

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **APPENDIX I**

### **ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES**

#### ISSUER'S PARTICULARS

FINANCIAL YEAR END: 31/12/2016

COMPANY TAX ID NO. (CIF): A81939209

CORPORATE NAME: FERROVIAL, S.A.

REGISTERED OFFICE: PRÍNCIPE DE VERGARA, 135 MADRID

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**A. OWNERSHIP STRUCTURE**

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

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
20/12/2016	146,509,694.80	732,548,474	732,548,474

Indicate whether different types of shares exist with different associated rights:

Yes  No

A.2 List the direct and indirect holders of significant ownership interests in your Company at year-end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of Voting rights held indirectly	% of total voting rights
BLACKROCK INC.	0	21,712,841	2.96%
LEOPOLDO DEL PINO Y CALVO-SOTELO	100	37,005,145	5.05%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
BLACKROCK INC.	CONTROLLED COMPANIES AND COLLECTIVE INVESTMENT INSTITUTIONS UNDER MANAGEMENT	21,712,841
LEOPOLDO DEL PINO Y CALVO-SOTELO	SIEMPRELARA S.L. SOCIEDAD UNIPERSONAL	37,005,145

Indicate the most significant movements in the shareholder structure during the year:

Name or corporate name of shareholder	Transaction date	Description of the transaction
BLACKROCK INC.	24/11/2016	Exceeds 3% of share capital
BLACKROCK INC.	22/09/2016	Descends 3% of share capital
BLACKROCK INC.	24/08/2016	Descends 3% of share capital
LEOPOLDO DEL PINO Y CALVO-SOTELO	14/07/2016	Exceeds of 5% of share capital

A.3 Complete the following tables on Company directors holding voting rights through Company shares.

Name or corporate name of director	Number of direct voting rights	Voting rights held indirectly	% of total voting rights
ÓSCAR FANJUL MARTÍN	10,220	0	0.00%
SANTIAGO FERNÁNDEZ VALBUENA	22,120	0	0.00%
SANTIAGO BERGARECHE BUSQUET	2,467,663	1,934	0.34%
JOAQUÍN AYUSO GARCÍA	132,938	0	0.02%
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	171,673	0	0.02%
MARIA DEL PINO Y CALVO-SOTELO	22,757	59,660,343	8.15%
JOAQUÍN DEL PINO Y CALVO-SOTELO	40,751	18,645,636	2.55%
JUAN ARENA DE LA MORA	72,771	42,000	0.02%
RAFAEL DEL PINO Y CALVO-SOTELO	358,272	147,993,560	20.25%
IÑIGO MEIRÁS AMUSCO	282,846	0	0.04%
PHILIP BOWMAN	20,222	0	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
SANTIAGO BERGARECHE BUSQUET	ROSARIO MENDOZA SOLANO	1,934
MARIA DEL PINO Y CALVO-SOTELO	MENOSMARES S.L. SOCIEDAD UNIPERSONAL	59,660,343
JOAQUÍN DEL PINO Y CALVO-SOTELO	ADDITION SICAV, S.A.	100,000
JOAQUÍN DEL PINO Y CALVO-SOTELO	SOZIANCOR S.L. SOCIEDAD UNIPERSONAL	18,545,636
JUAN ARENA DE LA MORA	ARANE SICAV, S.A.	14,000
JUAN ARENA DE LA MORA	MARIA BARBARA PAN DE SORALUCE MUGUIRO	28,000
RAFAEL DEL PINO Y CALVO-SOTELO	RIJN CAPITAL B.V.	147,993,560
<b>% of total voting rights held by the Board of Directors</b>		<b>31.39%</b>

Complete the following tables on share options held by directors, who hold rights over shares in the Company:

Name or corporate name of director	Number of direct voting rights	Voting rights held indirectly	Number of equivalent shares	% of total voting rights
RAFAEL DEL PINO Y CALVO-SOTELO	222,300	0	222,300	0.03%
IÑIGO MEIRÁS AMUSCO	222,300	0	222,300	0.03%

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the Company, unless they are insignificant or arise from ordinary trading or exchange activities:

Related party name or corporate name
RAFAEL DEL PINO Y CALVO-SOTELO
MARIA DEL PINO Y CALVO-SOTELO

**Type of relationship:** Family

**Brief description:**

Rafael and María del Pino Calvo-Sotelo are siblings.

- A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the Company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related party name or corporate name
RAFAEL DEL PINO Y CALVO-SOTELO
FERROVIAL, S.A.

**Type of relationship:** Corporate

**Brief description:**

Chairman and Chief Executive Officer of Ferrovial, S.A.

Related party name or corporate name
MARIA DEL PINO Y CALVO-SOTELO
FERROVIAL, S.A.

**Type of relationship:** Corporate

**Brief description:**

Director of Ferrovial, S.A.

- A.6 Indicate whether the Company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Limited Liability Companies Law (*Ley de Sociedades de Capital*, hereinafter "LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes  No

Indicate whether the Company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes  No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

None to report.

- A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the Company in accordance with article 4 of the Securities' Market Act. If so, identify:

Yes  No

<b>Remarks</b>
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A.8 Complete the following tables on the Company's treasury stock:

**At year-end:**

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
2,775,174	0	0.38%

**(\*) Through:**

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

<b>Explain any significant changes.</b>
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The notifications are set out regarding equity transactions that have been sent to the CNMV (form IV) during the year to concur when any of the circumstances envisaged in the applicable legislation occur:

(i) acquisitions that reach or exceed the threshold of 1% (regardless of the percentage of equity that the issuer holds at the time notification is required).

On 28 July 2016, the CNMV was informed of (i) the acquisition of 7,404,379 direct shares by the Company, accounting for 1.001% of share capital, and (ii) the transfer of 9,625 direct shares, accounting for 0.001% of share capital.

On 17 November 2016, the CNMV was informed of (i) the acquisition of 7,425,983 direct shares by the Company, accounting for 1.004% of share capital, and (ii) the transfer of 56,924 direct shares, accounting for 0.008% of share capital.

(ii) change in the number of voting rights of the issuer. In this case, notification must be sent regarding acquisitions and transfers of own shares that have taken place since the last notification including the change in the share capital figure. In cases of capital reduction, the number of own shares subject to redemption appears in the notification as a "transfer".

On 27 June 2016, the CNMV was informed of (i) the acquisition of 5,209,091 direct shares by the Company, accounting for 0.704% of share capital, and (ii) the transfer of 2,794,648 direct shares, accounting for 0.378% of share capital.

On 30 November 2016, the CNMV was informed of (i) the acquisition of 115,519 direct shares by the Company, representing 0.015% of share capital.

On 22 December 2016, the CNMV was informed of (i) the acquisition of 695,007 direct shares by the Company, accounting for 0.095% of share capital, and (ii) the transfer of 16,318,927 direct shares, accounting for 2.228% of share capital.

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer own shares.

RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING OF 26 JUNE 2014

"To authorise the Board of Directors to increase share capital in accordance with article 297.1.b) of the LSC, subject to the following conditions:

1. Delegation of power to increase capital. The Board of Directors is hereby authorised to increase share capital on one or more occasions and at any time within a period of five years from the date of approval of this resolution by the General Shareholders' Meeting, up to a maximum amount of seventy-three million three hundred and fifty-one thousand and twenty-five euros and fifty cents (€73,351,025.50), accounting for one-half of the share capital of the Company, by issuing new ordinary or preference shares, or shares of any other type permitted by law, including redeemable shares, with or without a share premium, with or without voting rights, consisting of the equivalent value in cash contributions. The Board of Directors may set the terms and conditions for the share capital increase and freely offer new shares that may not be subscribed within the period or periods for the exercise of the preferential subscription right.

The Board of Directors is authorised, in the event of incomplete subscription, to establish the share capital increase exclusively for the amount of the shares actually subscribed, and to amend the wording of the bylaw article referring

to share capital.

2. Delegation of power to exclude preferential subscription rights. Under article 506.2 and related articles of the LSC, the Board of Directors is hereby authorised to exclude, either in whole or in part, the preferential subscription rights of shareholders in relation to the issues of shares subject to this delegation of powers, where necessary in the interest of the Company and for compliance with all other applicable legal requirements. However, this authorisation will be limited to share capital increases in reliance on this power up to the relevant maximum amount, as a whole, to 20% of current share capital.

If the Board decides to exclude the preferential subscription right in relation to any given issue of shares that may be decided in accordance with this authorisation, it shall, at the same time, issue a report detailing the specific reasons of corporate interest justifying such measures, which shall be accompanied by the pertinent report by the statutory auditor referred to in article 308.2.a) of the LSC. These reports shall be made available to the shareholders and communicated at the first General Shareholders' Meeting to be held after the resolution to issue shares.

3. Admission of Stock 's Negotiation. The Board of Directors is hereby authorised to seek a listing for the new shares issued on the Madrid, Barcelona, Bilbao and Valencia stock exchanges via the Stock Market Interconnection System (Continuous Market), and on any foreign stock exchanges on which the shares of said company may be quoted, where appropriate. The Board is further authorised to undertake all necessary procedures and actions to obtain a listing before the competent authorities for the Spanish and foreign stock markets.

It is expressly stated that any subsequent request to de-list the securities must be approved under the same applicable procedure(s) used to admit them to trading, where applicable. The interests of the shareholders and/or bondholders who opposed the agreement or abstained are protected under the terms of the current legislation. It is also stated that Ferrovial, S.A. is bound by the existing or future laws, particularly with respect to trading, length-of-trading and exclusion from trading.

4. Article 249.2 of the Spanish Limited Liability Companies Law expressly authorises the Board of Directors to transfer the powers permitted under this article to the Executive Committee.

The powers transferred replace those agreed for transfer by the shareholders under item 5 of their agenda at the General Meeting held on 22 October 2009. This resolution is now defunct.

#### RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING OF 22 MARCH 2013

"Authorisation of the Board of Directors to acquire shares of the Company on the market, either directly or via dependent companies, in accordance with the applicable legislation in each case and the following limits and requirements:

- Form of acquisition: by purchase or any other "inter vivos" transfer for valuable consideration.
- Maximum number of shares to be acquired: shares of Ferrovial, S.A., in an amount such that the par value of the shares to be acquired, together with that of those already held by Ferrovial, S.A. and any of its dependent companies, does not exceed 10% of the share capital of Ferrovial, S.A.
- Minimum and maximum acquisition price: the minimum acquisition price of shares shall be equivalent to 75% of the market price and the maximum acquisition price shall be 120% of the market price on that same date.
- Duration of the authorisation: five (5) years from the date of this resolution.
- Use of the authorisation: the Board of Directors shall use this authorisation under the terms established in the Company's Internal Code of Conduct in force at any given time.

Continued in Section H.

#### A.9 bis Estimated floating capital:

	%
<b>Estimated floating capital</b>	59.22

A.10 Give details of any restriction on the transfer of securities and/or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the Company by means of share purchases on the market.

Yes  No

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures against a public takeover bid by virtue of the provisions of Act 6/2007.

Yes  No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

A.12 Indicate whether the Company has issued securities not traded in a regulated market of the European Union.

Yes  No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

## B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the Company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC.

Yes  No

B.2 Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the LSC.

Yes  No

Describe how they differ from the rules established in the LSC.

	<b>Qualified majority other than that established in article 201.2 of the LSC for general cases described in 194.1 of the LSC</b>	<b>Other cases requiring a qualified majority</b>
<b>% set by the Company for adopting resolutions</b>	0.00%	66.66%

### Describe the differences

There are no differences with the rules under the LSC for adopting resolutions in the events listed in article 194.1 of the LSC, in accordance with the qualified majorities prescribed by article 201.2 of said Law.

For the General Meeting to give instructions to the Board on management matters, and for the Board to seek authorisation from the General Meeting for it to adopt decisions, article 22.4 of the Bylaws sets down the same requirements in terms of majorities and information to shareholders as for alterations to the Bylaws themselves.

B.3 Indicate the rules governing amendments to the Company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, as applicable, the rules for protecting shareholders' rights when changing the Bylaws.

The Company's Bylaws are the same as the provisions in current legislation and, therefore, they shall prevail. The

following is a summary of the content of articles 194 and 201 of the LSC.

In order for the Ordinary or Extraordinary General Shareholders' Meeting to validly approve resolutions on an increase or reduction of capital and any other amendment to the Company Bylaws, an issue of bonds, the elimination or limitation of the preferential right to acquire new shares, as well as the change of corporate form, merger, spin-off or en bloc transfer of assets and liabilities and the transfer of the registered office abroad, shareholders owning at least fifty per cent of the subscribed capital with voting rights must be present at first call in person or by proxy. At second call, shareholders representing twenty-five percent of share capital shall be sufficient.

If the capital present in person or by proxy exceeds fifty percent, it will suffice for the resolution to be carried by an absolute majority.

Adoption of resolutions on any bylaw-stipulated amendments shall require a two-thirds majority of the share capital present or represented at the meeting while, at second call, at least twenty-five but less than fifty per cent of the subscribed capital with voting rights must be present or represented.

Regarding protection of shareholders' rights, the provisions of the LSC apply, which state that amendments to the Bylaws that imply new obligations for the shareholders must be adopted with the consent of those involved (Article 291 of the LSC).

Likewise, in order for a bylaw-stipulated amendment to be valid that directly or indirectly affects the rights of a class of shares, it must be approved by the General Shareholders' Meeting pursuant to the requirements established in the LSC, as well as by the majority of the shares belonging to the class affected. If the alteration only affects some of the shares of the same and, as the case may be, only class, and entails discriminatory treatment among shares, for the purposes of article 293 of the LSC, the shares that are affected and those that are unaffected by the alteration will be treated as independent classes, such that a separate resolution will be required for each one of them. An alteration will be treated as discriminatory if, in substance, it has an economic or political impact, clearly asymmetrical dividend or voting effect on some shares as opposed to others or on their respective holders (article 293 of the LSC).

B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year referred to in this report and those of the previous year:

Date of General Meeting	Attendance data				Total
	% attending in person	% by proxy	% remote voting		
			Electronic means	Other	
27/03/2015	0.80%	66.96%	0.00%	2.69%	70.45%
04/05/2016	11.57%	43.21%	0.00%	1.34%	56.12%

B.5 Indicate whether the Bylaws impose any minimum restrictions on the number of shares required to attend the General Shareholders' Meetings.

Yes  No

<b>Number of shares required to attend the General Meetings</b>	100
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B.6 Repealed section.

B.7 Indicate the address and mode of accessing corporate governance content on your Company's website, as well as other information on General Meetings that must be made available to shareholders on the website.

The corporate governance content and other information on General Meetings that must be made available to shareholders on the Company's website can be accessed at [www.ferrovial.com](http://www.ferrovial.com), under Information for Shareholders and Investors, Corporate Governance ("http://www.ferrovial.com/es/Accionistas-e-Inversores/Gobierno-Corporativo").



## C. COMPANY MANAGEMENT STRUCTURE

### C.1 Board of Directors

#### C.1.1. Maximum and minimum number of directors included in the Bylaws:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5

#### C.1.2 Complete the following table with Board members' details:

Name or corporate name of director	Representative	Director category	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
ÓSCAR FANJUL MARTÍN		Independent	DIRECTOR	31/07/2015	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
SANTIAGO FERNÁNDEZ VALBUENA		Independent	DIRECTOR	03/12/2009	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
SANTIAGO BERGARECHE BUSQUET		Other external	DEPUTY CHAIRMAN 1	03/12/2009	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
JOAQUÍN AYUSO GARCÍA		Other external	DEPUTY CHAIRMAN 2	04/03/2002	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS		Independent	DIRECTOR	27/10/2004	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
MARIA DEL PINO Y CALVO-SOTELO		Proprietary	DIRECTOR	03/12/2009	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
JOAQUÍN DEL PINO Y CALVO-SOTELO		Proprietary	DIRECTOR	29/10/2015	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
JUAN ARENA DE LA MORA		Other external	DIRECTOR	03/12/2009	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
RAFAEL DEL PINO Y CALVO-SOTELO		Executive	CHAIRMAN AND CEO	15/07/1998	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
ÍÑIGO MEIRÁS AMUSCO		Executive	CHIEF EXECUTIVE OFFICER	03/12/2009	04/05/2016	GENERAL SHAREHOLDER'S MEETING RESOLUTION
PHILIP BOWMAN		Independent	DIRECTOR	28/07/2016	28/07/2016	CO-OPTATION
<b>Total number of directors</b>						11

Indicate any Board members who left during this period:

Name or corporate name of director	Category of the director at the time	Leaving date
HOWARD LEE LANCE	Independent	14/04/2016
LEOPOLDO DEL PINO Y CALVO-SOTELO	Proprietary	21/01/2016

C.1.3 Complete the following tables on Board members and their respective status:

**EXECUTIVE DIRECTORS**

Name or corporate name of director	Position held in the Company
RAFAEL DEL PINO Y CALVO-SOTELO	Chairman and CEO
IÑIGO MEIRÁS AMUSCO	Chief Executive Officer

<b>Total number of executive directors</b>	2
<b>% of the Board</b>	18.18%

**EXTERNAL PROPRIETARY DIRECTORS**

Name or corporate name of director	Name or corporate name of significant shareholder represented or proposing his/her appointment
MARIA DEL PINO Y CALVO-SOTELO	MENOSMARES S.L. SOCIEDAD UNIPERSONAL
JOAQUÍN DEL PINO Y CALVO-SOTELO	SOZIANCOR S.L. SOCIEDAD UNIPERSONAL

<b>Total number of proprietary directors</b>	2
<b>% of the Board</b>	18.18%

**INDEPENDENT EXTERNAL DIRECTORS**

**Name or corporate name of director:**

ÓSCAR FANJUL MARTÍN

**Profile:**

Professor of Economic Theory on leave of absence.

Director of Ferrovial since 2015.

Vice-Chairman of Omega Capital. Director of LafargeHolcim and Marsh & McLennan Companies; Trustee of the Foundation of Friends of the Prado Museum, of the Center for Monetary and Financial Studies, (Bank of Spain) and of the Aspen Institute (Spain).

Former founding Chairman and CEO of Repsol; Chairman of Hidroeléctrica del Cantábrico; non-executive Chairman of NH Hoteles and Deoleo; Director of Acerinox, Unilever, BBVA, London Stock Exchange and Areva.

**Name or corporate name of director:**

SANTIAGO FERNÁNDEZ VALBUENA

**Profile:**

Degree in Economics (Universidad Complutense de Madrid); PhD and Master's Degree in Economics (Northeastern University, Boston).

Director of Ferrovial since 2008.

Vice-Chairman of EBN Banco de Negocios.

Former Chairman of Telefónica Latinoamérica; Director and Chief Strategy, Finance and Corporate Development Officer at Telefónica; Managing Director of Société Générale Valores and Head of Equities at Beta Capital; Professor of Applied Economics at the Universidad Complutense and Professor at IE Business School.

**Name or corporate name of director:**

JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS

**Profile:**

Degree in Industrial Engineering (Universidad Politécnica de Barcelona). ISMP Graduate at Harvard Business School. Member of the State Corps of Industrial Engineers.

Director of Ferrovial since 2009. Director of Cintra from 2004 to 2009.

Chairman and CEO of Maxam Group.

Former Managing Director of Industrias Siderometalúrgicas y Navales and Managing Director of Industry at the Ministry of Industry and Energy.

**Name or corporate name of director:**

PHILIP BOWMAN

**Profile:**

Degree with honors in Natural Science (University of Cambridge); Master in Natural Science (University of Cambridge); Fellow of the Institute of Chartered Accountants in England & Wales.

Director of Ferrovial since 2016.

Chairman of Miller Group and Majid Al Futtaim Properties LLC; Senior Independent Director of Burberry Group; Director of Better Capital.

Former Chairman of Coral Eurobet and Liberty; CEO of Smiths Group, Scottish Power and Allied Domecq; Director of Berry Bros. & Rudd, Scottish & Newcastle Group, Bass, British Sky Broadcasting Group and Coles Myer.

<b>Total number of independent directors</b>	4
<b>% of the Board</b>	36.36%

List any independent directors who receive from the Company or group any amount or payment other than standard director remuneration, or who maintain or have maintained during the period in question, a business relationship with the Company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

SANTIAGO FERNÁNDEZ VALBUENA Mr. Fernández Valbuena was, during part of the financial year 2016, a member of the Board of Telefónica. Companies of this group provided telecommunication services to Ferrovial group companies in the amount of €7,374 thousand. The Ferrovial group also provided maintenance services to Telefónica group companies for approximately €800 thousand. Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS Mr. Sánchez-Junco is the Executive Chairman of the MAXAM Group. This entity supplied explosives and provided demolition and land movement services to companies of the Ferrovial group for approximately €857 thousand. The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

ÓSCAR FANJUL MARTÍN: Mr. Fanjul is a director of LafargeHolcim. Companies of that group sold cement to Ferrovial group companies for approximately €14,269 thousand.

Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

ÓSCAR FANJUL MARTÍN: Mr. Fanjul is a director of Marsh & McLennan Companies. Companies of this group provided consultancy and insurance services to Ferrovial group companies in the amount of approximately EUR 4,432 thousand.

Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

ÓSCAR FANJUL MARTÍN: Mr. Fanjul was, during part of the financial year 2016, a member of the Board of PANDA. Companies of this group provided IT services to Ferrovial group companies in the amount of approximately €1 thousand. The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

If applicable, include a statement from the Board detailing the reasons why said director may carry on his duties as an Independent Director.

### **OTHER EXTERNAL DIRECTORS**

Identify the remaining External Directors, list the reasons why they cannot be considered to be Proprietary or Independent Directors, and detail their relationships with the Company, its executives or shareholders:

#### **Name or corporate name of director:**

JOAQUÍN AYUSO GARCÍA

#### **Company, executive or shareholder with whom the relationship is maintained:**

FERROVIAL, S.A.

**Reasons:**

Article 529 xii. 4.a of the Spanish Limited Liability Companies Law stipulates that persons that have been employees or executive directors of group companies may, under no circumstances, be appointed as an independent director unless three or five years, respectively, have elapsed since the particular relationship ended. Mr. Ayuso lost his status as Executive Director on 29 November 2012.

**Name or corporate name of director:**

SANTIAGO BERGARECHE BUSQUET

**Company, executive or shareholder with whom the relationship is maintained:**

FERROVIAL, S.A.

**Reasons:**

Article 529 xii.4.i of the Spanish Limited Liability Companies Law stipulates that persons that have been directors for a sustained period of more than 12 years may, under no circumstances, be appointed as an independent director. Mr. Bergareche was appointed Director of Grupo Ferrovial S.A. (a defunct company having been absorbed by Ferrovial S.A.) on 23 February 1999.

**Name or corporate name of director:**

JUAN ARENA DE LA MORA

**Company, executive or shareholder with whom the relationship is maintained:**

FERROVIAL, S.A.

**Reasons:**

Article 529 xii. 4.i of the Spanish Limited Liability Companies Law stipulates that persons that have been directors for a sustained period of more than 12 years may, under no circumstances, be appointed as an independent director. Mr. Arena was appointed Director of Grupo Ferrovial S.A. (a defunct company having been absorbed by Ferrovial S.A.) on 26 June 2000.

<b>Total number of other external directors</b>	3
<b>% of the Board</b>	27.27%

List any changes in the category of each director that have occurred during the year:

<b>Name or corporate name of director</b>	<b>Changeover date</b>	<b>Previous category</b>	<b>Current category</b>
SANTIAGO BERGARECHE BUSQUET	04/05/2016	Independent	Other external
JUAN ARENA DE LA MORA	04/05/2016	Independent	Other external

C.1.4 Complete the following table on the number of female directors over the past four years and their category:

	Number of female directors				% of total directors of each type			
	2016	2015	2014	2013	2016	2015	2014	2013
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	1	1	1	1	50,00%	50,00%	50,00%	50,00%
<b>Independent</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	1	1	1	1	9.09%	8.33%	8.33%	8.33%

C.1.5 Explain the measures, if applicable, that have been adopted to ensure that there is a sufficient number of female directors on the Board to guarantee an even balance between men and women:

<b>Explanation of measures</b>
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At its meeting of 14 December 2015, the Nomination and Remuneration Committee decided to apply the following measures when a director selection process is set in motion:

- To include in the final shortlist at least one person of the least represented gender.
- Wherever the professional assessment of candidates is similar in terms of aptitude, competence and professional performance, to choose the candidate of the least represented gender.
- Annually consider and adopt, if appropriate, an action plan to correct any detected shortfalls as to the composition of the Board in terms of diversity.

In addition, on 15 December 2015, the Board adopted the Ferrovia, S.A. Director Selection Policy.

The Policy aims to identify candidates who provide a diversity of knowledge, experience, nationalities and gender to the Board, and will avoid any implicit bias that might imply any form of discrimination.

In addition, it sets the target that by 2020 the number of female directors will account for at least 30% of the entire Board. For this purpose, the Policy provides that instructions must be given to the external adviser who, as the case may be, assists in candidate selection to seek and present candidacies of the least represented gender who satisfy the requirements set out in the Policy.

In accordance with the Policy, for the two directors' selection processes conducted in 2016, the external advisers were given express instructions that they should present candidacies of the least represented gender that satisfy the requirements in terms of qualifications, ability and compatibility, which they did.

C.1.6 Explain the measures taken, if applicable, by the Appointments Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the Company makes a conscious effort to search for female candidates who have the required professional profile and include them as potential candidates.

<b>Explanation of measures</b>
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The measures described in section C.1.5, adopted by the Nomination and Remuneration Committee, are intended to achieve the aims set forth in this Section.

The Nomination and Remuneration Committee conducted the recent selection processes of two candidates, with the support of two first-rate external advisers, to provide greater objectivity and scope to those processes. They were both informed of the Company's commitment to comply with best practices regarding diversity and with the measures presented in section C.1.5.

When, despite the measures taken, if any, there are few or no female directors, explain the reasons.

<b>Explanation of the reasons</b>
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The Board of Directors currently has one woman among its eleven members.

At its meeting of 28 July 2016, the Board appointed Mr. Philip Bowman by co-optation as Independent Director, thus covering the vacancy that arose from the resignation of Mr. Howard Lance.

The appointment was made in accordance with article 529 xv 3a) of the LSC after assessment by the Nomination and Remuneration Committee of the skills, aptitudes and experience required by the Board.

The Nomination and Remuneration Committee deemed it necessary that Board candidates exhibited the following skills and aptitudes: (i) management experience in multinational enterprise groups; (ii) knowledge and professional experience in Anglo-Saxon markets; and (iii) financial experience.

An external adviser was hired for the selection process, who presented two of the candidates among the finalists. The Nomination and Remuneration Committee proposed and the Board of Directors appointed Mr. Philip Bowman by co-optation, deeming him to possess, more than any other candidate, the skills and aptitudes mentioned above. Mr. Bowman is Australian, a country of strategic relevance for Ferrovial, and has financial and executive experience in very varied sectors, including construction (Miller Homes UK), energy (Scottish Power) and technology (Smiths Group).

In order to cover the other existing vacancy on the Board, and following a rigorous selection process conducted with the support of an external adviser, the Board of Directors has proposed the nomination of Ms. Hanne Birgitte Breinbjerg Sørensen as Independent Director to the 2017 General Shareholders' Meeting.

- C.1.6.bis Explain the Appointments Committee's conclusions on the checks carried out to ensure that the Director Selection Policy is being complied with. Particularly regarding whether the Policy pursues the goal of having at least 30% of total Board places occupied by female directors by 2020.

<b>Explanation of conclusions</b>
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At its meeting of 14 December 2016, the Company's Nomination and Remuneration Committee verified compliance with the Company's Director Selection Policy.

Following verification, the Committee concluded that in the director selection processes conducted to cover the existing vacancies on the Board, the Directors Selection Policy was complied with in respect of the conditions that presented candidates must meet, regarding professional qualifications, capacity and diversity in terms of knowledge, experiences and nationalities.

In terms of the objective to have at least 30% of female directors on the Board of Directors by 2020, the external advisers were instructed during these selection processes to present candidacies of the least represented gender that satisfied the qualifications, ability and compatibility requirements.

As stated in the response in section C.1.6, one of the processes concluded with the nomination by co-optation of Mr. Philip Bowman as Independent Director, with the two women among the finalists. The other process concluded in 2017 with the proposal to the General Meeting of the nomination of Ms. Hanne Birgitte Breinbjerg Sørensen as Independent Director.

- C.1.7 Explain how shareholders with significant holdings are represented on the Board.

Mr. Rafael and Mrs. María del Pino y Calvo-Sotelo were directors at 31 December 2016, and they were also the indirect holders of significant shareholdings in the Company's capital.

- C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

**Name or corporate name of shareholder:**

JOAQUÍN DEL PINO Y CALVO-SOTELO

**Reason:**

At 31 December 2016, he holds, both as an individual and through Soziancor, S.L.U. and another company, a 2.551% share of the Company's capital.

In addition, together with his sister María, he holds jointly and indirectly, through Casa Grande de Cartagena, S.L.U., 1.218% of the share capital at 31 December 2016. Mr. Joaquín del Pino y Calvo-Sotelo's financial interest in the Company is more than 3% of its capital.

Provide details of any rejections of formal requests for Board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained:

Yes  No

- C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the Board their reasons and through which channel. If made in writing to the full Board, list below the reasons given by that director.

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Reason for resignation:**

Mr. Leopoldo del Pino y Calvo-Sotelo resigned as Director on 21 January 2016. As stated in his letter addressed to the Board of Directors, his resignation was due to personal reasons. This was notified to the CNMV (Spanish National Securities Market Commission) as a material event on that same day (under registry no. 234,173).

**Name of director**

HOWARD LEE LANCE

**Reason for resignation:**

Mr. Howard Lee Lance resigned as Director on 14 April 2016. As stated in his letter addressed to the Board of Directors, his resignation was due to his appointment as Chairman and CEO of another company, located in California (U.S.), which made it impossible for him to continue to dedicate adequate time to the Board of Ferrovial. This was notified to the CNMV as a material event on that same day (under registry no. 237,392).

- C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

**Name or corporate name of director:**

RAFAEL DEL PINO Y CALVO-SOTELO

**Brief description:**

All powers except those that cannot, under the law or the Company's Bylaws, be so delegated.

**Name or corporate name of director:**

IÑIGO MEIRÁS AMUSCO

**Brief description:**

All powers except those that cannot, under the law or the Company's Bylaws, be so delegated.



C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Does he/she have executive functions?
JOAQUÍN AYUSO GARCÍA	AUTOPISTA DEL SOL, S.A.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	FERROVIAL INTERNATIONAL LTD	Chief Executive Officer	YES
IÑIGO MEIRÁS AMUSCO	FERROVIAL AGROMAN, S.A.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	FERROVIAL SERVICIOS, S.A.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	FERROVIAL AEROPUERTOS ESPAÑA, S.A.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	FERROVIAL FISA, S.L.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	CINTRA INFRAESTRUCTURAS ESPAÑA S.L.	Chairman	NO
IÑIGO MEIRÁS AMUSCO	FERROVIAL INTERNACIONAL, S.L.U.	Chairman and CEO	YES

C.1.12 List any of the Board members at your Company who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the Company.

Name or corporate name of director	Corporate name of the group entity	Position
ÓSCAR FANJUL MARTÍN	LAFARGEHOLCIM LTD	DIRECTOR
ÓSCAR FANJUL MARTÍN	MARSH & MCLENNAN COMPANIES, INC.	DIRECTOR
SANTIAGO BERGARECHE BUSQUET	VOCENTO, S.A.	CHAIRMAN
JOAQUÍN AYUSO GARCÍA	NATIONAL EXPRESS GROUP, PLC	DIRECTOR
JOAQUÍN AYUSO GARCÍA	BANKIA, S.A.	DIRECTOR
JOAQUÍN AYUSO GARCÍA	HISPANIA ACTIVOS INMOBILIARIOS S.A.	DIRECTOR
JUAN ARENA DE LA MORA	ALMIRALL, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
SANTIAGO BERGARECHE BUSQUET	ALANTRA PARTNERS, S.A.	DEPUTY CHAIRMAN
PHILIP BOWMAN	BETTER CAPITAL PCC LTD	DIRECTOR
PHILIP BOWMAN	BURBERRY GROUP PLC	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the Company has established rules about the number of boards on which its directors may sit.

Yes  No

C.1.14 Repealed section.

C.1.15 List the total remuneration paid to the Board of Directors:

<b>Board remuneration (thousands of euros)</b>	<b>23,528</b>
<b>Amount of pension rights accumulated by current directors (thousands of euros)</b>	0
<b>Amount of pension rights accumulated by former directors for pensions (thousands of euros)</b>	0

C.1.16 List any members of senior management who are not executive directors and

indicate the total remuneration paid to them during the year:

Name or corporate name	Position
MARÍA DIONIS TRENOR	GENERAL MANAGER, HUMAN RESOURCES
ÁLVARO ECHÁNIZ URCELAY	GENERAL MANAGER, REAL ESTATE
JUAN FRANCISCO POLO MARTÍN	HEAD OF COMMUNICATION AND CORPORATE RESPONSIBILITY
ALBERTO FERREIRO PRADO	HEAD OF INTERNAL AUDIT
FEDERICO FLÓREZ GUTIÉRREZ	GENERAL MANAGER OF INFORMATION SYSTEMS AND INNOVATION
ERNESTO LÓPEZ MOZO	CHIEF FINANCIAL OFFICER
ENRIQUE DÍAZ-RATO REVUELTA	MANAGING DIRECTOR OF TOLL ROADS
SANTIAGO ORTIZ VAAMONDE	GENERAL SECRETARY
JORGE GIL VILLÉN	MANAGING DIRECTOR OF AIRPORTS
SANTIAGO OLIVARES BLÁZQUEZ	MANAGING DIRECTOR OF SERVICES
ALEJANDRO DE LA JOYA RUÍZ DE VELASCO	MANAGING DIRECTOR OF CONSTRUCTION
MARÍA TERESA PULIDO MENDOZA	DIRECTOR OF CORPORATE STRATEGY

<b>Total remuneration received by senior management (thousands of euros)</b>	<b>17,885</b>
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C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Corporate name of significant shareholder	Position
MARIA DEL PINO Y CALVO-SOTELO	MENOSMARES S.L. SOCIEDAD UNIPERSONAL	SOLE ADMINISTRATOR
RAFAEL DEL PINO Y CALVO-SOTELO	CRIU S.L. SOCIEDAD UNIPERSONAL	JOINT ADMINISTRATOR
RAFAEL DEL PINO Y CALVO-SOTELO	RIJN CAPITAL, B.V.	DIRECTOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

C.1.18 Indicate whether any changes have been made to the Board regulations during the year:

Yes  No

Description of amendments
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The Board of Directors, at its meeting on 3 and 4 May 2016, agreed the amendment of articles 11, 12, 19, 23 and 26 of its Regulations.

Article 11 was null and void for the following reasons: (i) sections 1 and 2 were deleted since the qualitative composition of the Board is regulated in article 42 of the Bylaws; (ii) section 3 is better placed in article 12 ("Explanations about the composition of the Board"); and (iii) section 4 was deleted since any transactions of the Independent Directors with the Company are subject to the general legal regime (already incorporated in the Board Regulations), without there being any reason to justify a special regulation for this category of Director. Furthermore, no equivalent regulation exists in other board regulations of comparable companies.

The amendment of article 12 was due to (i) the incorporation of section 3 of article 11; and (ii) its adaptation to the wording of article 8.6 of Order ECC/461/2013, of 20 March, which refers to the annual review of the category of Independent Directors.

With the reform of article 19, the power to appoint the Secretaries of the Advisory Committees to the Board is attributed to the Board itself. The wording of article 50.4 of the Bylaws was thus adapted.

The amendment of article 23 incorporates as powers of the Nomination and Remuneration Committee those of informing of the appointment of the Chief Executive Officer and of the Board Committees members.

Lastly, unnecessary formal requirements were deleted from article 26 when directors attend Board meetings remotely from different places.

#### C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

##### Composition of the Board

The Bylaws require the Board of Directors to do its utmost to ensure that it is made up of a majority of External or Non-Executive Directors. The Board shall also seek to ensure that within the majority group of Non-Executive Directors there are Proprietary and Independent Directors. Independent Directors should, in any event, represent at least one third of all Board members.

##### Selection of Directors

The remit of the Nomination and Remuneration Committee includes the assessment of the skills, knowledge and experience that are required by the Board. It must define the necessary functions and aptitudes that candidates must satisfy for each vacancy and evaluate the time and dedication required for their duties to be effectively performed.

The Nomination and Remuneration Committee is required to:

- Submit to the Board of Directors proposals to appoint independent directors by co-option or to submit the proposal to a vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these Directors by the General Shareholders' Meeting.
- Submit proposals to appoint the remaining directors by co-option or to submit the proposal to a vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these Directors by the General Shareholders' Meeting.

In any event, the board must issue a report on the competence, experience and merits of the proposed candidate.

The Board regulations provide that any Board member may propose potential candidates for Board vacancies to the Nomination and Remuneration Committee.

In addition, on 15 December 2015, the Board adopted the Company's Director Selection Policy. The policy prescribes that the director selection process must achieve the right balance on the Board to enrich discussion and decision-making by providing a plurality of points of view. Specifically, it will try to identify candidates who provide a diversity of knowledge, experience, nationalities and gender to the Board, and it will avoid any implicit bias that might imply any form of discrimination. The policy further provides that the Company may enlist the services of an external adviser in director selection procedures. Finally, the policy lists a range of requirements that the Company must consider, among others, when selecting candidates for directorships.

The Board Regulations do not specify any particular qualification or requirement for appointment as Chairman of the Board.

The Regulations require the Company to set up an induction programme for newly-appointed Directors to provide them with a broad and balanced overview of Ferrovial, including its rules on corporate governance, alongside refresher programmes when circumstances so dictate.

##### Term of office

Under the Bylaws and the Board Regulations, Directors shall hold office for a period of three years and may be reappointed.

Appointments to the posts of Chief Executive Officer and Secretary to the Board, and membership of the Advisory Committees.

The Nomination and Remuneration Committee is required to:

- Submit a report on the appointment of the Chief Executive Officer and Secretary to the Board.
- Inform about the appointment of members to form part of each of the Committees, taking into

consideration the knowledge, skills and experience of the Directors and the requirements of each Committee.

#### Evaluation of the Board of Directors

The Board of Directors in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct any deficiencies detected in:

- a) The quality and efficiency of its operations.
- b) The performance and composition of its Committees.
- c) The diversity of its composition and competences.
- d) The performance of the Chairman and of the Chief Executive Officer of the Company.
- e) The performance and contribution of individual Directors, with particular attention paid to the Chairmen of the various Board Committees.

The results of the assessment will be recorded in the minutes of the session or appended to them.

The evaluation of the various Board Committees should start from the reports they send to the Board of Directors, while that of the Board itself should start from the report of the Nomination and Remuneration Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Nomination and Remuneration Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.

The Chairman of the Board of Directors will organise and coordinate the periodic evaluation of the Board, if deemed necessary with the assistance of the Chairman of the Nomination and Remuneration Committee.

Resignation or removal from office of Directors detailed in section C.1.21.

#### C.1.20 Explain to what extent this annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments
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The evaluation of the Board has not prompted significant changes to its internal organisation or procedures.

However, based on the conclusions and recommendations of the external consultant who assisted in the evaluation process, during the two Director selection processes carried out in 2016, there has been a focus on reinforcing the diversity of the composition of the Board of Directors. External advisers supported these processes and the Company conveyed to them its commitment to comply with best practices in the field, particularly instructing them to include in the list of candidates at least one person from the least represented gender that satisfies the requirements in terms of competences, experience, qualifications, availability and commitment to the position.

#### C.1.20.bis Describe the evaluation process and the areas assessed by the Board of Directors aided, where applicable, by an external consultant, with regard to the diversity of its composition and responsibilities, the operation and composition of its committees, the performance of the Chairman of the Board of Directors and of the Company's Chief Executive and the performance and contribution of each director.

In the evaluation process, organised with the help of an external consultant, the main points examined regarding the Board of Directors were: (i) its composition; (ii) its structure and the format of its meetings; and (iii) its role regarding the strategy of the Company.

The business and the internal dynamic of the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee have also been evaluated (performing their role, information provided). In addition to this process, each of the Committees drafts an annual report on its operations.

#### C.1.20.ter Breakdown, if applicable, of business dealings that the facilitator or members of its corporate group maintain with the Company or members of its corporate group.

Business relationships have consisted of an evaluation of the Board of Directors, the selection of a new Director and the selection of a manager for one of the group's companies.

C.1.21 Indicate the cases in which directors must resign.

Directors shall resign at the end of their term of office or when the General Meeting so decides. Also under any of the following circumstances:

- In the case of an Executive Director, where the Board of Directors considers it appropriate.
- With regard to Proprietary Directors, when a shareholder they represent disposes of their ownership interest in its entirety. Directors must also resign from office, in a suitable number, if such shareholding is reduced to a level that requires a reduction in the number of Proprietary Directors.

Directors must place their position at the disposal of the Board, and formalise their resignation if the latter deems it appropriate, in the following cases:

- When they are in any situation giving rise to a conflict of interest or otherwise prohibiting them from holding office, whether provided for by law or by Company regulations.
- At the Board's request, because the Director has seriously breached his/her obligations.
- Where the Director could, by continuing to serve as a member of the Board, place the interests of Ferrovial in jeopardy.
- On reaching the age of 72 years.
- If there is a significant change in their employment situation or in the conditions relevant to their appointments as Directors.
- When his/her continuing on the Board might, in the Board's view, harm the Company's image and reputation. In particular, if any legal proceedings or hearings are entered into against the director for an offence specified under corporate legislation, the Board shall examine the matter as promptly as possible and, based on the particular circumstances, decide whether or not the Director should continue in his/her position. This decision should be disclosed in the Company's Annual Corporate Governance Report.

With regard to Independent Directors, the Board Regulations state that the Board will not ask them to resign before the end of the term of office to which they were appointed unless it considers there are reasonable grounds for doing so after a report has been received from the Nomination and Remuneration Committee. In particular, it will be understood that there is just cause if the Independent Director moves to a new position or takes on new obligations that prevent him/her from dedicating the time required to perform the functions of the position, if he/she breaches the duties inherent to his position, if any incompatibility arises, or if any of the circumstances leading him/her to lose his/her independent status arise, in accordance with that set forth in the applicable regulations.

The removal of Independent Directors may also be proposed if a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in the good governance recommendations taken up by the Company.

C.1.22 Repealed section.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes  No

If applicable, describe the differences.

Description of differences
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An amendment to the Board Regulations requires the agreement of the majority of the members of the Board of Directors.

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes  No

C.1.25 Indicate whether the Chairman has the casting vote:

Yes  No

Matters in which quality voting exists

With respect to any matter, if there is a tie in the voting, the President's vote would be diriment.

C.1.26 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes  No

Age limit for Chairman: 72 years

Age limit for CEO: 72 years

Age limit for directors: 72 years

C.1.27 Indicate whether the Bylaws or the Board regulations set a limited term of office for independent directors, different from that stipulated by Law:

Yes  No

C.1.28 Indicate whether the Bylaws or the Board regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any limitations with regard to the categories in which it is possible to delegate, beyond the limitations imposed by legislation. If so, give brief details.

In accordance with the Board Regulations, Directors must attend the sessions held in person, and where this is not possible, they may, for each session and through any written means including electronic mail, delegate their representation to another Director, with any instructions they deem necessary. This delegation of representation shall be communicated to the Chairman or the Secretary to the Board. A single Director may hold more than one delegation. Non-Executive Directors may only delegate their representation to another Non-Executive Director.

C.1.29 Indicate the number of Board meetings held during the year. And, indicate how many times the Board has met without the Chairman's attendance. This number shall also include proxies appointed with specific instructions.

<b>Number of Board meetings</b>	8
<b>Number of Board meetings held without the Chairman's attendance</b>	0

If the Chairman is an Executive Director, please indicate the number of meetings held, without attendance or representation of any executive director and under the chairmanship of the Coordinating Director.

<b>Number of meetings</b>	0
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Indicate the number of meetings of the various Board committees held during the year.

Committee	No. of meetings
EXECUTIVE COMMITTEE	4
AUDIT AND CONTROL COMMITTEE	5
NOMINATION AND REMUNERATION COMMITTEE	5

C.1.30 Indicate the number of Board meetings held during the year with all members in attendance. The number shall also include proxies appointed without specific instructions:

<b>Number of meetings with the attendance of all directors</b>	7
<b>% of attendances of the total votes cast during the year</b>	98.82%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for approval by the Board have been previously certified.

Yes  No

Identify, where applicable, the person(s) who certified the Company's individual and consolidated financial statements prior to their authorisation for issue by the Board:

Name	Position
RAFAEL DEL PINO Y CALVO-SOTELO	CHAIRMAN OF THE BOARD OF DIRECTORS
IÑIGO MEIRÁS AMUSCO	CHIEF EXECUTIVE OFFICER
ERNESTO LÓPEZ MOZO	CHIEF FINANCIAL OFFICER

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified auditor's report.

Article 8.2 a) of the Board Regulations states that among the responsibilities allocated to it is to arrange for the annual accounts to be presented before the General Shareholders' Meeting, without limitation or qualifications in the auditor's report.

With regard to the Audit and Control Committee, article 21.I.b) of the Board Regulations allocates the power to ensure that the Board of Directors can present the Company's accounts to the General Shareholders' Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Committee and the auditors should give a clear account to shareholders of the scope and content of the limitations or qualifications.

C.1.33 Is the Secretary to the Board also a Director?

Yes  No

If the Secretary is not a director, please complete the following box:

Name or corporate name of secretary	Representative
SANTIAGO ORTIZ VAAMONDE	

C.1.34 Repealed section.

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the Company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

Among the functions of the Audit and Control Committee are those of (i) raising proposals for selection, appointment, re-election and substitution of the statutory auditor before the Board of Directors; (ii) proposing the scope of the work to be performed by the statutory auditor before the Board; (iii) ensuring that the remuneration of the statutory auditor does not compromise its quality or independence; and (iv) ensuring that the Company and the statutory auditor respect the applicable standards on the provision of services aside from auditing, the limits to the auditor's business concentration, and more generally, other standards relating to the independence of auditors; and (v) establishing appropriate relations with the auditor in order to receive information on any issues that may undermine their independence, for the purpose of examining the accounts, where relevant.

The Committee must receive, on an annual basis, written confirmation from the auditor of its independence with respect to the Company or entities directly or indirectly connected to the Company, as well as detailed or customised information on any type of additional services provided to these entities by this auditor, along with any fees received from these entities by the aforesaid auditor or by persons or entities related thereto pursuant to legislation on the auditing of accounts. The Committee issues annually, prior to the issuing of the external auditor's report, a report expressing an opinion on whether the independence of the external auditor is compromised. In any event, this report must include the assessment, supported by reasons, of the provision of each additional service referred to in the above section, considered individually and as a whole, aside from the legal audit and in relation to the independence or regulatory auditing standards of the account auditing.

Under the Company's internal procedures, the Finance Department proposes the engagement of external auditors for due diligence reviews when a new company is to be acquired or for other special engagements requiring the intervention of external auditors.

The Company has an internal procedure in place under which the engagement of any professional consultancy or advisory services from auditing firms or other organisations related thereto or that belong to the same network, regardless of whether or not any of these firms have at the time been engaged to review the consolidated or individual financial statements of Ferrovial S.A. or any company in its group, must have first been authorised either by the Audit and Control Committee or by the Finance Department, depending on whether or not the cost of the services exceeds a certain threshold. Furthermore, the Audit and Control Committee is periodically informed by the Finance Department regarding (i) all employment commitments undertaken and (ii) an estimate of the costs to be incurred in the rest of the year.

Lastly, the Nomination and Remuneration Committee established that the Human Resources Department is the most appropriate internal structure for taking measures to ensure that Ferrovial does not employ any staff or senior managers who have carried out research on the Company or the Company's subsidiaries whose shares are listed on any stock exchange, or that have worked for a rating agency within two years of leaving the rating agency. To this end, there is an internal procedure dated 1 April 2008.

C.1.36 Indicate whether the Company has changed its external audit firm during the year. If so, identify the incoming and outgoing auditor:

Yes  No

Explain any disagreements with the outgoing auditor and the reasons:

C.1.37 Indicate whether the audit firm performs non-audit work for the Company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the Company and/or its group:

Yes  No

	Company	Group	Total
<b>Amount of non-audit work (in thousands of euros)</b>	39	580	619
<b>Amount of non-audit work as a % of the total amount billed by the audit firm</b>	19.87%	11.18%	11.50%

C.1.38 Indicate whether the auditor's report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of



the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes  No

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the Company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
<b>Number of consecutive years</b>	7	7
<b>Number of years audited by current audit firm/Number of years the Company's financial statements have been audited (%)</b>	34.38%	34.38%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes  No

<b>Procedures</b>
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Under the Board Regulations, Directors are at liberty to approach any member of Senior Management for information and should inform the Company Chairman when doing so. They are also free to ask the Chairman, the Deputy Chairman, the Chief Executive Officer and the Secretary to the Board for any other or further information they may reasonably require about the Company.

Similarly, to support Directors in performing their duties, the Board Regulations also provide that Directors may request that legal, accountancy, financial or other expert advisors be engaged at the Company's expense to provide assistance on particular issues where these are of a certain importance or complexity. Any such request should be made to the Chairman of the Company and may only be rejected by the Board in certain limited cases.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes  No

<b>Procedures</b>
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Each year, the Board of Directors adopts, upon a proposal from the Chairman, a schedule of dates and topics for meetings scheduled to take place during the following year.

The meetings of the Board of Directors are convened by any written method, including electronic mail, personally addressed to each Director with a notice period of at least forty-eight hours. The agendas of Board meetings should clearly indicate on which points the Board of Directors must reach a decision or agreement.

The Regulations of the Board allocate to the Secretary the function of assisting the Chairman so that Directors receive information relating to the performance of their functions with sufficient notice and in the correct format.

As well as this, the Board Regulations state that Directors are at liberty to directly approach any member of Senior Management for information and should inform the Company Chairman when doing so. They are also free to ask the Chairman, the Deputy Chairman, the Chief Executive Officer and the Secretary to the Board for any further information they may reasonably require.

C.1.42 Indicate and, where appropriate, give details of whether the Company has established rules obliging directors to inform the Board of any circumstances that might harm the Company's name or reputation, tendering their resignation, where relevant:

Yes  No

**Details of rules**

Under the Board Regulations, Directors are required to tender their resignation to the Board in the following cases:

- When they are in any situation giving rise to a conflict of interest or otherwise prohibiting them from holding office, whether provided for by law or by Company regulations.
- At the Board's request, because the Director has seriously breached his/her obligations.
- Where the Director could, by continuing to serve as a member of the Board, place the interests of Ferrovial in jeopardy.
- When his/her continuing on the Board might, in the Board's view, harm the Company's image and reputation. In particular, if any legal proceedings or hearings are entered into against the director for an offence specified under corporate legislation, the Board shall examine the matter as promptly as possible and, based on the particular circumstances, decide whether or not the Director should continue in his/her position. This decision should be fully disclosed in the Company's Annual Corporate Governance Report.
- If there is a significant change in their employment situation or in the conditions relevant to their appointments as Directors.

The Board Regulations also require Directors to inform the Company of any criminal or other proceedings taken against them, as well as any subsequent trials.

C.1.43 Indicate whether any Director has notified the Company that they have been indicted or tried for any of the offences stated in article 213 of the LSC.

Yes  No

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the Board.

C.1.44 List any significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

Ferrovial has had a Multicurrency Revolving Facility Agreement with certain financial institutions since April 2014. It stipulates early repayment in the event of a change in control at Ferrovial, authorising each of these institutions to withdraw the financing given on an individual basis for 90 days thereafter. A change in control is defined as the combination of the following: (i) a person or group of people acting decisively gain ownership of 50% or more of the shares or voting rights of Ferrovial or appoints over half of the members of the Board and (ii) Ferrovial's rating is adversely affected in the 90 days following the change in control becoming known or actually happening.

In January and May 2013, Ferrovial Emisiones, S.A., a wholly-owned subsidiary of Ferrovial, S.A., completed two note issues maturing in 2018 and 2021, respectively, admitted for trading on the London Stock Exchange, guaranteeing Ferrovial, S.A. among others. In July 2014 and September 2016, Ferrovial Emisiones, S.A., a wholly-owned subsidiary of Ferrovial, S.A., also completed two bond issues maturing in 2024 and 2022, respectively, admitted for trading on the AIAF Fixed Income market, guaranteed by Ferrovial, S.A. Section 7(c) of the Terms and Conditions contained in the four prospectuses establishes as grounds for total or partial early redemption, at the bondholder's choice, the occurrence of a change in control of Ferrovial, S.A. which, furthermore, gives rise to a loss or lowering of Ferrovial, S.A.'s rating. For these purposes, a change of control is deemed to be the acquisition of the ownership of 50% of the voting rights at the General Shareholders' Meeting or of the right to appoint the majority of the members of the Board of Directors of a person(s) not related with Portman Baela, S.L., for the 2013 and 2014 issuances, or of a person(s) not related with Menosmares, S.L.U., Rijn Capital BV, Soziancor, S.L.U., Casa Grande de Cartagena, S.L.U. or Siemprelara, S.L.U., for the 2016 issuance.

In December 2016, Ferrovial and several of its subsidiaries entered into counter-guarantee contracts with several insurance companies for the issuance of bonding guarantees on behalf of Ferrovial Group

companies. The contracts include the ability of insurers to request counter-guarantees in cash if there is a change of control at Ferrovial. For these purposes, there shall be a change of control under essentially identical terms as those described for bond issues in the previous paragraph.

The Company and its group are party to less onerous contracts, mainly financial in nature, that require authorisations or set conditions for a change of control or corporate transactions such as a merger or spin-off. These include a change of control in Ferrovial, S.A. among the grounds for early termination.

There are contracts with suppliers of IT and telecommunication services that include a change of control in Ferrovial, S.A. among the grounds for early termination.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the Company and its directors, executives and employees that provide compensation, guarantee clauses or protection, when they resign or are unfairly dismissed or if the contractual relationship is terminated as a result of a public takeover bid or other type of transaction.

**Number of beneficiaries: 1**

**Type of beneficiary:**

Senior executives

**Description of the Agreement:**

Maximum of two annual payments in the case of unfair dismissal

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the Company or its group:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Body authorising clauses</b>	<b>No</b>	<b>No</b>

	<b>Yes</b>	<b>NO</b>
Is the General Shareholders' Meeting informed of such clauses?		X

C.2 Committees to the Board of Directors

C.2.1 Give details of all the committees to the Board of Directors, their members and the proportion of proprietary and independent directors.

**EXECUTIVE COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Category</b>
RAFAEL DEL PINO Y CALVO-SOTELO	CHAIRMAN	Executive
SANTIAGO BERGARECHE BUSQUET	DIRECTOR	Other external
JOAQUÍN AYUSO GARCÍA	DIRECTOR	Other external
IÑIGO MEIRÁS AMUSCO	DIRECTOR	Executive
MARIA DEL PINO Y CALVO-SOTELO	DIRECTOR	Proprietary
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	DIRECTOR	Independent
ÓSCAR FANJUL MARTÍN	DIRECTOR	Independent

<b>% of executive directors</b>	28.57%
<b>% of proprietary directors</b>	14.29%
<b>% of independent directors</b>	28.57%
<b>% of other external directors</b>	28.57%

Explain the functions allocated to this committee. Describe the procedures and rules of organisation and operation of the committee and summarise its most significant actions over the financial year.

The Executive Committee of the Company has been delegated all the functions allocated to it by the Board of Directors, except for those which under the law or the Bylaws cannot be delegated.

#### Operations

The Board Regulations stipulate the following rules:

The Executive Committee shall ordinarily meet once a month and, in addition, and as many times as it is called by the Chairman, for the proper operation of the Company.

The notice for Executive Committee meetings shall be carried out by any written method addressed personally to each member, with a notice period of at least one day prior to the date of the meeting, except in the event of extraordinary circumstances as decided up by the Chairman, in which case, the Executive Committee may be convened without said notice.

The Executive Committee shall be validly held when more than one-half of its members are present in person or represented.

The Chair of the Board of Directors will act as Chair of the Executive Committee and its secretary will be the Secretary to the Board.

In the absence of the Chairman, their functions will be carried out by the Deputy Chairman, if they are part of the Committee, and failing this, by the Director appointed by the Committee.

Resolutions shall be adopted by absolute majority vote of those in attendance. The Chairman shall have the casting vote in the event of a tie.

Minutes are taken of all meetings of the Executive Committee and are circulated to all members of the Board to familiarise them with the agenda that was discussed and the decisions reached on each item.

With respect to remaining matters, the Executive Committee is governed, where applicable, by the rules applicable to the Board of Directors established in the Corporate Bylaws and in the Board Regulations.

#### Most important actions

Throughout the meetings held during the year, the Executive Committee approved the operations that, according to the internal regulations of the Company, lie within its responsibility, and was informed of the operations approved by other competent corporate bodies. It also monitored the development of the main business indicators.

#### Other activities

The Board agreed to perform a fully-paid capital increase which was approved by the General Shareholders' Meeting held on 4 May under point six of the agenda.

It also agreed to carry out a Share Buyback Programme for the repurchase of own shares under Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, adopted by said General Shareholders' Meeting under point eight of the agenda.

Similarly, it drafted the report for the evaluation of the Committee by the Board of Directors.

Indicate whether the executive or delegated composition of the Executive Committee reflects the participation within the Board of the different types of directors:

Yes  No

#### AUDIT AND CONTROL COMMITTEE

Name	Position	Category
SANTIAGO FERNÁNDEZ VALBUENA	CHAIRMAN	Independent
JUAN ARENA DE LA MORA	DIRECTOR	Other external
ÓSCAR FANJUL MARTÍN	DIRECTOR	Independent

<b>% of proprietary directors</b>	0.00%
<b>% of independent directors</b>	66.67%
<b>% of other external directors</b>	33.33%

Explain the functions allocated to this committee. Describe the procedures and rules of organisation and operation of the committee and summarise its most significant actions over the financial year.

The Corporate Bylaws and the Board Regulations allocate the following responsibilities to the Audit and Control Committee:

In relation with the statutory auditor:

- Raise proposals for selection, appointment, re-election and substitution of the statutory auditor to the Board of Directors, taking responsibility for the selection process in accordance with the provisions of the applicable regulations, alongside the conditions for their appointment, regularly reviewing this information with regards to the audit and its performance, as well as maintaining its independence in the performance of its functions.
- Establish appropriate relations with the auditor in order to receive information on any issues that may undermine their independence and any others related to the auditing of the accounts.
- The Audit Committee shall act as a communication channel between the Board of Directors and the Statutory Auditor. It will receive this regular information from the Board about its work and assess the results of each audit and the responses of the senior management team to the audit recommendations.
- Ensure that the Company and the statutory auditor adhere to current regulations on the provision of non-audit services, limits on the auditor's business concentration and other requirements concerning auditor independence.
- Issue a report on the independence of the statutory auditor, which will be published on the Company website with sufficient notice prior to the Ordinary General Meeting of the Company. Ensure that the remuneration of the auditor does not compromise its quality or independence.
- Perform an assessment of the service provided by the statutory auditor every five years to verify the quality.

In the area of Internal Audit:

- Propose the selection, appointment, re-election or withdrawal of the manager responsible for internal audit.
- Ensure the independence of the manager responsible for the internal audit; ensure they have the human, technical and material resources necessary to perform their functions, and to this end, put forward a budget.
- Receive regular information about the activities of the internal audit department; approve, through a presentation made by the manager responsible for the internal audit, its priorities and plans, ensuring that it is focusing on the main risks the Company is exposed to; check the fulfilment of the internal audit plan; receive regular report-backs on its activities; and verify that senior management is acting on the findings and recommendations of its reports.

In the area of financial reporting:

- Monitor the preparation, presentation and 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.
- Report to the Board, in advance of the approval by it, regarding the regulated financial information that the Company must periodically make available to the markets, investors or authorities in accordance with the applicable standards.
- Supervise the effective internal control of the Company and debate with the auditor the significant weaknesses of the internal control system as detected in the audit.

In the area of risk control:

- Supervise the effectiveness of the risk management systems.
- Regularly supervise and review the main business risks, as well as the systems established for their identification, management and control.

On other matters:

- Supervise compliance with corporate governance and conduct standards in the securities markets. In

particular, report on the operations of the Company with the Directors or Related Persons, drawing up a report thereon to be published on the Company website sufficiently in advance of its Ordinary General Meeting.

- Establish and supervise a whistleblowing system, managed by the manager responsible for the internal audit, enabling any employee or third party, via the Internet, to communicate any irregularities and potential transgressions, especially financial and accounting, to be notified within Ferrovial.
- Notify, in advance, the Board of Directors on all the subjects set out in the legislation, the Bylaws and the Regulations of the Board, especially on: (i) the creation or acquisition of shareholdings in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens; and (ii) transactions with related parties.
- Coordinate non-financial reporting processes in accordance with applicable legislation and international benchmarks.

#### Operations

The Committee Chairman will chair meetings, lead discussion on the matters to be addressed, and have the casting vote in the event of a tied vote.

The Committee will meet following an announcement by its Chairman, who should do so when so requested by the Board of Directors, the Chairman of the Board of Directors, or two members of the Committee, and in any event, when required for the proper performance of its functions.

The Committee shall be deemed to be validly constituted when more than half of its members are present or represented at the meeting, and agreements shall be taken by absolute majority vote by those present.

To better fulfil its duties, the Committee may seek the opinion of external advisers, for which purposes the Board regulations will apply.

Continued in Section H.

Identify the Board member of the Audit Committee designated with regard to their knowledge and experience in accounting, auditing or both matters. Draw up a report on the number of years that the Chairman of this Committee has been in his/her post.

<b>Name of director with experience</b>	SANTIAGO FERNÁNDEZ VALBUENA
<b>Number of years that the Chairman has been in his/her post</b>	1

#### APPOINTMENTS AND REMUNERATIONS COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Category</b>
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	DIRECTOR	Independent
SANTIAGO BERGARECHE BUSQUET	DIRECTOR	Other external
SANTIAGO FERNÁNDEZ VALBUENA	DIRECTOR	Independent
<b>% of proprietary directors</b>		0.00%
<b>% of independent directors</b>		66.67%
<b>% of other external directors</b>		33.33%

Explain the functions allocated to this committee. Describe the procedures and rules of organisation and operation of the committee and summarise its most significant actions over the financial year.

The Corporate Bylaws and the Board Regulations allocate the following responsibilities to the Nomination and Remuneration Committee:

In relation to the composition of the Board of Directors and of its Committees:

- Evaluate the competencies, knowledge and experience required of the Board of Directors. To this end, it will define the duties and the aptitudes needed of the applicants to fill each vacancy, evaluating the time

and dedication needed for them to properly carry out their commitments.

- Establish a representational objective for the least represented gender on the Board of Directors and draw up guidelines on how to achieve this objective.
- Submit to the Board of Directors proposals to appoint Independent Directors by co-option or to submit the proposal to a vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these Directors by the General Shareholders' Meeting.
- Submit proposals to appoint the remaining Directors by co-option or to submit the proposal to a vote at the General Shareholders' Meeting, along with any proposals to re-elect or dismiss these Directors by the General Shareholders' Meeting.
- Notify proposals for the appointment of natural persons to represent a legal entity Director.
- Provide information on the appointment of the Chairman and the Deputy Chairmen of the Board of Directors, the Secretary and the Deputy Secretary to the Board of Directors.
- Submit a report on the appointment of the Chief Executive Officer.
- Inform about the appointment of members to form part of each of the Committees, taking into consideration the knowledge, skills and experience of the Directors and the requirements of each Committee.

In relation to the remuneration of Directors and senior management:

- Propose to the Board of Directors the general remuneration policy for Directors and senior management.
- Propose the individual remuneration and other contractual conditions of Executive Directors, ensuring that these are complied with.
- Propose standard conditions for senior management employment contracts.
- Monitor compliance with the remuneration policy set by the Company.
- Periodically review the remuneration policy for Directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and senior managers in the Company.
- Verify the information on the remuneration of Directors and senior managers contained in corporate documents, including the Annual Directors' Remuneration Report.

In relation to the appointment of senior managers of the Company and of directors in subsidiaries:

- Report on proposals for the appointment and removal of senior managers.
- Report on the appointment of Ferrovia representatives to the boards of the key subsidiaries and investees as determined by the Board of Directors.

Other functions:

- Draft the reports for the annual evaluation of the Board of Directors and of the Committee by the Board of Directors.
- To examine and organise the succession of the Chairman of the Board of Directors and of the Company's Chief Executive, and to prepare proposals, where appropriate, for the Board of Directors to ensure an orderly and planned succession.
- Ensure that Non-Executive Directors have sufficient time available to discharge their responsibilities effectively.

Operations

The Committee Chairman will chair meetings, lead discussion on the matters to be addressed, and have the casting vote in the event of a tied vote.

The Committee will meet following an announcement by its Chairman, who should do so when so requested by the Board of Directors, the Chairman of the Board of Directors, or two members of the Committee, and in any event, when required for the proper performance of its functions.

The Committee shall be deemed to be validly constituted when more than half of its members are present or represented at the meeting, and agreements shall be taken by absolute majority vote by those present.

To better fulfil its duties, the Committee may seek the opinion of external advisers, for which purposes, the Board regulations will apply.

Any member of the management team or Company personnel required to do so will be obliged to attend the Committee's meetings, providing it with his/her assistance and access to the information held by him/her. When so determined by the Committee, they shall attend without the presence of any other executive.

The Committee shall consult the Company's Board Chairman and Chief Executive, especially on matters

relating to Executive Directors and senior managers.

It will also issue a report on its functioning, which will be published on the Company website sufficiently in advance of the Company's Ordinary General Meeting.

Unless provided for in particular by the Committee, the Board Regulations will apply to convening notices, constitution and adoption of agreements, as long as this is compatible with the nature and function of the Committee.

Continued in Section H.

**C.2.2 Complete the following table on the number of female directors on the various Board committees over the past four years:**

	Number of female directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
EXECUTIVE COMMITTEE	1	14.29%	1	14.29%	1	14.29%	1	14.29%
AUDIT AND CONTROL COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATIONS COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**C.2.3 Repealed section.**

**C.2.4 Repealed section.**

**C.2.5 Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.**

The Audit and Control Committee and the Nomination and Remuneration Committee have compiled reports on their functioning, to be published on the Company website ([www.ferrovial.com](http://www.ferrovial.com)) sufficiently in advance of the General Shareholders' Meeting.

The regulations of the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee are included in the Bylaws (articles 49 to 52) and in the Board Regulations (articles 18 to 24).

A record of the Bylaws and Board regulations is filed at the Mercantile Registry. Alternatively, they can be consulted on the Company's website: [www.ferrovial.com](http://www.ferrovial.com). The Board Regulations are also available on the CNMV's website ([www.cnmv.es](http://www.cnmv.es)).

With regard to the Board Committees, of note is the amendment of the following articles of the Company's Bylaws in 2016:

- Article 50.2. The statutory minimum number of members of the Audit and Control and Nomination and Remuneration Committees was reduced from four to three, maintaining the maximum number of members at 6. This affords the Board of Directors greater flexibility to define the composition of each Committee, based on the circumstances and on its enhanced functioning.

- Article 50.4. The Board of Directors constitutes the Committees, determines their composition and appoints their Chairman (article 50 of the Bylaws). Consequently, for consistency, it was deemed desirable for the Board itself to appoint the Secretary to each Committee, and not the Committee itself, as was previously the case.

- Article 51.1. It incorporates the requirement that, as a whole, the members of the Committee have the technical knowledge related to the sector of activity to which the Company belongs (in accordance with article 529 xiv.1 of the LSC).

- Article 51.3. It incorporates the wording that article 529 xiv of the LSC stipulates the powers of the Audit and Control Committee regarding (i) information to be provided to the General Meeting; (ii) internal control, internal audit and risk management systems; (iii) financial reporting; (iv) selection of auditor; (v) independence of the auditor; and (vi) report on said independence to be issued (introduced by the fourth final provision, section twenty, of Act 22/2015, of 20 July, on Accounts Auditing).

- Article 52 was amended as follows:



(i) two of the powers previously attributed to the Nomination and Remuneration Committee were eliminated: (a) report on the appointment of the Chief Executive Officer; and (b) propose the members that should make up each Committee.

(ii) Section j) of article 52 of the Bylaws attributed the function of "reporting" on the basic terms of senior managers' contracts to the Nomination and Remuneration Committee, as stipulated in article 529 xv.

e) of the LSC. Meanwhile, article 23 b) of the Board Regulations incorporates recommendation 50 a) of the Good Governance Code, which goes further and attributes the power to each Committee to "propose" said basic terms.

For the sake of consistency of the Bylaws and the Board Regulations, it was advisable to delete the reference to this specific matter in the Bylaws, with it being governed both by the LSC and -reinforcing the legal competence of the Committee- by the Board Regulations.

## C.2.6 Repealed section.

### D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

#### D.1 Explain, if applicable, the procedures for approving related party or intra-group transactions

<b>Procedures for reporting on the approval of related party transactions</b>
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The rules on any transactions concluded between Ferrovial or its group companies and directors or their related parties are governed by the following regulations:

- Article 229 1 a) of the Consolidated LSC. This provision, as a general rule, places directors under a duty to abstain from entering into transactions with the Company in the event of a conflict of interest.

- Article 529 ter section 1 h) of the LSC and article 38.3 t) of the Bylaws. These provisions vest a non-delegable duty and power in the Board, supported by a prior report from the Audit and Control Committee, to approve transactions concluded by the Company or its group companies with directors or shareholders who individually or in concert with others hold a significant interest, including shareholders represented on the Board(s) of the Company or of other companies in the same group, or with their related parties.

Article 230 section 2, paragraph 2, of the LSC confers the power to authorise such transactions on the General Meeting if the value of the transaction exceeds 10% of the Company's assets.

- Article 529 ter 1 h) of the LSC prescribes that this approval requirement is only waived if the transaction satisfies all three of the following conditions: a) it is concluded under a contract the terms of which are standardised and are applied generally to a large number of clients; b) it is concluded at a price or rate set generally by the party acting as supplier of the goods or service in issue; and c) the amount does not exceed 1% of the Company's annual revenue.

-The Board Regulations reflect this statutory provision in article 38, which further prescribes that for ordinary transactions with the Company or its subsidiaries, it will be sufficient for the Board to approve the course of transactions on a generic basis.

#### D.2 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company's significant shareholders:

#### D.3 List any significant transactions, by virtue of their amount or importance, between the Company or its group companies and the Company's managers or executives.

#### D.4 Report any significant transactions undertaken by the Company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements, and whose subject matter and terms set them apart from the Company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

#### **Corporate name of the group company:**

Amey Finance Services Limited

**Amount (thousands of euros): 205**

**Brief description of the transaction:**

Reimbursement by Amey Finance Services Limited to Amey Insurance PCC Company Limited (Guernsey) of a reserve used for payment of claims.

**Corporate name of the group company:**

Amey Plc

**Amount (thousands of euros): 70**

**Brief description of the transaction:**

Premium paid back by Amey Insurance PCC Company Limited (Guernsey) to Amey plc for the early cancellation of an insurance policy following the dissolution and liquidation of the former.

**Corporate name of the group company:**

Amey Finance Services Limited

**Amount (thousands of euros): 2,552**

**Brief description of the transaction:**

Disbursement of a loan granted by Amey Finance Services Limited to Amey Insurance PCC Company Limited (Guernsey) to provide the latter with funds necessary to make a payment to the company Zurich in order to eliminate a liability that prevented the liquidation of Amey Insurance PCC Company Limited (Guernsey).

**Corporate name of the group company:**

Amey Plc

**Amount (thousands of euros): 2,205**

**Brief description of the transaction:**

Provisional distribution of liquid assets to Amey plc as a result of the dissolution and liquidation of Amey Insurance PCC Company Limited (Guernsey).

**Corporate name of the group company:**

Amey Plc

**Amount (thousands of euros): 0**

**Brief description of the transaction:**

Distribution of the final cash balance to Amey plc following the liquidation of Amey Insurance PCC Company Limited (Guernsey).

**Corporate name of the group company:**

Broadspectrum (Australia) Pty Ltd.

**Amount (thousands of euros): 7,398**

**Brief description of the transaction:**

Recharge of support services and overhead costs to its Nauru branch.

**Corporate name of the group company:**

Broadspectrum (Australia) Pty Ltd

**Amount (thousands of euros): 6,386**

**Brief description of the transaction:**

Profit allocated to Broadspectrum (Australia) Pty Ltd derived from the contract with the Australian Department of Immigration & Border Protection in the Republic of Nauru.

D.5 Indicate the amount from other related party transactions.

0 (in thousands of Euros).

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the Company and/or its group, and its directors, management or significant shareholders.

Directors are required by the Board Regulations to make every effort to avoid conflicts of interest, and are under obligation to inform the Board of any conflict that arises, through its Secretary or Chairman.

Under the Law, the duty to avoid conflicts of interest binds a director to abstain from:

- a) Entering into transactions with Ferrovia, other than in the cases envisaged by Law.
- b) Use the Company name or invoke his/her capacity as a director to exert an improper influence on private transactions.
- c) Use the Company's assets, including the Company's confidential information, for private purposes.
- d) Take advantage of the Company's business opportunities.
- e) Obtain advantages or remuneration from third parties other than the Company and its group in relation to the performance of his/her office, except mere courtesy gifts.
- f) Carry on business on his/her own account or on account of others involving, in effect, actual or potential competition with the Company or otherwise placing him/her in an enduring conflict with the Company's interests.

The above provisions will also apply if the beneficiary of the prohibited act is a related party of the director.

In any case, a director must abstain from taking part in deliberation and voting on resolutions or decisions in which he/she or a related party is directly or indirectly involved in a conflict of interest. The duty of abstention referred to above excludes resolutions or decisions affecting the foregoing in his/her capacity as a Director, such as his/her appointment to or removal from offices on the Board or analogous offices.

Situations of conflict of interest involving Directors shall be reported in the annual report.

Likewise, the Board must approve, subject to a prior report from the Audit and Control Committee, transactions concluded by Ferrovia with Directors or shareholders who, individually or in concert with others, hold a significant interest, including shareholders represented on the Board(s) of the Company or of other companies of its group, or with their related parties. Directors affected by the situation, or representing or related to shareholders thus affected, must abstain from taking part in deliberation and voting on the proposed resolution in question. Such approval will not be required if the transaction satisfies the following three conditions:

- a) The transactions are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- b) They are carried out at prices or rates established on a general basis by the party acting as the supplier of the good or service in question;
- c) Their amount is no more than 1% of the Company's annual revenue.

The authorisation must be agreed by the General Shareholders' Meeting in the events prescribed by Law and, in particular, when it relates to a transaction the value of which exceeds ten percent of the Company's assets.

The following persons are subject to these rules:

- Directors of Ferrovia, S.A. A director must abstain from taking part in deliberation and voting on resolutions or decisions in which he/she or a related party have a conflict of interest.
- Shareholders who individually or in concert with others hold a significant ownership interest.
- Natural persons representing directors that are legal persons.
- Senior managers, as far as compatible with the nature of their relationship with Ferrovia.
- Other persons who the Board considers, under article 3 of the Board Regulations, must be fully or partially subject

to such Regulations, notifying them of such decision.

- Persons related to those that fit into the above-mentioned categories, as defined in the Board Regulations.

D.7 Is more than one group company listed in Spain?

Yes  No

Identify the listed subsidiaries in Spain:

### Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies:

**Define any business relations with the parent company and the listed subsidiary, and between the latter and the other group companies**

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

**Mechanisms for resolution of possible conflicts of interest**

## E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Management System, including taxation risk.

The Board is responsible for approving the Risk Control and Management Policy and for monitoring the reporting and control systems. Its Audit and Control Committee is responsible for analysing and assessing the main risks to the business and the risk detection, management and control systems. The Board of Directors has determined that Ferrovial's risk policy can be concisely expressed by the following principles:

- Business Ethics.
- Awareness and proportionality of the risk assumed.
- Segregation of duties.
- Assessment of risk.
- Protection of people's health and integrity.
- Distribution of information.
- Integration and coordination.

Based on these principles, Ferrovial has a risk identification and assessment process, called Ferrovial Risk Management (FRM), supervised by the Board of Directors and the Management Committee (MC) and implemented in all the Group's business areas.

This process enables risks to be identified and assessed sufficiently in advance, including taxation risks, based on the probability of their occurrence and of their potential impact on strategic business objectives, including the potential impact on the Company's reputation, with the aim of taking the most suitable management and safeguarding measures based on the nature and the location of the risk.

Through the application of a shared metric, two assessments are made of the identified risk. One inherent assessment, prior to specific control measures being implemented to mitigate the risk, regardless of its impact or its probability of occurrence, and one residual assessment, after the specific control measures have been implemented. This enables, aside from the determination of the relative importance of each risk event in the risk matrix, an assessment of the effectiveness of the control measures implemented for the management of such risks.

E.2 Identify the bodies responsible for preparing and implementing the Risk Management System, including tax risks.

The Corporate Risk Unit is responsible for coordinating the application and operation of the FRM.

Our risk management policy requires all business divisions and investees in which Ferrovial has management capacity to identify and assess the risks, including those of a fiscal nature, to which they are exposed in the pursuit of their business

objectives, to identify sufficiently in advance the appropriate mitigating measures that reduce/eliminate the probability of the risk occurring and/or its potential impact on objectives in the event it was to materialise.

### E.3 Indicate the main risks, including those of a fiscal nature, which may prevent the Company from achieving its business targets.

The main risks affecting the implementation of Ferrovial's strategy and, thus, its capacity for creating value, are related to some of the risks inherent to the markets in which it operates.

Below is a brief description of the main risks faced by Ferrovial in meeting its business objectives. More information on risk and risk management is available in the Annual Report.

#### 1. Contractual disputes

The fiscal consolidation policies in force in some regions in which Ferrovial operates are having a negative impact on the financial capacity of public clients and, therefore, on its investment capacity. The financial constraints of some of the public clients with whom Ferrovial operates increases its exposure to the risk of contractual disputes that may adversely affect the profitability of some projects. However, the high degree of legal certainty in the regions in which it implements its projects partly mitigates this risk.

#### 2. Increased competition

The slowdown in European economic recovery and that of emerging countries, together with the adopted fiscal consolidation policies, is having an impact on the public and private investment capacity and, therefore, reduces the demand for infrastructure.

This circumstance heightens competitive tension in the markets in which Ferrovial operates, thus putting pressure on prices and margins in projects which, due to their nature, pose significant risks if implemented.

#### 3. Ethics and Integrity

The markets on which Ferrovial competes may be exposed to certain ethical risks, contrary to the principles of honesty, integrity and respect for legality that govern the operations of Ferrovial in any of the sectors and countries in which it operates.

#### 4. Brexit

The final outcome of the negotiation process between the European Union and the United Kingdom to formalise the exit of the latter from the EU may have a negative impact on the management of projects that Ferrovial carries out in both regions, affecting its profitability. Similarly, a negative impact on the British economic and financial environment and on that of Europe as a whole, may harm growth in the short-medium term, create governmental budgetary pressure and increase contractual disputes with clients.

#### 5. Political factors

The lack of stability in certain countries in which Ferrovial has a presence, and the rise in protectionist or tax consolidation policies, may have an impact on the legal and regulatory environment in which the Company operates, adversely affecting its profit and growth targets.

#### 6. Changes to regulations and/or legislation

Certain of the assets managed by Ferrovial are bound by specific regulations (mainly those in the toll road and airport businesses), which were taken into account in their business plans. Nonetheless, regulatory and legislative changes may be unexpectedly brought in that could alter the legal environment in which the Company operates, shaping the capacity of the Company to run its businesses and turn a profit.

#### 7. Cyber attacks

Criminal cyber attacks that may have an effect on assets and lead to a prolonged paralysation of activities, whether they directly target the Company or not.

#### 8. Financial risk and credit risk

Financial risk and credit risk is managed centrally by the Finance Department. It includes exposure to currency, interest rates, inflation, commodities and it guarantees sustained capital contributions and the economic flows arising therefrom. A pro-active global risk management policy has been established and hedging mechanisms have been arranged where necessary.

On the other hand, the setback in the recovery of the solvency of the financial system may increase the financial counterparty risk, and make it more difficult for financial institutions to participate in the financing and guarantee activities that historically have supported the business development of Ferrovial; the credit situation of these entities and their relations with Ferrovial must therefore be monitored.

The Finance Department also oversees and manages the credit quality both of clients (during contracting, monitoring and collection phases) and of projects and companies of Ferrovial; it does so both for internal management purposes

and to obtain objective measures of the credit profile of our projects and companies for different accounting and management purposes.

#### 9. Catastrophic events

The complexity of certain activities carried out by Ferrovial increases exposure to the risk arising from an unforeseen event injuring people or damaging items located in or provoked by the assets owned and/or managed by the Company. Unforeseen events include natural disasters (earthquakes, extreme weather conditions etc.) and terrorist or criminal activity.

#### 10. Service quality

Failure to comply with the quality levels and/or deadline commitments with third parties, and inadequate quality assurance systems of goods or services supplied by the Company.

#### 11. Environmental damage

Company actions that can have a significant effect on the environment and on the location at which the activities are carried on.

Continued in Section H.

### E.4 Identify if the Company has a risk tolerance level, including tax risk.

Taking into account the Group's strategic objectives and the strategic lines for their achievement, the Board of Directors approves the amount and type of risk that Ferrovial is willing to permit to attain its strategic objectives, as well as the permitted deviation or tolerance levels. This is reflected in the Risk Control and Management Policy to which all employees of Ferrovial S.A. and its group of companies must comply for the management of any type of risk that they may encounter when meeting business objectives. The acceptable levels of risk and the level of risk tolerance are updated when any changes to the corporate strategy and/or the risk profile of activities so require it.

### E.5 Identify any risks, including tax risks, which have occurred during the year.

- The victory of those supporting the United Kingdom's exit from the European Union, in the referendum of 23 June 2016, opens a negotiation process between the British authorities and the European Union subject to a high degree of uncertainty.

The final outcome of the negotiation and its impact on the British economy and on that of the European Union, may have a negative impact on the management of projects that Ferrovial implements in both regions, affecting its profitability. Similarly, a negative impact on the British economic and financial environment and on that of Europe as a whole, may harm growth in the short-medium term, create governmental budgetary pressure and increase contractual disputes with clients.

Section 5.4 g of the financial statements sets forth the impact of the Brexit on the main financial aggregates. It states the negative effect on the exchange rate and the positive effect of an increase in the inflation rate and the reduction of interest rates and, therefore, of the discount rate of regulated assets at Heathrow airport.

Ferrovial is monitoring the evolution of the exit process of the United Kingdom from the European Union and is conducting risk detection and assessment of the situation in terms of the impact it will have on achieving business objectives, in order to take appropriate coverage measures.

- In March 2016, SH130 Concession Company LLC (65% owned by Ferrovial, SA) applied for Chapter 11 of the US Bankruptcy Act seeking the protection required to restructure its activity.

On 12 August 2016, the concessionaire submitted the Feasibility Plan to the judicial authority, along with the agreement between the concessionaire and the financing entities. On 5 December 2016, the judicial authority approved the Feasibility Plan. Upon expiration of the allegations period, the Plan was approved by the required majority of creditors. Once the Judge confirms the Plan, implementation will begin (for more information consult the Integrated Report 2016).

Ferrovial takes such circumstances into account in preparing its corporate strategy.

### E.6 Explain the response and monitoring plans for the main risks the Company is exposed to, tax risks included.

#### 1. Risk Management System (FRM)

FRM (Ferrovial Risk Management) is the system for comprehensive risk management implemented in all Ferrovial lines of business as a tool that supports the management team and adds value. FRM allows the Company to anticipate sufficiently in advance the risks that threaten its business objectives, in order for the appropriate corrective measures to be taken.

#### 2. Compliance Model

Ferrovial has implemented a Compliance Model whereby, periodically, i) the regulatory and legislative requirements applicable to the Group's activities are identified; ii) associated compliance risks, including risks of committing criminal acts, are identified and assessed; iii) oversight and control measures implemented are evaluated to prevent or significantly reduce such risks, particularly those focussed on preventing criminal behaviour and; iv) any non-compliance that does occur is identified and assessed to manage it in order to minimise its potential impact.

All of this was encompassed within a process of continuous improvement, update and training, designed to promote Ferrovial's culture and commitment to complying with applicable regulations.

### 3. Quality assurance systems

As part of the Company's risk management processes, all business areas have implemented quality management systems that comply with the ISO 9001 standard. When deemed necessary by relevant stakeholders, these systems are certified by a third party. The interest of these groups in obtaining this certification varies from country to country and business to business. Some 91% of the sales of the Group as a whole have systems that have been certified by accredited bodies.

Similarly, business activities are subject to periodic audit processes that evaluate compliance with regulations, contractual requirements and objectives.

### 4. Environmental management systems

All business areas have implemented environmental management systems that comply with at least the ISO 14001 standard and the EU EMAS Regulation. These systems are tested for third-party certification whenever deemed necessary by the relevant stakeholders. Some 91% of the total sales of the Group have systems that have been certified by accredited bodies

In each production centre, these systems adapt to the reality of the site by means of an environmental management plan that includes systematic planning and control of processes that involve a risk to the environment, applicable legal requirements and the establishment of quantified objectives for improvement of environmental performance.

Furthermore, activities are subject to ongoing examination by means of environmental assessments and audits of processes, practices and the degree of regulatory compliance. Ferrovial has an environmental risk control and environmental risk monitoring system which was implemented and approved for the business activities with the greatest environmental risk in the Construction and Services areas. Here, it acts as an early warning system for any possible breaches of the sustainability policy, current corporate standards and applicable legislation.

### 5. Reliability of financial reporting

Section F of this report details Ferrovial's Internal Control over Financial Reporting (ICFR) system.

### 6. Financial risk control mechanisms

In general, this risk is managed centrally by the Finance Department by means of a proactive global risk management policy and hedging mechanisms when appropriate.

Section 5 point 4 of the consolidated financial statements explains the financial and capital risk management policy in detail.

### 7. Other preventive procedures

#### a) Occupational safety systems

All business areas have occupational risks prevention systems in place that exceed the requirements of the OHSAS 18001 standard. When deemed necessary by the relevant stakeholders, these systems are certified by a third party.

Some 85% of the total sales of the Group have systems that have been certified by accredited bodies.

In each case, these systems are adapted to the reality of the site based on its risk assessment. They also consider preventive monitoring of the health and safety conditions of the production centres, as well as the continuous evaluation of the compliance with any legal and regulatory requirements applicable in each case.

#### b) Non-payment or default

The risk of non-payment by private clients is mitigated by a solvency evaluation prior to entering into any agreement.

The contractual requirements are supervised by the Legal and Finance Departments in order to ensure that they establish payment guarantees in the event of default. During the work, the Finance Department continually monitors the certificates, collection documents and payment thereof.

#### c) Business continuity plans

Ferrovial has implemented a Business Continuity Model that enables serious contingencies to be managed appropriately and the acceptable recovery of its critical processes, as necessary. The contingency scenarios

contemplated include the absence of key personnel, facilities and information systems.

The Business Continuity Committee is responsible for keeping the model up to date and performing periodic compliance tests.

Continued in Section H.

## **F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)**

Describe the mechanisms that comprise the internal control over financial reporting (ICFR) risk control and management system at the Company.

### **F.1 The entity's control environment**

Specify at least the following components with a description of their main characteristics:

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

Under article 38 of the Bylaws of Ferrovial S.A. parent company of Ferrovial Group (hereinafter "the Company" or "Ferrovial"), the Board of Directors of the Company is responsible for supervising the Internal Control over Financial Reporting system (hereinafter, ICFR).

Senior management is responsible for the design, implementation and maintenance of ICFR. Senior management is deemed to be members of the Management Committee, as established in the general operational framework of the Internal Control over Financial Reporting (ICFR) system, which can be accessed on the Company's intranet by all employees. Therefore, this responsibility not only falls within the role of finance, but also affects the entire organisation, including other support areas such as Human Resources, Legal Department or IT Systems.

Finance is engaged in coordinating such tasks at a global level through the General Finance Department (hereinafter, GFD), in monitoring all phases of the System and in regularly reporting to the Audit and Control Committee (hereinafter, ACC) on progress made. Such coordination is defined via the Finance Departments of each of the business areas.

Oversight of the operating effectiveness of the ICFR is one of the powers given to the ACC, in accordance with article 51.3, section b) of the Bylaws, with the support of Internal Audit Department.

#### **F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:**

- Departments and/or mechanisms 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.

Under the Board of Directors Regulations, the responsibilities of the Nomination and Remuneration Committee include analysing the process for orderly succession of the Chairman and Chief Executive Officer, who is appointed by the Board, and reporting on the appointment or removal of executives accountable to the CEO.

The Chief Executive Officer, with the participation of the Head of Human Resources in her advisory role to the CEO, is responsible for designing and reviewing the organisational structure for the first line of reporting in the organisation (executives who report to him).

In turn, the latter are responsible for making changes in the organisational structure under their immediate control.

The Compensation and Benefits Department, under the Human Resources Department, periodically evaluates the classification and description of all job positions in the group with a view to maintaining an appropriate segregation of duties, avoiding redundancies and improving the co-ordination of different departments thus achieving greater efficiency of operations in the Company.

A detailed organisation chart is available to all employees on the Company's intranet.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial



reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

#### Code of Ethics

The Company has a Code of Ethics approved by the Board of Directors on 18 December 2014.

The Code stipulates that "Ferrovial and its employees shall base their relations with clients, suppliers, competitors and partners, as well as with its shareholders, investors and other market agents, on the principles of integrity, professionalism and transparency".

"The guiding principle of Ferrovial's business conduct with its shareholders, investors, analysts and the market in general, is to disclose true and complete information that provides a fair view of the Company and its Group, its corporate activities and business strategies. Communication must always comply with the standards and deadlines established by the applicable legislation."

"Ferrovial shall focus its corporate actions and strategic decisions on creating value for its shareholders, the transparency in its management, adopting best practices for corporate governance in its companies and strict compliance with the applicable regulations at any given time".

Likewise, regarding the reliability of the financial information, the Code stipulates that "Ferrovial subsidiaries around the world are required to implement accounting practices that help to ensure the accuracy of books and accounting records."

The Code of Business Ethics is accessible to all Ferrovial employees on the Intranet and on the corporate website.

All new employees are also provided with the welcome pack, and the Company makes it obligatory for those employees to complete an online course on the Code of Ethics which explains its basic principles. In addition, in 2016, the Chief Executive Officer has distributed the Code of Ethics by email, together with other internal Corporate Governance policies, including the Ferrovial Compliance Policy and the updating of the Crime Prevention Model, the Anti-Corruption Policy and the Risk Control and Management Policy, thus seeking to highlight and convey Ferrovial's commitment to the basic principles contained in the Code of Ethics.

#### Compliance Policy

The Compliance Policy is within the scope of Ferrovial's good corporate governance policies, approved by the Board of Directors on 28 July 2016. Likewise, on the same date, the updated Crime Prevention Model was approved with a view to adapting its content to the regulation on criminal liability of legal persons under the Spanish Penal Code.

The purpose of the Compliance Policy is to provide all directors, executives and employees with a general framework for action to be followed in the performance of their activities based on the highest standards of integrity, transparency, respect for legality and human rights. It establishes a common and homogeneous framework for oversight, control and management of compliance risks, in particular, those aimed at preventing criminal behaviour, and fosters a culture of business ethics in the organisation and in the decision-making and training processes at the wish of directors, executives and employees.

#### Anti-corruption policy

Similarly, the Board of Directors, on 28 July 2016, approved the latest update of the Anti-Corruption Policy, which governs the conduct of all Ferrovial directors, executives and employees, and its partners in developing the business, bearing in mind that Ferrovial has implemented a "zero tolerance" policy towards any practice that may be described as corruption or bribery, both active and passive, and shall apply to interactions between Ferrovial and any other person and shall not be limited to those between Ferrovial and officials.

This policy also expressly states that Ferrovial must include the following in its ICFR system: "(...) (ii) accounting practices that help to guarantee the accuracy of its books and records. The maintenance of hidden or wrongly booked assets is prohibited. Any payment, expense and transaction must be properly accounted for in accordance with applicable accounting regulations, free from any hidden expenses that conceal the true nature of any agreement, the relevant authorisation must be obtained as stipulated by the payment, expense and transaction procedures."

#### Criminal Prevention Model

The Crime Prevention Model establishes the most appropriate policies, procedures and management and control systems aimed at preventing or significantly reducing the risk of committing criminal acts, especially those involving penal liability of the legal person within the scope of the latest reform of the Spanish Penal Code. The Model stipulates the different phases and competencies of the Governance and management bodies of Ferrovial responsible for the implementation, review, management, supervision and periodic evaluation of its operating.

- Whistleblowing channel, for reporting any irregularities of a financial or accounting nature

and breaches of the code of conduct or malpractice within the organisation to the Audit Committee, stating where applicable if it is confidential or not.

Article 21.IV o) of the Board of Directors Regulations states that the Audit Committee's responsibilities include, "establishing and supervising 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 Ferrovial".

The Company has an anonymous whistle-blowing channel that enables confidential notifications to be sent regarding financial and accounting irregularities to the Management and Governance Bodies. Employees and other stakeholders can access it via the Intranet and the websites (in both Spanish and English) and a P.O. box.

The functioning of the Complaints Box is regulated in a corporate procedure issued by the Chairman, updated on 21 September 2016, which is accessible to all employees via the Intranet.

The Audit and Control Committee oversees these channels which, through the Internal Audit Department and a Management Committee made up of this Department, together with the Human Resources Department, receives periodic reports on notifications received and measures taken.

In 2016, the Complaints Box received 51 communications. No evidence of falsification of financial statements or fraud with a significant effect on the financial statements was found during investigation of these communications.

- 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.

Ferrovial has the Summa Corporate University (hereinafter, the University), with the mission of conveying the values of Ferrovial and fostering the development of differential talent in the organisation.

The staff involved in preparing and revising the financial information, as well as the assessment of the ICFR, receives training on how to properly carry out its duties.

In 2016, a total of 8,693 hours of training was provided on finance, focusing on international accounting standards, consolidation of financial statements and tax law, as well as on matters characterised by their complexity, such as derivatives.

In addition, in 2016, training on the ICFR of different support areas was provided, including Information Systems and Legal Departments, with a total of approximately 57 attendees and 288 hours.

## F.2 Risk assessment in financial reporting

Report at least:

### F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating:

- If the process exists and is documented.

Identifying risks of error in financial information is one of the most important phases within the overall process of Ferrovial's ICFR, the objective of which is to ensure (with reasonable security) the reliability of the financial information disclosed to the market, and to support the duties of the people involved in preparing that information and, accordingly, the ultimate responsibility of the Board of Directors, as indicated in section F.1.1.

The overall process or "ICFR Annual Wheel" of Ferrovial has the following stages:

1. Definition of the scope
2. Updating processes and controls
3. Self-assessment of the effective design and operational effectiveness of the controls
4. Risk assessment
5. Update on the results of the Self-Assessment (Rolling Forward)
6. Annual certification of the financial information

All of these stages are supported by a computer tool that provides integral management of the entire process and which enables real responsibilities to be assigned in the execution and documentation of controls. Around 640 people in the group have used the tool, during which time there has been documented evidence of approximately 1,600 controls (a reduction compared to 2015 due to the removal

from the perimeter of consolidation of toll roads such as Chicago and SH-130).

The methodology is based on the analysis of the financial information in the various companies controlled by Ferrovial to select the material accounting financial statement lines according to quantitative criteria and qualitative criteria (mainly financial statement line whose assessment is subject to judgments and estimates, complex calculations, and which are at risk from fraud). In this stage, risks of error in the financial information are identified, in relation to the existence, completeness, accuracy, presentation and disclosures and rights and obligations, associated with the financial statement lines within the scope. Headings are grouped into processes that are analysed and for which a high-level description is prepared.

This documentation is available through the tool, which also includes the description of the controls. With regard to new additions to the perimeter of consolidation, a work plan is designed to implement the Group's ICFR process. In 2016, highlights include the acquisition of Broadspectrum, the plan of which is foreseen for 2017.

Risks are assessed once a year depending on how the controls implemented for their mitigation operate.

Additionally, approximately 46 people (Chief Executive Officers and Chief Financial Officers) participate in the cascade certification process for the correcting the financial information for which they are responsible, for the purposes of preparing the consolidated annual accounts. The company Broadspectrum was included in this process, so, for the close of 2016, its financial statements were certified for the consolidation of the Group's financial statements.

As an initial step before the certification process, the results of the self-assessment of the controls are revalidated (Rolling Forward).

The annual revision of the entire process is coordinated by the Directorate of Planning and Control, within the General Finance Department, which is also responsible for administrating the IT application and for coordinating the operating of the ICFR in the various businesses and corporate areas of the group.

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

Ferrovial has a shared risk inventory on financial information known as the "ICFR Risk Universe".

ICFR risks are defined by Ferrovial as the failure to comply with the objective of control over financial reporting for each accounting financial statement line and material disclosure in Ferrovial's consolidated financial statements. Therefore, the annual risk assessment process covers all financial information objectives: existence and occurrence; completeness; valuation; presentation; disclosure and comparability and rights and obligations.

- 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 Master document of Companies in SAP which includes all the companies included in the perimeter of consolidation. The Master document is managed on the basis of the "Company Database Management" process available on the corporate intranet.

When a company is registered in SAP, the interface detects it and the consolidation system issues a notice for it to be included therein, ensuring the consistency of the information in the two systems.

The Group also has a Standard establishing the procedure for approving transactions, which includes, among others, the acquisition/sale of companies, defining levels of authorisation according to their amount.

Moreover, under the Bylaws, specifically, article 38 section r), the Board of Directors is responsible for "the approval of 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 Company and its group."

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

The process of identifying risks of error in financial information takes into account the effects of other types of risk, largely operating, technological and legal risks, insofar as they affect the financial statements; these risks are assessed and managed by the businesses and the various corporate functions such as the Information Systems Division or Legal Departments, among others.

- Which of the Company's governing bodies is responsible for overseeing the process.

ICFR risks are assessed annually, coordinated by the General Finance Department who is responsible for

this work and the results of which are presented to the Audit and Control Committee for monitoring.

### F.3 Control activities

Indicate the existence of at least the following components, describing their main characteristics:

F.3.1. Procedures for reviewing and authorising financial reporting and the description of ICFR to be disclosed to the securities markets, stating who is responsible in each case, and 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.

The General Finance Department submits to the ACC, prior to publication and approval by the Board of Directors, both the financial statements and the periodic financial information presented in the markets, with a special emphasis on the main judgements and estimations in the most complex areas or in which the accounting impact is most significant.

Pursuant to the Board Regulations, the annual accounts are submitted for formulation to the Board once they have been approved by the Chairman, Chief Executive Officer and Chief Financial Officer.

Prior to approval, the Chief Executive Officers and Chief Financial Officers of the businesses and main subsidiaries authorise the reported information to prepare the related areas of responsibility of the Group's consolidated financial statements, with an express reference to their responsibility for maintaining an internal control system that ensures that financial information is free from errors and fraud. In addition, a statement related to the effectiveness of the controls in the self-assessment process is included and from the results obtained, no significant deficiency or material error was found in the financial information.

The report describing the ICFR is drawn up by the General Finance Department with the co-operation of the pertinent corporate departments and is presented to the Audit and Control Committee.

The ICFR documentation includes high-level descriptions of the business processes with an impact on the relevant financial information selected, as well as detailed descriptions of the risks of error and the controls designed for their mitigation. The description of the control includes the evidences to be obtained in their execution, which are required for its review.

In addition to the specific controls of the business processes, each one of the processes at the end of the reporting period for the businesses is considered as a cycle, and the same occurs with the reporting period activities as a whole conducted at corporate level, with the overall consolidation process, the disclosure process in the notes to the financial statements and the cash flow preparation. Within this process, the General Finance Department issues instructions and sets a calendar for the different closing milestones.

The Company has entity level controls documented in keeping with the principles of the COSO III framework and the Information Technology General Controls, according to international frameworks and which, in addition, are aligned with the Information Security Corporate Model.

The tool also includes documentation on the process of self-assessment of how the controls are run, in which evidence must be provided (one sample per control) that the control has been performed, in such a way that it can be revised and audited. As part of this process potential incidents have been reported and actions for improvement are being planned, monitoring for which will be managed using this tool.

All previous actions form part of the organisation process described in section F.2.1., as documented in a new corporate process available over the Company intranet accessible to all Group employees.

The General Finance Department prepares a document with a resume of main judgements and estimates with impact in the financial statements, it includes a sensitivity analysis with the potential impact of the main assumptions that is submitted to the Audit and Control Committee.

In addition, given that accounting rules require the use of judgements and estimates based on long-term projections for recording certain transactions, the Company has a process for prepare medium and long-term projections that specifies how to create and update the finance models and which controls have to be introduced to ensure the coherence of the different types of financial information.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, operative continuity and segregation of duties) giving support to key company processes regarding the preparation and

publication of financial information.

Ferrovial's Information and Innovation Systems General Department (hereinafter, the DGSII) has the strategic mission of facilitating attainment of Ferrovial's objectives through the use of information technologies oriented towards achieving greater effectiveness and efficiency, thus creating value and leading innovation.

Management and control of the services provided by the DGSII are structured into the following processes:

1. Service Strategy that ensures the correct alignment of the DGSII with the business and the financial control of services.
2. Service Provision, which ensures control over the development, capacity, availability, continuity and security of services.
3. Service Support, which ensures control over changes, configurations, incidents and problems related to the provision of services.
4. Management of Continuous Improvement through the setting up of appropriate control mechanisms of service levels and the deployment of scorecards.

Ferrovial also has a Corporate IT Security General Framework with the mission of safeguarding the completeness, confidentiality and availability of its information.

Ferrovial also has an IT Security Department, within the DGSII, that is responsible for leading governance, strategy and management of IT security by defining, implementing, operating and monitoring models, architectures and security and control systems that protect the value of information and ensure its completeness, availability and confidentiality.

Management of IT security is aligned with international reference standards, mainly the latest version of the ISO/IEC 27001 standard, in addition to the NIST, CSA and COBIT standards. Within a process of continuous improvement in risk management, matters such as control of access and segregation of functions are included and regulated to ensure that treatment of financial information supported by IT systems is performed in an authorised and supervised manner, that is proportional to the needs of users in performing tasks.

The Information Security Management System (ISMS) has been certified to ISO/IEC 27001 since March 2012. It is renewed annually through the corresponding certification audits conducted by the British Standard Institution. While the scope of the certification includes the corporate environment of Ferrovial, the practices, processes and security controls of the system have served as the basis for rolling out the control model in the entire Group.

On a yearly basis, the Information Systems Directors of the main subsidiaries and business units, as well as the Head of Group Systems Security, carry out an assessment of the effectiveness of the internal controls implemented on the main information systems that support the processes for preparing financial reporting in their respective areas of responsibility (local environments and corporate environments).

This assessment helps to provide an overview of the main risks associated with the use of information technologies and communications, while facilitating the definition and implementation of action plans that make it possible to manage the aforementioned identified risks.

### F.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.

When the Company outsources certain activities, it verifies the technical exercise and skills of the subcontractor.

The Group has implemented control activities to check the soundness of the conclusions of independent experts.

The following have been identified as the most significant outsourced activities with an impact on the financial statements:

Outsourcing of hardware and software management of IT systems.

The DGSII has specific procedures for controlling outsourced services through contractual regulation of the following:

- Alignment/certification of provision of service in terms of international reference standards (including ISO/IEC 20000, ISO/IEC 22301 and ISO/IEC 27001, CSA, SSAE16, etc.).
- Establishing mechanisms to govern and monitor the service.
- Setting up regular obligatory audit and review processes.

- Establishing and managing service levels.

Actuarial studies of pensions.

Information on pensions reported in the consolidated financial statements is based on the actuarial calculations of firms of recognised prestige. This information is verified by the Company, which has controls to ensure its soundness.

Furthermore, it is worth noting that the Internal Audit Department audits outsourcing contracts to ensure the conditions agreed in the contract are complied with.

#### F.4 Report and communicate.

Inform communicate the existence of at least the following components, describing their main characteristics:

- F.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or department) and of settling doubts or disputes over their interpretation, maintaining smooth communication with the team in charge of operations, and a manual of accounting policies updated and communicated to all the Company's operating units.

The Accounting Policies and Internal Control Department, which reports to the Planning and Control Department (PCD) within the General Finance Department, is responsible for defining and updating the accounting rules manual (Ferrovial GAAP) -available on the Company's Intranet-, and for resolving doubts or conflicts related to its interpretation. This is a centralised corporate function for the entire geographic scope of the Group.

Ferrovial GAAP incorporates all the IFRS changes adopted by the European Union and the standards defined by Ferrovial in cases in which the IFRS offer different alternatives or a mandatory standard does not apply.

Prior to the publication of new IFRS, the regulatory activity of the IASB is proactively monitored in order to identify those projects which have a significant impact on the Group's financial statements, through participation in working groups created to collaborate on the definition of the aforementioned standards.

This department also prepares technical notes when important decisions need to be taken in relation to accounting standards to document that there is sufficient evidence for the decisions.

It is also the PCD's responsibility to update the internal procedures to adapt them to the regulatory changes with an impact on financial information. On 22 December, 2016, the procedure for engaging external auditors and other services with auditing firms was updated to be adapted to the new Audit Law 22/2015, of 20 July, which changes the European Union Regulation.

To promote communication and share updates, regulatory developments, procedures, news, etc., the PCD manages a internal and collaborative social network with employees called "Financial Reporting", which currently has 160 people.

- F.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 support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The General Finance Department continuously ensures that there are transactional systems and formats that gather information in a standard format for the whole Group.

At transactional system level, Ferrovial has a harmonised system, internally called SAP Fidelio, which includes companies from the Group. Companies outside SAP Fidelio mainly belong to the Amey, Budimex and Broadspectrum groups.

The mechanism for capturing and preparing the information in support of the consolidated financial statements of Ferrovial is based, principally, on the use of a consolidation tool (called BPC), which is currently deployed throughout the entire Group, except in Amey and Broadspectrum (own BPCs, not connected with the Group).

A large portion of the information supporting the disclosures and notes of the financial statements is included in the consolidation tool, with the remainder being captured using standard-format spreadsheets, called Reporting Package, which is prepared for hard-close and year-end reporting.

With regard to ICFR, as we mentioned previously in section F.2.1, the whole process is supported in an IT tool accessible to all those involved in preparing the financial information.

## F.5 Monitoring of the functioning of the system

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure whereby the person responsible for performing the assessment communicates 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 reporting.

Ferrovial has an Internal Audit Department that reports directly to the Audit and Control Committee of the Board of Directors, which ensures that those making management decisions have independence and objectivity. The functions of the Regulations of the Board of Directors and the ACC that affect the Internal Audit Department include proposing and removing its own head, proposing the budget and ensuring that the human and material resources are appropriate for the performance of their duties. Members of the team carry out their audit work exclusively.

The scope of the Internal Audit Department's work includes all companies in the Ferrovial Group. Therefore, it is a Ferrovial-run centralised corporate function that performs work in any national or international company, process, area or application.

The annual programme of work is drawn up using risk parameters from a matrix of priorities (intrinsic risk, controls, sector, activity, country, age, last visited etc.) which when applied to the overall "Auditable Universe" determine what work is a priority for the following year. This planning proposal is compared to the main risks detected by the Company on the Risk Map, and to the significant aspects identified in the Annual Report to ensure that they are covered under the scope of different tasks. Below, it is discussed with all the members of the Management Committee and Senior Management with a view to incorporate its proposals and submit it to the Audit and Control Committee for approval prior to the start of the year. Then, during the year, the degree of progress in planning is reported, as are any deviations, and these are explained. The guiding principle is that all work considered a priority must be audited during the current year and others are positioned for the following years. Hence, a review of the entire "Auditable Universe" will have been completed once a certain number of years have elapsed, which Ferrovial believes is sound and representative of the level of risk.

The Internal Audit Department carries out full-scope projects and reviews the financial statements (both on the accounting side and current planning: the balance sheet and income statement, both financial and future: business plans, budgets, finance models etc.), also analysing effectiveness and efficiency of processes, internal controls, the design and compliance with applicable internal and external regulations, the functional completeness and sufficiency of IT systems and the suitability of organisational structures.

If the Internal Audit Department deems it appropriate, it may engage external advisers for specific technical expertise in the matter audited or to reinforce audit capacity in a specific moment.

This philosophy is applicable uniformly to all the work of the Internal Audit Department. In the specific field of ICFR, the effectiveness and design of internal controls is analysed, as noted previously with regard to work performed in any audited units. Additionally, the specific work carried out in 2016 in relation to the ICFR included particularly auditing two processes across business lines (process performed by all business units of the Group) and three business processes, and the continuous updating of the monitoring status of the recommendations issued in previous audits. For 2017, the plan approved by the Audit and Control Committee includes a full audit of 3 ICFR processes, which can be across business lines or of business areas, and the verification in the other audits of the specific risks and controls that have been identified, and the follow-up of the recommendations issued in previous years' audits.

F.5.2. A 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 Regulations of the Board of Directors state that the functions of the Audit and Control Committee include discussing with auditors any significant weakness in the internal control system encountered in the audit.

The external auditor submits to the Audit and Control Committee, on a yearly basis, any internal control weaknesses found in the course of its audit work. These weaknesses are incorporated into the ICFR's action plan, while the General Finance Department is responsible for designing an action plan to correct such shortcomings and to report any progress to the Audit and Control Committee.

Similarly, in the Recommendations section of the Audit Report, the Internal Audit Department provides recommendations to improve any weaknesses found. The direct managers of the audited units undertake to implement the recommendations on dates agreed upon with the Internal Audit Department, which continuously assesses their effective implementation and issues monthly reports thereon. This information is also periodically reported to Senior Management and the Audit and Control Committee for their information and for any measures deemed appropriate to be adopted. In some cases, implementation of the recommendations of the Internal Audit Department is made part of the personal objectives of the manager responsible, thus affecting attainment of variable remuneration.

**F.6 Other relevant information**

None to report.

**F.7 External auditor review**

State whether:

F.7.1. Whether the ICFR information supplied to the market has been reviewed by an external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Ferrovial requested that the external auditor issue a review report on the information described by the Company in this document and it is attached as an Appendix. The review was based on the "Action Guide and Model Auditors' Report relating to information on the Internal Control over Financial Reporting System of listed companies" published by the CNMV in July 2013.

**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicates the degree of the Company's compliance with the recommendations of the Good Governance Code of Listed Companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The Bylaws 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.

Complies  Explain

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

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

Complies  Partially compliant  Explain  Not applicable

3. During the Ordinary General Meeting, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the Annual Corporate Governance Report. In particular:

- a) Changes taking place since the previous Ordinary General Meeting.
- b) The specific reasons for the Company not following a given Corporate Governance Code recommendation, and any alternative procedures followed instead.



Complies  Partially compliant  Explain

Section a) is complied with. At the General Meeting held on 4 March 2016, the Chairman reported on the main changes introduced in corporate governance since the previous Shareholders' Meeting.

With regard to section b), the Company believes that the detailed exposure could unnecessarily lengthen the Shareholders' Meetings, as it deals with information already supplied in the Annual Corporate Governance Report published on the website and available to shareholders.

4. The Company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the Company's website, including details of how it has been put into practice and the identities of the relevant intermediaries or those charged with its implementation.

Complies  Partially compliant  Explain

5. The Board of Directors should not make a proposal to the General Meeting for the delegation of powers to issue shares or convertible securities without preferential subscription rights, for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without preferential subscription rights, the Company should immediately post a report on its website explaining the exclusion as envisaged in corporate legislation.

Complies  Partially compliant  Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website sufficiently in advance of the Ordinary General Meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reports on the functioning of the Audit Committee and the Appointments and Remuneration Committee.
- c) Audit Committee report on related party transactions.
- d) Report on corporate social responsibility policy.

Complies  Partially compliant  Explain

Sections a), b) and c) are complied with.

Paragraph d) is not complied with because no corporate responsibility policy exists that encompasses all the content required by recommendation 54. However, the Company reported in detail on corporate social responsibility in its comprehensive annual report for 2015, authorised for issue by the Board on 25 February 2016, and published on the website following the announcement of the Ordinary General Meeting.

7. The Company should broadcast its general shareholders meetings live on the corporate website.

Complies  Explain

8. The Audit Committee should strive to ensure that the Board of Directors can present the Company's accounts to the General Shareholders' Meeting without limitations or

qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies  Partially compliant  Explain

9. The Company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and to exercise their rights in a non-discriminatory manner.

Complies  Partially compliant  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the Company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Submit all these items or alternative proposals to vote, applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies  Partially compliant  Explain  Not applicable

11. In the event that a company plans to pay attendance fees for General Shareholders' Meetings, it should first establish a general, long-term policy in this respect.

Complies  Partially compliant  Explain  Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, that can be affected as well as with the impact of its activities on the broader community and the natural environment.

Complies  Partially compliant  Explain

13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and

fifteen members.

Complies  Explain

14. The Board of Directors should approve a Director Selection Policy that:

- a) Is specific and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs;
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of Board needs should be written up in the Appointment Committee's explanatory report, to be published when the General Shareholder's Meeting is convened that will ratify the appointment and re-election of each Director.

The Director Selection Policy should pursue the goal of having at least 30% of total Board places occupied by female directors by 2020.

The Nomination Committee should run an annual check on compliance with the Director Selection Policy and set out its findings in the Annual Corporate Governance Report.

Complies  Partially compliant  Explain

15. Proprietary and Independent Directors should constitute an ample majority on the Board of Directors, while the number of Executive Directors should be the minimum required, bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies  Partially compliant  Explain

A/ Fulfils the second paragraph of the recommendation, since there are two Executive Directors out of a total of 11 members. This number can be considered the "minimum necessary", keeping in mind the group's size and the interest of said Executive Directors in the share capital.

B/ There are 6 Proprietary and Independent Directors (excluding Mr. Rafael del Pino and Mr. Calvo-Sotelo), out of a total of 11 members. Therefore, they are an absolute majority, although it is understood that the recommendation requires a greater majority.

The Directors Mr. Bergareche Busquet and Mr. Arena de la Mora, during their re-election at the General Meeting in 2016, changed from Independent to External Directors since they had exceeded twelve years in their position.

After the report from the Nomination and Remuneration Committee on the needs of the Board as regard its composition, the Board proposed the re-election of said Directors at the General Meeting, considering their extensive experience on the Board and their ample knowledge of the Group and the industry in which it operates.

The Company has a gradual renewal process open for the longest standing Board members.

16. The percentage of Proprietary Directors out of all Non-Executive Directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the Company's capital.

This criterion can be relaxed:

- a) In large cap companies in which few equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies  Explain

Ms. María and Mr. Joaquín del Pino y Calvo-Sotelo are Proprietary Directors: two of a total of nine external directors, i.e. 22.2%; their combined shareholding is 10.7%. Including Mr. Rafael del Pino y Calvo-Sotelo (Executive), three of the nine external directors would be Proprietary Directors; i.e. 33.33%, with a combined shareholding of approximately 31%.

These Proprietary Directors are members of the former controlling family group of Ferrovial. Following the termination of the shareholder agreement regarding the Company (disclosed in a relevant fact notice dated 7 August 2015 –record no. 227.432-), Mr. Rafael María del Pino y Calvo-Sotelo remained members of the Board of Directors.

At that time, Mr. Joaquín del Pino y Calvo-Sotelo was the natural person representative of director Karlovy, S.L. (which tendered its resignation following the transfer of its entire shareholding in the Company's capital).

The appointments of Ms. Maria (re-elected at the 2016 General Meeting) and Mr. Joaquín (appointed by co-option and ratified at the same General Meeting) were made to take advantage of their broad experience and knowledge of the Group, ensuring a certain degree of continuity and the efficient functioning of the Board.

17. Independent Directors should be at least half of all Board members.

However, when the Company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, Independent Directors should occupy, at least, a third of Board places.

Complies  Explain

There are currently four Independent Directors, of a total of eleven.

The Directors Mr. Bergareche Busquet and Mr. Arena de la Mora, after their re-election at the General Meeting in 2016, changed their category, from Independent to External Directors, since they had occupied their post at the Company for over 12 years.

After the report from the Nomination and Remuneration Committee on the needs of the Board as regard its composition, the Board proposed the re-election of said Directors at the General Meeting, considering their significant contributions to the development and internationalisation of the group in recent years, and extensive knowledge of the Group and the industry in which it operates.

At the General Meeting, the Board has proposed the nomination of Ms. Hanne Birgitte Breinbjerg Sørensen as Independent Director to fill the vacancy that currently exists and with the intention to continue strengthening the presence of Independent Directors in the composition.

The Company has a gradual renewal process open for the longest standing Board members.

18. Companies should disclose the following Director particulars on their websites and keep them regularly updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in of any nature.
- c) Statement of the director category to which they belong indicating, in the case of Proprietary Directors, the shareholder they represent or have links with.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares held in the Company, and any options thereon, owned by them.

Complies  Partially compliant  Explain

Section a), c), d) and e) are complied with.

Section b): The Board believes that it is able to consider the independence and availability, in terms of time, of each Director, without the need to publish all the remunerated activities that he/she carries out, whatever their nature or economic value. The other boards to which each director belongs are published on the Company website.

19. Following verification by the Appointments Committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of Proprietary Directors at the urging of shareholders controlling less than 3 percent 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.

Complies  Partially compliant  Explain  Not applicable

20. Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes to a level requiring a reduction of the number of its Proprietary Directors, the latter's number should be reduced accordingly.

Complies  Partially compliant  Explain  Not applicable

21. The Board of Directors should not propose the removal of Independent Directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a report from the Appointments Committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them from allocating sufficient time to the work of a Board member, or are in breach of their fiduciary duties or have one of the disqualifying grounds for classification as Independent Directors set forth in the applicable legislation.

The removal of Independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in recommendation 16.

Complies  Explain

22. Companies should establish rules obliging Directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board 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 offences stated in Company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such matters in the Annual Corporate Governance Report.

Complies  Partially compliant  Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, Independent and other Directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.

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

The terms of this recommendation also apply to the Secretary to the Board, even if he or she is not a Director.

Complies  Partially compliant  Explain  Not applicable

24. Directors who give up their position before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the Annual Corporate Governance Report.

Complies  Partially compliant  Explain  Not applicable

25. The Appointments Committee should ensure that Non-Executive Directors have sufficient time available to discharge their responsibilities effectively.

The Board Regulations should lay down the maximum number of Company Boards on which Directors can serve.

Complies  Partially compliant  Explain

The first paragraph is complied with.

Second paragraph. The Board believes it unnecessary to limit the number of boards (of any kind of entity) to which a Director may belong, because: (i) availability in terms of time is not dependent only on this fact but on a set of circumstances to be considered annually by the Nomination and Remuneration Committee; (ii) any such limitation, if unresponsive to the type of company, might impede the incorporation to the Board of Spanish or foreign nationals who would otherwise provide enriching experience.

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

Complies  Partially compliant  Explain

27. Directors' absences should be kept to a strict minimum and be quantified in the Annual Corporate Governance Report. In the event of absence, Directors should delegate their powers of representation with the appropriate instructions.

Complies  Partially compliant  Explain

28. When Directors or the Secretary express concerns about a proposal or, in the case of Directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book at the request of the person expressing them.

Complies  Partially compliant  Explain  Not applicable

29. The Company should provide suitable channels for Directors to obtain the advice they need to carry out their duties extending, if necessary, to external advice at the Company's expense.

Complies  Partially compliant  Explain

30. Regardless of the knowledge Directors must possess to carry out their duties, they

should also be offered refresher programmes when circumstances so advise.

Complies  Explain  Not applicable

31. Board meeting agendas should clearly indicate on which points Directors must adopt a decision or resolution, so they can study or gather together in advance, the information that they need to adopt such decision or resolution.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of Directors present.

Complies  Partially compliant  Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.

Complies  Partially compliant  Explain

33. The Chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the Company's Bylaws, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the Company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Director, when circumstances so advise.

Complies  Partially compliant  Explain

34. When a Coordinating Director has been appointed, the Bylaws or Board Regulations should grant him or her the following powers over and above those conferred by Law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen, give voice to the concerns of Non-executive Directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance; and coordinate the Chairman's succession plan.

Complies  Partially compliant  Explain  Not applicable

Succession scheme for the chairmanship. The Nomination and Remuneration Committee studies and organises the plan for the succession of the Chairman (article 529 xv.3 f) of the LSC. Given that the Coordinating Director may not be a member of such Committee, it was thought preferable not to ascribe specific functions to him/her in this domain.

As regards coordination of the implementation of such plan, in 2016 the Chairman was not succeeded. The Company's internal rules do not assign this function to the Coordinating Director, without prejudice to what the Board may decide when the time comes.

Investor relations. The Board believes it preferable for contact with investors and shareholders in relation to the issues referred to in the recommendation to take place through the Company's competent specialised areas: Investor relations (General Finance Department) and General Secretary's Office.

35. The Board Secretary should strive to ensure that the Board's actions and decisions

take into account good governance recommendations of the Good Governance Code applicable to the Company.

Complies  Explain

36. The Board should, in a plenary session, conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the Board's functioning.
- b) The performance and composition of its committees.
- c) The diversity of Board membership and competences.
- d) The performance of the Chairman of the Board of Directors and the Company's Chief Executive.
- e) The performance and contribution of individual Directors, with particular attention to the chairmen of the various board committees.

The evaluation of board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.

Complies  Partially compliant  Explain

37. When an Executive Committee exists, its membership mix by director class should resemble that of the Board. The Secretary to the Board should also act as Secretary to the Executive Committee.

Complies  Partially compliant  Explain  Not applicable

38. 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.

Complies  Partially compliant  Explain  Not applicable

39. All members of the Audit Committee, particularly its Chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by Independent Directors.

Complies  Partially compliant  Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the Audit Committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board's Non-Executive



Chairman or to the Chairman of the Audit Committee.

Complies  Partially compliant  Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit Committee, inform it directly of any incidents arising during its implementation and submit an activity report at the end of each year.

Complies  Partially compliant  Explain  Not applicable

42. The Audit Committee should have the following functions over and above those legally assigned:

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) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons therefore.
- d) Ensure that the external auditor has a yearly plenary meeting with the Board to inform it of the work undertaken and the evolution of the Company's risk and accounting situation.
- e) Ensure that the Company and the external auditor comply with current regulations on the provision of non-audit services, limits on the auditor's business concentration and other requirements concerning auditor independence.

Complies  Partially compliant  Explain

43. 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.

Complies  Partially compliant  Explain

44. The Audit Committee should be informed of any structural or corporate changes the Company is planning, so that it can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, on the exchange ratio proposed.

Complies  Partially compliant  Explain  Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risks should they occur;
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies  Partially compliant  Explain

46. The Company should establish an internal risk control and management function run by one of the Company's internal department or units, under the direct supervision of the Audit Committee or another specialised Board committee, and which should be attributed the following duties:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that the major risks to which the Company is exposed are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively within the framework of the policy drawn up by the Board of Directors.

Complies  Partially compliant  Explain

47. Appointees to the Appointments and Remuneration Committee - or to the Appointments Committee and the Remuneration Committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be Independent Directors.

Complies  Partially compliant  Explain

48. Large cap companies should operate separately constituted Appointments and Remuneration Committees.

Complies  Explain  Not applicable

The Board believes that: (i) the Nomination and Remuneration Committee adequately discharges its duties; (ii) having two separate committees in place would raise the cost sustained by the Company without necessarily ensuring greater effectiveness. Circumstances may nonetheless determine a different decision in future.

49. The Appointments Committee should consult the Company's Board Chairman and Chief Executive, especially on matters relating to Executive Directors.

When there are vacancies on the Board, any Director may approach the Appointments Committee to propose candidates that it might consider suitable.

Complies  Partially compliant  Explain

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the Board the standard conditions for senior manager contracts.
- b) Monitor compliance with the remuneration policy set by the Company.
- c) Periodically review the remuneration policy of Directors and senior managers, including share-based remuneration systems and their application, and ensure that their individual pay is proportionate to the amounts paid to other Directors and senior managers at the Company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice provided to the Committee.
- e) Verify the information on the pay of directors and senior managers contained in corporate documents, including the Annual Directors' Remuneration Report.

Complies  Partially compliant  Explain

51. The Remuneration Committee should consult the Company's Chairman and Chief Executive, especially on matters relating to Executive Directors and senior managers.

Complies  Partially compliant  Explain

52. The rules regarding the composition and functioning of the supervision and control committees should be set out in the Board Regulations and aligned with those governing legally mandatory Board committees, as specified in the preceding sets of recommendations, including:

- a) Committees should be formed exclusively of Non-Executive Directors, with a majority of Independent Directors.
- b) They should be chaired by independent Directors.
- c) The Board should appoint the members of such committees with regard to the knowledge, skills and experience of its Directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first Board plenary following each committee meeting.
- d) They may engage external advice, when they consider it necessary to discharge their functions.
- e) Meeting proceedings should be minuted and a copy made available to all Board members.

Complies  Partially compliant  Explain  Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if any, or a specialised committee established ad hoc by the Board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission of promoting corporate interest and that it is catering, as appropriate, for the legitimate interests of remaining stakeholders.
- d) Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess the degree of compliance therewith.
- f) Monitor and evaluate the Company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies  Partially compliant  Explain

The functions set out in paragraphs a), g) and h) of this recommendation have been entrusted to the Audit and Control Committee under sections q), p) and r), respectively, of article 21 of the Board Regulations.

The Board has not expressly attributed the remaining functions to an existing or a newly-created committee, as it prefers to exercise them directly for the time being.

Letter b). The Board approved a Policy for communicating with shareholders, institutional investors, voting advisers and credit rating agencies on 25 February 2016. The monitoring of this Policy is entrusted to the General Finance Department and the General Secretary's Office, within their respective competences, with respect to specialised Company bodies in this area. Additionally, in a plenary session, the Board is informed each year regarding (i) the Company's main shareholders and the change in ownership of the share capital; and (ii) the perception of analysts and investors of this Company and its group.

Letter c). The Board defines the Company's corporate governance system with the support and periodic reporting from the areas with competences on the matter, especially the General Secretary's Office. The Audit and Control Committee specifically reviews said system when the draft of the Annual Corporate Governance Report is submitted to the Board, and has the authority to propose improvements to the internal corporate governance standards, such as the Bylaws or Board Regulations. The Nomination and Remuneration Committee, for its part has the competencies regarding remuneration of Directors and the proposals or reports prior to their appointments, and periodically reviews the composition of the Board.

Letters d), e), f). The Head of Communication and Corporate Responsibility informs the Board each year about the main aspects of corporate social responsibility policy in the group: triennial plan that aligns corporate responsibility with the business objectives; sustainability index score; sustainable development goals in the areas of ethics and integrity, corporate governance, environment, society and innovation, investment in social programmes, etc.

54. The corporate social responsibility policy should state the principles or commitments the Company will voluntarily comply with in its dealings with stakeholders, specifying at least:
- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
  - b) The corporate strategy with regard to sustainability, the environment and social issues.
  - c) Specific practices in matters related to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
  - d) The methods or systems for monitoring the results of the specific practices referred to above, the associated risks and their management.

- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

Complies  Partially compliant  Explain

On 15 December 2016, the Company's Board of Directors was presented with Plan 20.19 on corporate social responsibility, which contains principles and commitments referred to in recommendation 54. It is a triennial plan (for 2017, 2018 and 2019), divided into the following chapters: ethics and integrity, corporate governance, people, society, environment and innovation. The plan addresses the matters of greatest importance for the Company's stakeholders, which include most notably shareholders, investors, employees, clients, users, social entities, academic institutions and non-governmental organisations. Climate change, good corporate governance, risk management, tax liability, transparency, talent attraction and retention, diversity, occupational safety, supplier management, business ethics, social investment and community relations are some of the priority matters addressed by the Plan.

Additionally, the Company promotes compliance with the content of the recommendation as follows:

Letters a) and b).- Aside from the aforementioned Plan, at its meeting on 18 December 2014, the Board of Directors approved the human rights policy and the environmental policy, together with the update of the Code of Business Ethics. At its meetings of 24 February 2015, 30 July 2015, 25 February 2016 and 28 July 2016, it approved the following policies: (i) tax; (ii) tax risk control and management; (iii) health and safety; (iv) communication with shareholders, institutional investors, voting advisers and credit rating agencies; and (v) compliance.

Likewise, the Company has a Corporate Responsibility Committee, tasked with promoting and monitoring its corporate social responsibility policies. Its functions may be summarised as follows: (i) definition of the Strategic Plan; (ii) coordination of reporting processes; (iii) monitoring of recommendations following external verification; (iv) monitoring of corporate social responsibility policies; and (v) information and application of corporate social responsibility regulations. It is presided by the Head of Communication and Corporate Responsibility, comprising the representatives of all the business divisions (Services, Airports, Motorways and Construction) and of the corporate areas (Human Resources, General Secretary's Office, Occupational Safety and Prevention, Quality and Environment, Risks and Innovation).

Letter c).- The Company has specific practices in relation to the different stakeholders in the various areas of corporate social responsibility. Aside from that indicated in the Policies referred to in letters a) and b), with respect to suppliers, the Company has an Ethical Code for Buyers, a Green Purchases Catalogue and a Global Purchases Committee, comprising the top purchasing heads of the different business units. Likewise, an Anti-Corruption Policy and a Competition Policy exists, together with a Crime Prevention Model. Lastly, the Company has a Complaints Box, which enables any person to report, on an anonymous confidential basis should he/she so desire, any possible irregularity, breach or conduct that is contrary to ethics, legality and internal regulations and procedures.

Letter d). With respect to the monitoring of the abovementioned matters, the plenary session of the Board is informed each year about (i) health and safety; (ii) the involvement of the Human Resources Department (which reports on employees and diversity); (iii) the main shareholders and investors of the Company and analysts' perceptions of them; (iv) the tax policies used during each year; (v) involvement in environmental aspects; (vi) performance in the area of corporate social responsibility, and (vii) the application of the compliance model.

Also, the competent areas for said matters act as they deem appropriate, anticipating and managing risks.

Letter e). The Board of Directors approved the modification of the Policy as regards risk management and control at its meeting on 28 July 2016. During said meeting, they also identified main areas of risk for the Company and its group (which included non-financial risks regarding ethics and business conduct) and the management and control systems. The Audit and Control Committee periodically supervises and assesses the main risks to the Company and their evolution.

The Audit and Control Committee is also regularly informed by the Internal Audit Department of the functioning of the Complaints Box referred to above.

Letter f). As indicated above, the Board of Directors approved a Communication Policy with shareholders, institutional investors, voting advisers and credit rating agencies, which includes the communication channels with these groups. Also, on a regular basis, the Company, through the Corporate Social Responsibility Department, holds individual and joint meetings (annual or biennial) with the stakeholders at the different levels, in order to establish an on-going dialogue therewith.

Letter g). Its content forms part of the Company's common practice with its different stakeholders. The Company's communication policy is based on criteria of transparency, integrity and respect for people.

55. The Company should report on corporate social responsibility matters in its directors'

report or in a separate document, using an internationally accepted methodology.

Complies  Partially compliant  Explain

56. Directors' remuneration should be sufficient to attract and retain Directors with the desired profile, and to cover the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of Non-Executive Directors.

Complies  Explain

57. Variable remuneration linked to Company and personal performance, and remuneration based on shares, options or rights on shares or instruments tied to share prices, and long-term saving schemes such as pension plans, retirement plans or other social welfare systems, should be confined to Executive Directors.

The Company may consider the share-based remuneration of Non-Executive Directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

Complies  Partially compliant  Explain

58. In the case of variable pay, remuneration policies should include limits and 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, or other circumstances.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are adequate to create long-term value, such as compliance with the Company's internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustained value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies  Partially compliant  Explain  Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies  Partially compliant  Explain  Not applicable

60. Remuneration linked to Company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies  Partially compliant  Explain  Not applicable

61. A major part of Executive Directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies  Partially compliant  Explain  Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, Directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after they are allocated.

The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

Complies  Partially compliant  Explain  Not applicable

63. Contractual arrangements should include provisions that permit the Company to reclaim variable components of remuneration when payment is not in line with the Director's actual performance or is based on data subsequently found to be misstated.

Complies  Partially compliant  Explain  Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the Company confirms that he or she has met the predetermined performance criteria.

Complies  Partially compliant  Explain  Not applicable

## H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your Company or its group companies that has not been addressed in this report, and which is necessary to provide a more comprehensive justified view of the corporate governance structure and practices of the Company or its group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report, to the extent that you deem them relevant and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the Company voluntarily subscribes to other international, sector-specific or other ethical codes or good practices. If applicable, identify the Code in question and the date of adoption.

1.

### SECTION A.2

With regard to Blackrock, Inc.'s position, it is clarified that the number of voting rights added to the financial instruments it holds surpasses the threshold of 3% of the Company's share capital.

In the notifications sent to the CNMV on 22 September and 25 November 2016, Blackrock Inc. stated that it had surpassed the 3% threshold, by adding the Company's voting rights and the financial instruments granting entitlement to acquire the latter.

### SECTION A.9 cont'd:

- Possible delivery of shares to employees or directors: the Board of Directors is empowered to allocate some or all of the own shares that are acquired to implement remuneration programmes whose purpose or mechanism is the delivery of shares or stock options, in accordance with article 146.1.a) of the LSC.

- Powers to subdelegate: the powers conferred by this resolution may be sub-delegated to the Company's Executive Committee, Chairman or CEO and, in any case, may be exercised at any time by the persons designated in the Company's Internal Rules of Conduct under the terms set out therein.

This authorisation replaces that adopted in the same area by the General Shareholders' Meeting on 22 October 2009, which is rendered null and void in the part not used."

#### SECTION A.9 bis

The estimated floating capital was calculated excluding the direct and indirect shareholdings of all the Directors, Mr. Leopoldo del Pino y Calvo-Sotelo, Blackrock Inc. and Casa Grande de Cartagena S.L.U.

#### SECTION B.4

The figure for attending in person includes the Company's treasury stock as of the date on which the GSM was held.

#### SECTION C.1.2

The table indicates the date of the first appointment of the Directors of Ferrovial, S.A., the entity resulting from the merger between Grupo Ferrovial, S.A. and Cintra Concesiones de Infraestructuras de Transportes, S.A. ("Cintra") in 2009. However, the dates of first appointment to the Board of the Directors of the defunct Grupo Ferrovial S.A., are as follows:

Rafael del Pino y Calvo-Sotelo: 9.1,1992

Santiago Bergereche Busquet: 23.2,1999

Joaquín Ayuso García: 22.3,2002

Íñigo Meirás Amusco: 20.10,2009

Juan Arena de la Mora: 26.6,2000

María del Pino y Calvo Sotelo: 29.9,2006

Santiago Fernández Valbuena: 29.5,2008

The Director Mr. Jose Fernando Sanchez-Junco did not belong to the Board of Directors of Grupo Ferrovial, S.A. He is member of the Board of Directors of the current Ferrovial, S.A. since 3 December 2009.

Neither did the Directors Mr. Jose Fernando Sanchez-Junco, Mr. Joaquín de Pino Calvo-Sotelo and Mr. Oscar Fanjul Martín and Mr. Philip Bowman belong to the Board of Directors of Grupo Ferrovial, S.A.

#### SECTION C.1.37

The amount indicated for non-audit works does not include services related to the audit works; the latter amounted 300 thousand euro in 2016.

#### SECTION C.1.39

For the purposes of this section, the data for the years prior to the merger in 2009, referring to Ferrovial, S.A. belong to the extinct Grupo Ferrovial S.A.

#### SECTION C.2.1

##### COMPOSITION

All members of the Audit and Control Committee have been appointed with regard to their knowledge and experience in accounting, auditing and risk management matters.

FUNCTIONS continued:

##### AUDIT AND CONTROL COMMITTEE

Any member of the management team or Company personnel required to do so will be obliged to attend the Committee's meetings, providing it with his/her assistance and access to the information held by him/her. When so determined by the Committee, they shall attend without the presence of any other executive.

The Committee may also request that the Company's auditors attend its sessions.

It will also issue a report on its functioning, which will be published on the Company website sufficiently in advance of the Company's Ordinary General Meeting.



Unless provided for in particular by the Committee, the Board Regulations will apply to convening notices, constitution and adoption of agreements, as long as this is compatible with the nature and function of the Committees.

#### Most important procedures during the year

As in previous years, the Committee approved a work plan with the plan of matters to discuss in each meeting, including specific matters during the year.

#### Economic-financial information ("EFI")

Throughout the financial year, the Committee has examined said information ahead of its being laid before the Board or being disclosed to the authorities or the markets, for which purpose, the Committee has had the assistance of the General Finance Department.

#### Relations with the statutory auditor

The Committee, after the corresponding analysis and according to the recommendation of the Company's General Finance Department, resolved to propose to the Board, for subsequent submission to the General Shareholders' Meeting, the re-election of Deloitte, S.L. as statutory auditor of Ferrovial, S.A. and its consolidated group for financial year 2017.

It was also informed of the selection process for Budimex's statutory auditor.

It was also ensured that the statutory auditor would appear before the Board of Directors to inform it of the work undertaken, the evolution of the accounting situation and the Company's risks.

#### Review of the financial statements and of the half-yearly financial report

The statutory auditor appeared before the Committee to present the financial statements for 2015. The auditor also gave an account of its limited review of the corporate responsibility information set out in the Comprehensive Annual Report, which was authorised for issue by the Board for the second time.

The auditor likewise reported on its limited review of the financial statements for the six-month period ended 30 June 2016 and on the key points emerging from its analysis of the financial statements for the period ended 30 September, in preparation for the audit of the full-year financial statements for 2016.

#### Independence of the statutory auditor

The Committee drafted, in compliance with Article 529 xiv paragraph 4.e) of the LSC, the report on the independence of the statutory auditor for 2015, which was published on the Company's website upon the announcement of the General Shareholders' Meeting.

Based on the internal procedure that tracks the provision of non-audit advisory and consultancy services, the Committee authorised the engagement of certain services from the external audit firm (and other audit firms) and regularly received information on the volume of such services.

#### Internal control procedures

The Committee was briefed by the statutory auditor on the main internal control recommendations put forward as a result of its audit of Ferrovial, and on the follow-up of recommendations issued in response to the previous year's audit.

The General Finance Department reported to the Committee on (i) work done in 2016 on the financial reporting internal control system (ICFR), (ii) the impact of the guidelines on alternative performance methods (APMs) published by ESMA on said system; (iii) the result of the self-evaluation by business division of the controls included in the ICFR; and (iv) the work plan for the first half of 2017.

#### Internal Audit

The Committee supervised the procedures implemented by the Company's Internal Audit Department. Specifically, they examined:

- The Internal Audit Report for 2015, setting out conclusions on all work performed, a breakdown of the key areas for improvement, the state of implementation of all recommendations issued in each of the engagements of the year and those pending from prior years, and the internal auditors' quality assessment.
- The 2015 Annual Report and the 2016 Half-Yearly Report on Complaints Boxes and the rest of measures put in place to prevent, detect and manage fraud.
- The state of progress on scheduled tasks as at the end of the third quarter of 2016. Work was found to be on schedule. Progress achieved in identified areas for improvement was examined, for both 2015 and for other recurring issues.

- The outcome of the review of the financial reporting internal control system implementation process and of the specific steps taken to ensure compliance.
- The audit work plan for 2017 (granting its approval) and the related expense budget.

Risk analysis and control systems.

The Ferrovial Risk Department has regularly briefed the Committee on the main risks and contingencies faced by the Company and its group, and on the systems in place to identify, manage and control such risks.

Actions on corporate governance and compliance

- In advance of its authorisation for issue by the Board, the Committee reported favourably on the Annual Corporate Governance Report for 2015.
- It prepared a report on related party transactions, which was published on the Company's website at the time the General Shareholders' Meeting was called.
- The Committee was briefed on the proposal to the Bylaw amendments submitted to the General Shareholders' Meeting.
- It has given its approval to update Ferrovial's compliance model (approval of the Compliance Policy and update of the Crime Prevention Model, the Anti-Corruption Policy, and the Risk Control and Management Policy).
- A proposal to amend the Board Regulations was submitted to the Board.
- Approval was given to amend the Securities Markets Internal Rules of Conduct, in order to adapt them to Regulation (EU) No. 596/2014 on market abuse.
- The transactions of two Company Directors with group companies were reported favourably.
- It drafted the report for the evaluation of the Committee by the Board of Directors.

#### APPOINTMENTS AND REMUNERATIONS COMMITTEE

Most important actions

As in previous years, the Committee approved a work plan with the plan of matters to discuss in each meeting, including specific matters during the year.

In relation to the composition of the Board and of its Committees:

The Committee drafted a report on the needs of the Board of Directors as regards its composition, which was published on the Company's website at the time the General Shareholders' Meeting was called.

Based on said report, it proposed re-appointment at the General Meeting of Independent Directors Mr. Santiago Fernández Valbuena and Mr. José Fernando Sánchez-Junco Mans; and the re-election was reported favourably during said Meeting of the Executive Directors Mr. Rafael del Pino y Calvo-Sotelo and Mr. Íñigo Meirás Amusco; of the External Directors Mr. Santiago Bergareche Busquet, Mr. Joaquín Ayuso García and Mr. Juan Arena de la Mora; and of the Proprietary Director Ms. María del Pino y Calvo Sotelo.

It also proposed and reported favourably on the ratification and appointment by the Board of the Independent Director Mr. Óscar Fanjul Martín and of the Proprietary Director Mr. Joaquín del Pino y Calvo-Sotelo.

It reported favourably the re-appointment of Mr. Rafael del Pino y Calvo-Sotelo and Mr. Íñigo Meirás Amusco as Chief Executive Officers of the Company.

Similarly, in relation to the Board's Committees:

(i) it proposed to reappoint Mr. Rafael del Pino y Calvo-Sotelo, Mr. Santiago Bergareche Busquet, Mr. Joaquín Ayuso García, Mr. Íñigo Meirás Amusco, Ms. María del Pino y Calvo Sotelo, Mr. José Fernando Sánchez-Junco Mans and Mr. Óscar Fanjul Martín as members of the Executive Committee; and (ii) it proposed to appoint Mr. Óscar Fanjul Martín as member of the Audit and Control Committee; (iii) it proposed the new composition of the Nomination and Remuneration Committee and suggested that Mr. José Fernando Sánchez-Junco be appointed chairman of the same.

It proposed to the Board of Directors the appointment of Mr. Philip Bowman by co-optation as Independent Director, thus covering the vacancy which arose from the resignation of Mr. Howard Lee Lance.

In addition, the Committee reviewed the amount and nature of related party transactions of independent directors in 2015, and, taking the view that these did not impair the directors' ability to perform their duties in that capacity, it approved the reasoned statement set out in the draft Annual Corporate Governance Report for that year (section C.1.3).

It also examined the current composition and membership of the Board and reviewed the category attributed to each Director.

Finally, it verified the Director Selection Policy.

In relation to the remuneration of directors and senior officers

It reported favourably the draft of the Annual Directors' Remuneration Report for 2015.

As to Directors' remuneration in their capacity as such, the Committee proposed to the Board (i) the settlement for 2015 in accordance with the itemisation set out in the Annual Directors' Remuneration Report, and (ii) the maximum annual amount of remuneration (upon application of the automatic review mechanism established by the General Shareholders' Meeting), and its allocation among the Directors.

As for remuneration for Executive Directors, the Committee proposed to the Board (i) their variable remuneration for 2015, (ii) their fixed remuneration for 2016;

As for senior managers, the Committee reported (i) their variable remuneration for 2015, (ii) their fixed remuneration for 2016.

Finally, it proposed to the Board of Directors the senior management's remuneration policy.

Regarding appointments of directors at subsidiaries

The Committee reported favourably on the appointment of Ferrovia's representatives on the boards of the key subsidiaries and investees.

On other matters

The Committee received reports on: (i) evaluation of the Company's senior management; (ii) talent management and senior executive mobility; and (iii) evaluation of group directors.

With regard to the annual evaluation process for the Board of Directors, it prepared the report for the evaluation of the Committee by the Board of Directors and the report for the evaluation of the Board itself.

Finally, it examined the dedication of Non-Executive Directors and their professional commitments outside their Company's directorships.

In 2016, the following changes were made to the composition of the Board committees:

Audit and Control Committee: in May, the Board of Administration agreed (i) to set the number of Committee members to three; and (ii) to appoint Mr. Óscar Fanjul Martín. Mr. Santiago Bergareche Busquet and Mr. Joaquín Ayuso García ceased their functions.

- Nomination and Remuneration Committee: in May, the Board of Directors agreed (i) to set the number of Committee members to three; and (ii) to appoint Mr. José Fernando Sánchez-Junco Mans as Chairman, substituting Mr. Santiago Bergareche Busquet. Mr. Juan Arena de la Mora ceased his functions.

SECTIONS D.2 and D.3

In the related Note to the consolidated and individual financial statements, Ferrovia provides information on the main transactions performed in 2016 with related parties, all in the ordinary course of the business of the Company and its group, and on an arm's length basis.

SECTION D.4

The amount of distribution to Amey plc from the final cash balance after liquidation of Amey Insurance PCC Company Limited (Guernsey) is €0.35 thousand and not 0 (the figure is rounded, so it does not allow decimals).

SECTION E.3 cont'd:

12. Compliance with regulations and with third parties

In running its business, Ferrovia is subject to different legal and regulatory frameworks based on the business activity being carried out and the country in which it is located. Breaching those regulatory frameworks may give rise to civil or criminal proceedings against the Company and/or its employees and administrators.

Equally, Ferrovia is exposed to the risk of failing to meet any one of the third-party obligations it assumes with third parties (clients, suppliers, financial institutions or public authorities), which may result in claims or jeopardise the continuity of the projects and/or financial position of the Company.

SECTION E.6 cont'd:

8. Risk transfer systems

The Ferrovial corporate policy is to arrange insurance for all the business areas through the Corporate Insurance Unit. Based on the Group's risk profile and its businesses, this department technically and economically optimises the hedges entered into to mitigate the transferable risks to which Ferrovial is exposed in the performance of its activity.

In the case of environmental risk, it has an environmental responsibility policy that hedges the Company's environmental risks pursuant to EU legislation.

3.

On 25 November 2010, the Company resolved to adhere to the Code of Good Tax Practices, implemented by the tax authorities and the Large Companies Jurisdiction. The purpose of this code is to reinforce the Company's transparency and cooperation in tax practices, and to increase the legal certainty in the interpretation of the tax regulations.

This Annual Corporate Governance Report was adopted by the Company's Board of Directors at its meeting held on 27 February 2017.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes  No

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF FERROVIAL, S.A. FOR 2016**

To the Directors of  
FERROVIAL, S.A.,

In accordance with the request of the Board of Directors of FERROVIAL, S.A. ("the Company") and with our proposal-letter of 9 January 2017, we have applied certain procedures to the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report of FERROVIAL, S.A. for 2016, which summarises the internal control procedures of the Company in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Company in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Company was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Company'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.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establish 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 significantly less extensive 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 Company's annual financial reporting for 2016 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, 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 audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Company in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 7/2015, of 22 December.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Company.
3. Review of the explanatory documents supporting the information detailed in point 1 above, which included mainly the documents furnished directly to the persons responsible for preparing the information describing the ICFR system. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge of the Company's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Company in order to evaluate the consistency between the ICFR system issues addressed thereat and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established in Article 540 of the Consolidated Spanish Limited Liability Companies Law and in CNMV Circular no. 7/2015, of 22 December 2015, for the purpose of the description of the ICFR system in annual corporate governance reports.

DELOITTE, S.L.

Javier Parada Pardo

27 February 2017