generated	tonnes	277,441.1	176,162	201,192
Non-hazardous waste generated	tonnes	4,553,255.9	10,101,417	23,193,232.9
Waste managed	tonnes	16,127,144.3	17,962,530	11,319,578
Waste collected	tonnes	22,088,405.4	22,639,951	24,052,358
Urban waste	tonnes	6,708,431.5	NA	NA
Hazardous industrial waste	tonnes	14,057,484.1	NA	NA
Non-hazardous industrial waste	tonnes	1,322,489.7	NA	NA
Waste admitted in FCC centres	tonnes	15,889,991.7	NA	NA
Urban waste	tonnes	261,022.0	NA	NA
Hazardous industrial waste	tonnes	13,807,302.2	NA	NA
Non-hazardous industrial waste	tonnes	1,821,667.4	NA	NA
Treatment given to hazardous waste*	tonnes	509,093	1,018,223	884,580
Recovery	%	12.3	4.6	6.2
Stabilisation	%	0.4	13.8	11.1
Transferred to an end manager/other destinations	%	73.8	81.6	82.7
Treatment given to non-hazardous waste*	tonnes	15,618,051.6	17,962,530	11,319,578
Recovery	%	17.9	NA	NA
Elimination at controlled landfill	%	76.2	NA	NA
Transferred to an end manager	%	5.9	NA	NA

* The distribution by treatment is an estimated figure taken from the best available information

CSR PERFORMANCE INDICATORS OF FCC GROUP

Energy and climate change	Units	2011	2010	2009
Total GHG emissions	† CO ₂ eq	11,917,117.5	16,031,632.0	16,260,181.0
Direct GHG emissions	† CO ₂ eq	11,342,481.1	14,702,036.0	15,422,530.0
Indirect GHG emissions	† CO ₂ eq	574,636.3	1,329,595.0	837,651.0
Direct consumption of energy	GJ	34,798,033.5	51,316,981	44,484,423
Renewable energy consumed	GJ	2,430,701.7	2,270,967	4,251,929
Non-renewable energy consumed	GJ	32,367,331.7	49,046,014	40,232,494
Indirect consumption of energy	GJ	6,190,451.5	10,780,156.6	7,169,623.2
Electrical energy consumed	GJ	6,176,024.5	10,765,954.8	7,116,928.9
Energy in the form of steam consumed	GJ	14,427	14,168.9	7,645.6
Total energy consumed	GJ	40,988,484.9	62,097,137.6	51,654,046.2
Generation of renewable energy	GJ	2,714,422	918,884	856,142
Wind energy produced	GJ	2,667,344.4	887,065	823,238
Photovoltaic energy produced	GJ	33,470	31,819	32,904
Energy produced from waste (biomass fraction)	GJ	13,607.7	NA	NA
Hydraulic energy produced	GJ	53,005.1	NA	NA
Community	Units	2011	2010	2009
Investment in social action /corporate citizenship	Millions of Euros	6.18	6.20	7.20
People	Units	2011	2010	2009
Total personnel	Nº	90,749	90,013	92,324
Total women	Nº	19,195	19,197	NA
Total men	Nº	71,554	70,816	NA
Percentage of women executives with respect to total executives	%	13.60	32.90	30.97
Number of employees with permanent contract	Nº	32,637	31,807	31,541
Number of employees with a temporary contract	Nº	11,444	10,697	12,515
Number of employees on assignment	Nº	46,668	47,509	48,267
Total voluntary rotation	%	5.42	NA	NA
Total voluntary rotation of men	%	5.69	NA	NA
Total voluntary rotation of women	%	4.40	NA	NA
Number of disabled employees	Nº	1,019	1,042	NA
Number of training hours per employee	Nº	10.21	9.53	6.89
Number workers covered by collective agreements (Spain)	%	100	100	100

PERFORMANCE INDICATORS OF FCC GROUP CSR

People	Units	2011	2010	2009
Number of people off work due to occupational accidents (except in itinere or for cardiovascular reasons). Own personnel.	Nº	5,653	6,312	6,348
Work days lost due to occupational accidents or diseases (except in itinere or for cardiovascular reasons). Own personnel.	Nº	130,517	132,702.5	128,085
FCC Group accident rate indexes (national and international). Own personnel				
Frequency index		36.18	40.31	42.02
Severity index		0.83	0.87	0.87
Occupational accident incidence index		69.75	77.20	79.57
Absenteeism index		6.91	7.07	7.31
FCC Group accident rate indexes (national and international). Own personnel + subcontracted personnel				
Frequency index		33.92	38.22	38.59
Severity index		0.76	0.82	0.80
Occupational accident incidence index		64.58	72.12	72.91
Absenteeism index		5.87	6.12	6.24
Deaths caused by occupational accidents				
Total FCC Group (own personal + subcontracted personnel)	Nº	12	18	19
Own personnel	Nº	8	11	7
Subcontracted personnel	Nº	4	7	12

CSR HOW THE REPORT WAS PREPARED

HOW THE REPORT WAS PREPARED

This Corporate Responsibility Report of FCC Group seeks to reflect the evolution of the company during 2011, and the newly defined strategic areas in the 2012-2014 Master Plan, with a description of policies and initiatives implemented in the period as well as the most relevant indicators and objectives. To learn about other initiatives launched in previous years, we recommend that the reader visits the FCC website, which contains comprehensive information on the management of corporate responsibility within the company.

In order to help the reader better understand the values of FCC, its strategy regarding corporate responsibility and action programmes, the report adheres to three strategic lines of the Master Plan (citizen connection, intelligent services and exemplary behaviour), and each chapter contains a summary of major policies and initiatives in effect for each interest group.

This report has been prepared in accordance with the Global Reporting Initiative's (GRI) sustainable reporting guidelines, as amended on March 2011 (entitled G3.1), in the highest application level (A +) as well as in accordance with the AA1000 APS Accountability Standard (version 2008).

During 2011, data collection systems were improved, and the tool by which divisions and businesses produced reports was enhanced. This IT tool, called Horizonte, is created to facilitate the collection and consolidation of qualitative and quantitative information, and was reinforced with the development of protocols to support those who prepare the reports in business areas and divisions, ensuring reliability, quality, consistency and the origin of the information.

The Department of Communications and Corporate Responsibility is responsible for coordinating accountability regarding the economic, social and environmental performance of the company, as well as the promotion of the Corporate Responsibility Master Plan.

Application of the AA100 Standard in the preparation of this report:

Inclusiveness. FCC Group and each one of its businesses regularly conduct consultations with its interest groups. This report is structured along the lines of the renewed Master Plan, for which internal consultations were conducted through interviews with managers responsible for areas and divisions,

as well as external meetings with energy experts, cities, the media and representatives of NGOs and public administrations.

Relevance. During the update of the aforesaid Master Plan an analysis was carried out of sustainable trends that should be met by FCC Group as a citizen service company. This trend analysis was based on recent reports from sources such as the World Economic Forum, Slim cities: Sustainable buildings; Smart Energy, Water Resources Group, and the special 2011 report of the IPCC, the Special Report on Renewable Energy Sources and Climate Change Mitigation. Afterwards, in a round of internal interviews and with a panel of experts, the relevance of these trends was consulted as well as the material aspects that the company should take into account according to its activity, in order to add value to said Plan.

Response capability. In this Master Plan, FCC designed a series of initiatives to respond to the challenges that had been identified as key issues for the company. That is why the Group's response to the challenge of combining its activities with developing sustainable cities of the future aims to better serve its citizens, putting people of the Group at the heart of the strategy and putting greater emphasis on the sustainability of the supply chain.

Participation of interest groups and the determination of materiality

This Corporate Responsibility Report, published annually, is aimed at FCC Group's interest groups. These interest groups contribute decisively to the knowledge and understanding of issues of interest and concern to the company and therefore are a key aspect in the social management and trust in the Group. In 2010, a study of materiality was undertaken in order to address these issues and in 2011 consultation work continued for the drafting of the new 2012-2014 Master Plan. The results of these studies have focused on FCC's approach to corporate responsibility.

HOW THE REPORT WAS PREPARED **CSR**

FCC Group promotes the participation of its interest groups through communication channels established for this purpose. The "dialogue and participation" section of this report analyses in detail these channels, through which the Group collects valuable information.

A new image for a new position

The participatory processes and analyses have identified material issues, risks and opportunities for FCC Group's corporate responsibility agenda.

In 2011, FCC Group changed the structure of its Corporate Responsibility Report, taking into account the strategic axes defined in the 2012-2014 Master Plan.

The report reflects the performance of FCC as a whole, providing information consolidated at Group level. This approach responds to the new company strategy, in which all of its business units propose their activities with one single purpose: to provide service to citizens. Sometimes, when appropriate, noteworthy examples are offered of some of the lines of business that are useful to illustrate certain issues.

Since this report contains information on the company's global focus on sustainability issues, at times some information has been omitted that might be useful. In these cases, the reader who requires further information is invited to visit the corporate website or to look at the corresponding sustainability reports published by the business divisions of FCC Group, which expand on specific details of each activity.

Scope of the Report

The scope of coverage of this report coincides with the Group's scope of financial consolidation and reflects the company's activities during 2011. Specifically, the extent of the information provided in this report, both regarding the sections on Citizen Connection and Exemplary Behaviour, corresponds to the scope of integration which is used for financial consolidation, according to which, data is considered from 100% of the participating companies over which FCC has management control, regardless of their holding. In the case of joint ventures, the value of those in which it controls the operations is included, applying its percentage of ownership as appropriate. In both the Intelligent Services and the Exemplary Behaviour sections, following the principle of materiality and the availability of information by business area, the scope of the quantitative data excludes the Proactiva subsidiary.

FCC Group, characterised for its diverse geography and activities, is working to extend the scope of information to all companies making up the group. The relationship of FCC Group companies as of 31 December 2011, and a description of each, appears in the sections "Challenges I, II, III and IV" of this Report.

Quality of the information disclosed

The purpose of this report is to provide public awareness regarding issues and indicators that have been identified as tangible, enabling the expectations of the interest groups of the Group to be met, with information being duly provided on decision making.

The drafting process has been guided by the principles established by the Global Reporting Initiative (GRI) in its G3.1 Guidelines in order to reflect quality information, and it includes the additional information required by the supplement "Construction and Real Estate", which contains specific indicators for companies in the construction and real estate sector, recently published by GRI, which must be followed by all companies that want to achieve an A + rating, awarded by GRI to those reports that follow its recommendations (table with the index of G3.1 content available at www.fcc.es). This Corporate Responsibility Report for the year 2011 offers a balanced, comparable, accurate, reliable, regular (annual) and clear perspective on the economic, social and environmental performance of the Group.

Reliability

The Corporate Social Responsibility Report 2011 of FCC has been verified by KPMG in accordance with the ISAE 3000 international standard. The scope, work description and conclusions of this verification are found in the section entitled Verification Letter.

CSR HOW THE REPORT WAS PREPARED

SELF-CLASSIFICATION OF THE REPORT IN THE G3 SCALE

	C	C+	B	B+	A	A+
Self-declaration						→
External verification						→
GRI review						→

United Nations Global Compact

In 2011, FCC Group continued to strongly support the Ten Principles of the Global Compact, principles relating to human rights, labour rights, environmental protection and corruption. The Group has been associated with the Spanish Global Compact Association (ASEPAM) since 2007, whose main objective is to support, promote and disseminate the incorporation of the Ten Principles in the strategic vision of companies.

To show its strong support for the Ten Principles of the Global Compact, FCC Group includes a clause in all contracts with suppliers, approved by the Management Committee, which requires all suppliers and contractors to meet the FCC Group's Code of Ethics and comply with the Ten Principles of the Global Compact. This clause is a guarantee for the Group that its suppliers are adhering to these principles in their own activities.



KPMG Asesores S.L.
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Independent Assurance Report to the Management of Fomento de Construcciones y Contratas, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

We performed a limited assurance review on the non-financial information contained in Fomento de Construcciones y Contratas, S.A. (hereinafter FCC) Corporate Social Responsibility Report for the year ended 31 December 2011 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators referred in the chapter entitled How the Report was prepared.

FCC management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 3.1 (G3.1) of the Global Reporting Initiative as described in the section entitled How the Report was prepared. This section details the self-declared application level, which has been confirmed by Global Reporting Initiative. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000 APS); for determining its objectives in respect of the selection and presentation of sustainable development performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and to issue, based on the work performed, an independent report. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board and also in accordance with the guidance set out by the Accountants Institute of Spain (*Instituto de Censores Jurados de Cuentas de España*). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement and that we comply with the independence requirements included in the International Ethics Standards Board for Accountants Code of Ethics which outlines detailed requirements regarding integrity, objectivity, confidentiality and professional qualifications and conduct. We have also conducted our engagement in accordance with AA1000 Accountability Assurance Standard 2008 (AA1000 AS) (Type 2), which covers not only the nature and extent of the organisation's adherence to the AA1000 APS, but also evaluates the reliability of performance information as indicated in the scope.

A limited assurance engagement on a sustainability report consists of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate through the following procedures:

- Inquiries of management to gain an understanding of FCC's processes for determining the material issues for their key stakeholder groups.
- Interviews with relevant FCC staff concerning the application of sustainability strategy and policies.
- Interviews with relevant FCC staff responsible for providing the information contained in the Report.
- Visiting a residential building worksite (Urbanización Nuevo Tres Cantos), selected based on a risk analysis considering quantitative and qualitative criteria.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of FCC.

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- Verifying that the financial information reflected in the Report was taken from the annual accounts of FCC, which were audited by independent third parties.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. Also, this report should not be considered an audit report.

Our multidisciplinary team included specialists in AA1000 APS, stakeholder dialogue, social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Corporate Social Responsibility Report of FCC for the year ended 31 December 2011 have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative as described in the How the Report was prepared section of the Report. Additionally, and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that as a result of FCC implementing the procedures described in section How the Report was prepared of the Report, any material issues have been omitted as applies to the principles of inclusivity, materiality and responsiveness as included in the AA1000 AccountAbility Principles Standard 2008.

Under separate cover, we will provide FCC management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present some of the key observations and areas for improvement below:

In relation to the INCLUSIVITY principle

During 2010, FCC held a series of consultations with external stakeholders to identify issues relevant to the company. Furthermore, during 2011, as part of the development of its 2011-2014 Corporate Social Responsibility Master Plan and the definition of the action lines, interviews were carried out with each of the responsible units involved in the plan. In this sense, it is recommended that FCC continues working on establishing formal communication channels in order to ensure taking into account the opinion of FCC's various stakeholder groups on a regular and homogeneous basis.

In relation to the MATERIALITY principle

In the process of defining the action lines that form part of the aforementioned 2011-2014 CSR Master Plan, the issues that are most relevant for the company and hence, requiring greater attention by the Group, have been identified. To ensure the development of these priorities adopted for the attainment and progress of the Master Plan, it is recommended that FCC continues working on the formalization of the processes used to update and prioritize relevant issues.

In relation to the RESPONSIVENESS principle

The action lines of the Master Plan have been developed in order to respond to the challenges demanded by the company's key stakeholders, identified within its CSR strategy. In this sense, it is recommended that FCC advances in the development of formal and bidirectional communication tools that will allow to determine the degree of stakeholder satisfaction with the defined lines of action.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

11 May 2012

