



**CORPORATE  
GOVERNANCE**



# **GRUPO FERROVIAL S.A.**

## **Annual Corporate Governance Report for the 2006 Financial Year**

### **Introduction**

Ferrovial has a set of Board of Directors Regulations and an Internal Code of Conduct that have been modified when necessary in order to bring them into line with successive legal requirements or Corporate Governance recommendations. On 25 July 2003, the Board of Directors approved the new text of both sets of Regulations.

Through these Regulations, Ferrovial regulates its corporate governance: the principles that govern its courses of action, the organization and performance of its Board of Directors, and the establishment of measures to guarantee a high level of transparency and introduce codes of conduct to ensure there is no interference in the Company's performance in the securities markets.

Subsequently, the Company approved the Shareholders' Meeting Regulations in 2004, which regulate aspects related to the holding of the Shareholders' Meeting and safeguard the rights attributed to the shareholders on the occasion of the Meeting.

In order to provide further details about corporate governance to shareholders, investors and the public in general, Ferrovial has also published an annual corporate governance report since its stock market debut.

- Between 1999 and 2001, the Company disclosed its compliance with the recommendations contained in the "Report by the Special Commission for studying an ethical code for Boards of Directors" (the Olivencia Report).
- In 2003, Ferrovial published the 2002 Corporate Governance Report, explaining its compliance with the recommendations of the "Report by the Special Commission for fostering transparency and security in the markets and in listed companies" (the Aldama Report).
- In 2004, the Company published the 2003 Corporate Governance Report, detailing its compliance with Law 26/2003, dated 17 July, which amended the Securities Market Law and the Spanish Corporations Law in order to reinforce listed companies' transparency, and its implementing Regulations.
- Since 2004, the Company publishes the Annual Corporate Governance Report in accordance with the official form provided by the Comisión Nacional del Mercado de Valores (Spanish Securities and Investments Board), hereinafter referred to as the "CNMV".
- Board of Directors approved the Annual Corporate Governance Report in line with the CNMV's official format which, after notification to the latter, was published and is available on

the Company's web site ([www.ferrovial.com](http://www.ferrovial.com)).

The official form details the information contained in the following chapters.

- Lastly, it must be mentioned that on the date of this Annual Report, the Company had carried out work on the analysis of and internal compliance with the recommendations established in the Unified Code of Good Governance approved through resolution of the CNMV's Board Meeting dated 22 May 2006 ("UCGG"), this work resulting in the drawing up of a proposal for modification of the Company Articles of Association and the Shareholders' Meeting Regulations, besides a new text of the Board of Directors Regulations, which are to be presented for consideration, for their due voting or reporting on, by the next Shareholders' Meeting of Grupo Ferrovial, S.A.

## ■ (A) Ownership structure

### I. Share capital

Grupo Ferrovial, S.A.'s share capital amounts to 140,264,743 euros, divided into 140,264,743 shares, each with a nominal value of one (1) euro. All the shares are of the same class and series.

The latest change in the share capital was a reduction of 1,867,404 euros through the redemption of 1,867,404 own shares each with a nominal value of one (1) euro, based on a resolution adopted by the Shareholders' Meeting dated 31 March 2000.

### II. Significant stakes and control

Based on the information available to the Company at 31 December 2006, the owners of significant stakes in Grupo Ferrovial, S.A. were those listed in the following table:

	No. of shares	% of share capital
Portman Baela, S.L.	81,795,245	58.315

The most significant movements in the share structure consisted of the transfer by the shareholder Casa Grande de Cartagena S.L. of its entire holdings in the Company's capital (17.777%) in favour of Portman Baela S.L., on 27 July 2006.

According to the notification sent to the CNMV and to the Company itself, on 24 November 2006, the "concerted family group" formed by Rafael del Pino y Moreno and his children (María, Rafael, Leopoldo and Fernando del Pino y Calvo-Sotelo) indirectly controlled (through Portman Baela S.L.) 58.315% of the share capital of Grupo Ferrovial, S.A.

### III. Stakes owned by the Directors

At 31 December 2006, the combined holdings of the Directors, including those corresponding to significant shareholders, amounted to 82,484,090 shares, i.e. 58.806% of capital.

The Board of Directors' stakes are broken down as follows:

	Shares		% Capital
	Direct	Indirect	
Rafael del Pino y Calvo-Sotelo (*)	7,103		0.005
Santiago Bergareche Busquet	607,768	---	0.433
Jaime Carvajal Urquijo	11,932	390	0.009
Joaquín Ayuso García	16,357	---	0.012
Fernando del Pino y Calvo-Sotelo (*)	5,257		0.004
PORTMAN BAELA, S.L., represented by Eduardo Trueba Cortés	81,795,245	---	58.315
Juan Arena de la Mora	5,925	---	0.004
Santiago Eguidazu Mayor	5,612	16,891	0.0016
Gabriele Burgio	5,483	---	0.004
José María Pérez Tremps	5,912	218	0.004
María del Pino y Calvo-Sotelo (*)	215		0.000
<b>TOTAL</b>			<b>58.806</b>

(\*) As stated in the preceding section, these Directors form part of the "family group" that indirectly controls 58.315% of the share capital, through Portman Baela, S.L.

The combined holdings of the Board of Directors, excluding those corresponding to significant shareholders, amounted to 689,063 shares, i.e. 0.491% of capital.

### IV. Stock options

Listed below is the number of stock options held by the Company's executive directors as at 31 December 2006. These stock options were allocated to them as a result of the remuneration system described in Section B (Administrative Structure), where they are described in detail.

	Stock options	No. of equivalent shares	% share capital
Rafael del Pino y Calvo-Sotelo	496,600	496,600	0.354
Joaquín Ayuso García	496,600	496,600	0.354
José María Pérez Tremps	200,000	200,000	0.143

## **V. Shareholders' agreements and concerted actions**

The Company is not aware of any shareholders' agreements that regulate the exercise of voting rights at Shareholders' Meetings or which restrict or condition the free transfer of Company shares.

## **VI. Relations between owners of significant stakes and the Company and among the owners themselves**

In addition to the family ties stated in the preceding paragraph, Portman Baela, S.L. is a member of the Grupo Ferrovial, S.A.'s Board of Directors.

Rafael del Pino y Moreno, the Company's founder, is also its Honorary President.

Rafael del Pino y Calvo-Sotelo has been the Chairman of Grupo Ferrovial, S.A. since 2000 and is a Director. Fernando and María del Pino y Calvo-Sotelo are also Directors.

Leopoldo del Pino y Calvo-Sotelo is a Director of Cintra in Spain.

## **VII. Own shares**

### **1. Own shares**

Own shares as a percentage of the share capital moved from 0.148% at 31 December 2005 to the 0.095% existing at the close of 2006.

In 2006, there were no significant changes in own shares, in accordance with the meaning given in Royal Decree 377/1991, dated 15 March.

The aforementioned percentage at 31 December 2006 is equivalent to indirect ownership of 133,183 own shares. The average acquisition cost was 73.57 euros per share.

The net profit earned during 2006 through transactions with own shares amounted to 8,541.4 thousand euros.

### **2. Shareholders' Meeting authorization**

On the date of this report, the authorization to acquire own shares granted to the Board of Directors by the Shareholders' Meeting on 31 March 2006 was in force. Its full text is available on Ferrovial's web site [www.ferrovial.com](http://www.ferrovial.com)

## **3. Own shares: policy and rules**

### **a) Powers of the Board of Directors**

In accordance with article 8 of the Board Regulations, the Board of Directors is responsible for determining the Company's policy on own shares, subject to the powers obtained at the Shareholders' Meeting.

### **b) Execution of transactions with own shares**

The Internal Code of Conduct Regulations of Grupo Ferrovial, S.A. and its Group of Companies in matters relating to the securities markets establishes that the policy on own shares, which must be determined by the Board of Directors as already stated, shall be aimed at ensuring that the purchase and sale of own shares do not distort the process of market price discovery, and it regulates the action guidelines in detail.

The Company's Chief Financial Officer is responsible for executing the specific acquisition plans and supervising ordinary transactions with the Company's shares.

The acquisition of the Company's own shares for subsequent transfer to the beneficiaries of plans involving the delivery of shares and of stock option plans approved by the Board of Directors are performed considering the particular features of this type of operation and in the form approved in those plans.

## **4. Information on own shares**

Ferrovial provides information about own shares and their average acquisition price on its corporate web site; this information is updated every month.

## **VIII. Legal and bylaw restrictions on voting rights and on buying and selling shares**

There are no restrictions of any kind on the exercise of voting rights or on the acquisition or sale of stakes in share capital other than those established by law.

## ■ (B) The Company's Administrative Structure

### I. Members of the Board of Directors

#### 1. Members of the Board of Directors

The Bylaws and the Regulations state that the Board of Directors shall strive to ensure that external or non-executive Directors represent a broad majority of the Board. The Board will also strive to ensure that the majority group of external Directors includes Proprietary Directors and independent Directors, with a significant proportion of the latter.

In 2006, the Board of Directors consisted of eleven members (between the minimum of six and maximum of fifteen permitted by the Bylaws).

The only variation experienced in the composition of the Board of Directors of Grupo Ferrovial, S.A. was the resignation of CASA GRANDE DE CARTAGENA S.L. (as a result of the transfer of the equity holding it held, which was referred to in section A) III), and the appointment, carried out through co-option and on the basis of a report submitted by the Nomination and Remuneration Committee, of María del Pino y Calvo-Sotelo, as Proprietary Director, who up until that time had held the post of representative of CASA GRANDE DE CARTAGENA S.L.

Finally, the Board of Directors of Grupo Ferrovial, S.A., at 31 December 2006, is formed by the following Directors:

<b>Chairman and CEO:</b>	
• Rafael del Pino y Calvo-Sotelo	Executive and proprietary
<b>First Deputy Chairman:</b>	
• Santiago Bergareche Busquet	Independent
<b>Second Deputy Chairman</b>	
• Jaime Carvajal Urquijo	Independent
<b>CEO:</b>	
• Joaquín Ayuso García	Executive
<b>Directors:</b>	
• Fernando del Pino y Calvo-Sotelo	Proprietary
• PORTMAN BAELA S.L.	Proprietary
Represented by Eduardo Trueba Cortés	
• Juan Arena de la Mora	Independent
• Santiago Eguidazu Mayor	Independent
• Gabriele Burgio	Independent
• María del Pino y Calvo-Sotelo	Proprietary
<b>Director and Secretary:</b>	
• José María Pérez Tremps	Executive

Each Director's status, based on the definitions contained in the Board Regulations, is indicated beside his/her name:

**Executive Directors:** The Managing Directors of Grupo Ferrovial, S.A., and all the Directors of the Company who hold

an executive or management position in the Company or in its subsidiaries and, in any case, those who have a stable contractual relationship of a civil, labour, mercantile or similar type with the Company or its subsidiaries, other than their position as Director, and those with any decision-making capacity relating to some part of the Company's or group's business through stable delegations or empowerments granted by the Board or other echelons of the Company or its subsidiaries.

**External or non-executive Directors:** Directors who are not Executive Directors in accordance with the preceding definition.

**Proprietary Directors:** Directors of Grupo Ferrovial, S.A. who are proposed by shareholders, individually or in a group, owning a stable holding in the share capital which, regardless of whether or not it entitles them to a seat on the governing body, the Board believes is sufficiently significant, taking account of the holdings by non-stable shareholders in the Company, to appoint them or propose their appointment to the Shareholders' Meeting.

**Independent Directors:** External Directors of acknowledged professional prestige who may contribute their experience and knowledge to corporate governance and, although they are not Executive or Proprietary, are appointed as Directors because they meet the conditions determined in these Regulations.

In any case, Independent Directors must not:

- Have or have recently had a stable, direct or indirect relationship: (i) of a professional, labour or commercial nature; (ii) that is significant in terms of the amount or nature of the services provided; and (iii) that they maintain or have maintained with Ferrovial, the Proprietary Directors or group companies whose shareholding interests they represent, credit institutions that participate in the financing of Ferrovial, or organizations that receive economic contributions from Ferrovial.
- Be a director of another company that has proprietary directors in the Company.
- Be related up to the third degree of consanguinity or second degree of affinity or be linked in any other way of similar significance to Executive Directors, Proprietary Directors or members of the Company's Senior Management.
- Directly or indirectly own over 2% of the Company's capital.

If any of the Independent Directors, or any persons proposed as such, are subject to any of the circumstances described in the sections above, the Board of Directors may consider an exemption based on a report by the Nomination and Remuneration Committee, disclosing the circumstance in the Annual Report.

## 2. Profile of the Independent Directors

### **D. Santiago Bergareche Busquet**

- Member of the Board of Directors since 1999.
- Degree in Economics and Law (Deusto Commercial University).
- Non-executive Chairman of Dinamia Capital Privado.
- Director of Vocento and Gamesa Corporación Tecnológica S.A.
- Former CEO of Grupo Ferrovial, S.A. and Chairman of Agromán S.A.

### **D. Jaime Carvajal Urquijo**

- Member of the Board of Directors since 1999.
- Law Degree (Madrid) and M.Sc. in Economics (Cambridge University, UK).
- Chairman of Advent Internacional (España); Ericsson Spain; ABB, S.A. and Parques Reunidos S.A., and Director of Lafarge Asland, Aviva y Solvay Ibérica. Senior Adviser at Morgan Stanley.
- Former Chairman of Ford España S.A.

### **Juan Arena de la Mora**

- Member of the Board of Directors since 2000.
- PhD in Engineering (ICAI), Degree in Business Studies, Degree in Psychology, Diploma in Tax Studies and AMP (Harvard Business School).
- Director of Bankinter since 1987 and CEO since 1993.
- Chairman of Bankinter since 2002.

### **Santiago Eguidazu Mayor**

- Member of the Board of Directors since 2001.
- Degree in Economics and Business Studies.
- Civil Service Economist and Trade Expert.
- Chairman of the Nmás1 Group.
- Former partner, CEO and Deputy Chairman of AB Asesores and Deputy Chairman of Morgan Stanley Dean Witter.

### **Gabriele Burgio**

- Member of the Board of Directors since June 2002.
- Degree in Law and MBA from INSEAD (Fontainebleau).
- Executive Chairman of NH Hoteles since 1999.
- CEO of Jolly Hotels SpA since 2006.
- Former CEO of Cofir, he worked for Bankers Trust in New York and for Manufacturers Hanover in Italy.

## 3. Officers of the Board of Directors

### **Chairman**

Since 1992, the Company's top executive has been Rafael del Pino y Calvo-Sotelo. On 29 June 2000, the Board of Directors resolved to appoint him as Chairman of the Board of Directors while still remaining as top executive.

### **Deputy Chairmen**

The two Deputy Chairmen of the Board of Directors are independent.

### **CEO**

In February 1999, the Company appointed a CEO, who has been granted all the Board's powers except for those whose delegation is prohibited by law or the Company's Bylaws.

### **Director and Secretary**

The Board Secretary is also a Director. His mission is to supervise the formal and material legality of the Board of Directors' actions and to ensure that the procedures and rules of governance are respected and reviewed regularly.

#### 4. Offices held by the members of the Board of Directors in other Ferrovial Group companies.

Director	Position	Company
Rafael del Pino y Calvo-Sotelo, Chairman	Chairman	BAA Plc.
		Cintra Concesiones de Infraestructuras de Transporte S.A
		Ferrovial Infraestructuras S.A.
		Ferrovial Aeropuertos S.A.
Santiago Bergareche Busquet, First Vice Chairman	Director	Ferrovial Aeropuertos S.A.
		Ferrovial Infraestructuras S.A.
Joaquín Ayuso García, CEO	Chairman and CEO	Ferrovial-Agroman, S.A.
		Ferrovial Inmobiliaria S.A.
		Ferrovial Servicios S.A.
		Ferrovial Telecomunicaciones S.A.
	Deputy Chairman	Cintra Concesiones de Infraestructuras de Transporte S.A.
	CEO	Ferrovial Infraestructuras S.A.
	Director	Ferrovial Aeropuertos S.A
José María Pérez Tremps, Director and Secretary	Director	BAA Plc.
		Cintra Concesiones de Infraestructuras de Transporte S.A.
		Ferrovial Agromán S.A.
		Ferrovial Infraestructuras S.A.
		Ferrovial Aeropuertos S.A.
		Ferrovial Inmobiliaria S.A.
		Ferrovial Servicios S.A.
		Ferrovial Telecomunicaciones S.A.
	Swissport International AG	
Joint Administrator	Ferrovial Inversiones S.A.	



**5. Offices held by members of the Board of Directors in other non-Ferrovial companies listed in Spain**

**Rafael del Pino y Calvo-Sotelo:**

- Independent Director of Banco Español de Crédito (Banesto).

**Santiago Bergareche Busquet:**

- Non-executive Chairman of Dinamia S.A.
- Independent Director of Gamesa Corporación Tecnológica S.A.
- Proprietary Director of Vocento S.A.

**Juan Arena de la Mora:**

- Chairman of the Board of Directors of Bankinter S.A.

**Gabriele Burgio:**

- Chairman of NH Hoteles S.A.
- Director at Sotogrande S.A.

**6. Board members who are also members of the board of directors or executives of companies with significant stakes in the Company**

**Rafael del Pino y Calvo-Sotelo:**

- CEO of Portman Baela S.L.

**María del Pino y Calvo-Sotelo**

- Vice Chairwoman of Portman Baela S.L.

**7. Stakes of Board members in companies with the same, similar or complementary activities to the Grupo Ferrovial's corporate purpose. Positions or functions**

Section 127 Ter., paragraph 4 of the Corporations Law, drawn up in Law 26/2003, dated 18 July, on changes to the Securities Market Law and to the Corporations Law to reinforce the transparency of listed companies, imposes on directors the duty to notify the Company of stakes they own in companies with activities that are the same, analogous or complementary to its corporate purpose, and their positions or functions in them, and the performance for their own account or for third parties of activities that are the same, analogous or complementary to the Company's corporate purpose.

In this regard, the following information given to the Company by Board members who held office on the Board of Directors of Grupo Ferrovial, S.A. at 31 December 2006 should be stated:

**Equity holdings:**

- In the subsidiary Cintra, Concesiones de Infraestructuras de Transporte S.A.

Joaquín Ayuso García:	0.0012%
Santiago Eguidazu Mayor:	0.0016%
José María Pérez Tremps:	0.00066%
- POLÁN S.A. (real estate activity), is a company wholly controlled by members of the "family control group" (see OWNERSHIP STRUCTURE) and or organizations linked with them.

Positions or functions (positions or functions in Grupo Ferrovial companies are included):

	Positions or functions	
	Position or function	Company
<b>Rafael del Pino y Calvo-Sotelo</b>	Chairman	BAA Plc.
	Chairman	Cintra, Concesiones de Infraestructuras de Transporte S.A.
	Chairman	Ferrovial Aeropuertos, S.A.
	Chairman	Ferrovial Infraestructuras, S.A.
Related Parties, according to the definition of section 127 Ter. Paragraph 5, of the Corporations Law: * Leopoldo del Pino y Calvo-Sotelo	Joint Administrator	Cintra Aparcamientos, S.A.
	Joint Administrator	Dornier S.A. Sociedad Unipersonal
	Director	Sociedad Municipal de Aparcamientos y Servicios, S.A.
	Director	Autopista del Sol, CESA
	Director	Autopista Alcalá – O'Donnell, S.A.
	Chairman	Aparcamient Escaldes Centre, S.A.
	Vice Chairman	Estacionamientos Urbanos de León, S.A.
<b>Santiago Bergareche Busquet</b>	Director	Ferrovial Infraestructuras, S.A.
	Director	Ferrovial Aeropuertos, S.A.
<b>Joaquín Ayuso García</b>	Vice Chairman	Cintra Concesiones de Infraestructuras de Transporte S.A.
	CEO	Ferrovial Aeropuertos, S.A.
	Chairman and CEO	Ferrovial Agromán, S.A.
	CEO	Ferrovial Infraestructuras, S.A.
	Chairman and CEO	Ferrovial Inmobiliaria, S.A.
	Chairman and CEO	Ferrovial Servicios, S.A.
	Chairman and CEO	Ferrovial Telecomunicaciones, S.A.
	Director	BAA Plc.
<b>José María Pérez Tremps</b>	Company Secretary	Grupo Ferrovial, S.A.
	Director and member of the Audit and Control Committee	Cintra Concesiones de Infraestructuras de Transporte S.A.
	Director and member of the Nomination and Remuneration Committee	BAA Plc.
	Director	Ferrovial Aeropuertos, S.A.
	Director	Ferrovial Agromán, S.A.
<b>María del Pino y Calvo-Sotelo</b>	Director	Ferrovial Infraestructuras, S.A.
	Director	Ferrovial Inmobiliaria, S.A.
	Joint Administrator	Ferrovial Inversiones, S.A.
	Director	Ferrovial Servicios, S.A.
	Director	Ferrovial Telecomunicaciones, S.A.
	Director	Swissport International AG
	Chairwoman	Polán S.A.

### **Activities performed for their own account or that of third parties**

No information has been received regarding this matter.

### **8. Other information**

The investment made by Casa Grande de Cartagena, S.L. in an investment company created by Nmás1 (which has shareholding links with members of the “family control group”), whose Executive Chairman is an Independent Director of Ferrovial, Santiago Eguidazu Mayor, was notified to the Company in 2003 and disclosed in the 2003 Corporate Governance Report. This was notified to the Board of Directors which, in view of the nature of the brokerage services provided by Nmás1 and the amount of fees that it is likely to represent as a proportion of the revenues of this firm, concluded, after a report by the Nomination and Remuneration Committee, that the transaction did not alter the conditions of the Director’s independence in accordance with the Regulations. Voting was held with the abstention of the interested party, Mr. Santiago Eguidazu Mayor.

### **III. Directors’ and Senior Managers’ Remuneration**

#### **1. Process for establishing the remuneration for members of the Board of Directors (Board of Directors Regulations)**

The Nomination and Remuneration Committee is responsible for proposing the system and annual amount of directors’ remuneration to the Board of Directors.

This proposal is submitted for approval by the Board of Directors and, where legally necessary, also by the Shareholders’ Meeting.

The Company’s Annual Report also gives due account of the remuneration system and its application.

#### **2. Bylaws and Regulations governing Directors’ remuneration**

Article 25 of the Company Bylaws regulates directors’ remuneration:

1. “For performing their duties, the members of the Board of Directors shall receive an amount equivalent to 3% of the consolidated earnings attributable to the Company in the year. The Board may decide not to appropriate its full share

in any given year, in which case the Directors shall not accrue any rights on the part not appropriated. In any case, that share in Company earnings can only be allocated after compliance with the requirements established in section 130 of the Spanish Corporations Law.

Within the limits of the preceding paragraph, remuneration formulas that consist of the delivery of shares or stock options or that are referenced to the share price may be established.

2. The Board of Directors shall determine the form and amount of the distribution among its members each year, which can be done individually based on the participation of each Director in the Board’s tasks.
3. The remuneration envisaged in this article shall be compatible with, and independent of, salaries, other remuneration, indemnities, pensions, stock options or compensation of any type established generally or individually for members of the Board of Directors who perform executive functions, whatever the nature of their relationship with the Company, whether employment (ordinary or special Senior Management contracts), mercantile or on a provision of services basis, which relationships shall be compatible with their status as members of the Board of Directors.
4. The Company may arrange third-party liability insurance for its Directors.”

In addition, article 31 of the Board of Directors Regulations states:

- To calculate the percentage of Board remuneration with respect to the year’s earnings and check that it is within the maximum established, any qualifications made by external auditors whose impact on the profit and loss account in the corresponding year is deemed to be significant should be considered.
- The Board may establish objective criteria to determine the remuneration and require that part or all of it be used to acquire Company shares; this was done as a result of a resolution adopted on 26 February 2003 that was partially amended on 26 March 2004.

### 3. Remuneration system for the Board of Directors in 2006

#### a) Bylaw-mandated remuneration (per diems and attendance fees)

The 2006 remuneration system has experienced no change in respect of the system that was valid in 2004 and 2005, which was approved by the Board of Directors on 22 February 2006 based on a report by the Nomination and Remuneration Committee.

The system consists of per diems and Bylaw-mandated fixed annual remuneration for all the directors amounting to 1,200,000 euros, which has been in force since 2004, provided that it is within the maximum limit of 3% of the year's consolidated earnings attributable to the Company (in accordance with article 25 of the Bylaws), once the annual accounts are approved.

This amount is settled as follows:

- **Per diems:** Allowances for attending the meetings of the Board of Directors, Executive Committee and Advisory Committees, in accordance with the following amounts, which remain unchanged since 2004:
  - 3,250 euros gross for attending a meeting of the Board of Directors;

- 2,000 euros gross for attending a meeting of the Executive Committee;
- 1,500 euros gross for attending a meeting of the Audit and Control Committee or the Nomination and Remuneration Committee.
- The allowance for the Chairmen of the three Committees (Executive, Audit and Control, and Nomination and Remuneration) is double the amount established for the other members.

The amount paid under this heading in 2006 totalled 596,000 euros. In 2005, the amount totalled 644,000 euros.

- **Distribution of the Remainder:** Per diems were deducted from the fixed amount that was established, 1,200,000 euros, leaving 556,000 euros. That remainder was divided by 13, applying to the resulting quotient the following factors in the allocation of individual amounts: Board Chairman: \*2; First Deputy Chairman \*1.75; Second Deputy Chairman \*1.25 and other Board members \*1.
- The individual amounts for each of the members are as follows:

	2006			2005		
	Per diems: Board, Executive Committee and Advisory Committees	Allocations of remainder	Total	Per diems: Board, Executive Committee and Advisory Committees	Allocations of remainder	Total
Rafael del Pino y Calvo-Sotelo	67,000.00	92,961.54	159,961.54	78,250.00	85,500.00	163,750.00
Santiago Bergareche Busquet	63,750.00	81,341.35	145,091.35	71,750.00	74,812.50	146,562.50
Jaime Carvajal Urquijo	65,000.00	58,100.96	123,100.96	59,500.00	53,437.50	112,937.50
Joaquín Ayuso García	53,000.00	46,480.77	99,480.77	60,250.00	42,750.00	103,000.00
Fernando del Pino y Calvo-Sotelo	42,500.00	46,480.77	88,980.77	58,250.00	42,750.00	101,000.00
Portman Baela S.L.	38,750.00	46,480.77	85,230.77	42,250.00	42,750.00	85,000.00
Casa Grande de Cartagena S.L (9 months as Board Member)	28,750.00	34,860.58	63,610.58	49,750.00	42,750.00	92,500.00
Juan Arena de la Mora	46,000.00	46,480.77	92,480.77	51,000.00	42,750.00	93,750.00
Santiago Eguidazu Mayor	58,750.00	46,480.77	105,230.77	63,250.00	42,750.00	106,000.00
Gabriele Burgio	57,000.00	46,480.77	103,480.77	49,750.00	42,750.00	92,500.00
María del Pino y Calvo-Sotelo (3 months as Board Member)	20,250.00	11,620.19	31,870.19	-	-	-
José María Pérez Tremps	55,000.00	46,480.77	101,480.77	60,250.00	42,750.00	103,000.00
<b>TOTAL</b>	<b>595,750.00</b>	<b>604,250.00</b>	<b>1,200,000.00</b>	<b>644,250.00</b>	<b>555,750.00</b>	<b>1,200,000.00</b>

The sum of the bylaw-mandated remuneration, including per diems, of all the members of the Board of Directors accounts for 0.084% of profit attributed to the parent company (in respect of results without including the profit attributable to the disinvestment in real estate activity, it would be 0.18%). In 2005, this percentage was 0.288%.

- **Remuneration allocated to buying Company shares:** The obligation to allocate Directors' remuneration (per diems and Bylaw-mandated attendance fees) to the acquisition of shares in the Company continued in 2006. The shares acquired in the same calendar year can only be sold by the interested party three full years after acquiring them.

#### b) Remuneration of Executive Directors

In addition to the per diems and bylaw-mandated remuneration received as Directors, the three Executive Directors accrued the following remuneration in 2006:

Thousands of euros	2006	2005
Fixed remuneration	1,712	1,411
Variable remuneration	3,248	2,956.5
Stock options and/or other financial instruments: exercise of remuneration rights linked to the share price: remuneration systems through plans linked to the share price [see section 5]	12,777	0

#### c) Remuneration of members of governing bodies of other group, multi-group or associated companies.

The Executive and External Directors of Grupo Ferrovial, S.A. who are also members of the governing bodies of other group, multi-group or associated companies received a combined total of 52,000 euros.

That amount was 80,000 euros in 2005.

#### d) Pension Funds and Plans or life insurance premiums

As in 2005, no amounts were paid in 2006 in favour of former or current members of the Company's Board of Directors in connection with pension funds or plans. Also, no obligations for these items were arranged during the year.

As regards life insurance premiums, the Company has arranged death benefit insurance policies; in 2006, it paid 7,200 euros for

policies to cover the Executive Directors. It paid 7,600 euros for this item in 2005.

No contributions were made or obligations arranged with regard to pension funds and plans for Directors of Grupo Ferrovial, S.A. who belong to the boards of directors and/or senior management of group, multi-group or associated companies. No life insurance premiums were paid either, the situation being the same as in 2005.

#### e) Advances and loans

At 31 December 2006, the Company had not provided any advances or loans to its Directors or by virtue of their membership of other boards of directors and/or senior management of group, multi-group or associated companies. The situation was the same at 31 December 2005.

### 4. Remuneration of Senior Management

The Senior Management of the Company, who report immediately to the Chairman or the Chief Executive Officer, jointly accrued the following remuneration during the 2006 business year.

Thousands of euros	2006	2005
Fixed remuneration	1,966	1,752
Variable remuneration	1,833	1,661
Share options and/or other financial instruments: exercise of remuneration rights linked to the share price: remuneration system through plans linked to the share price [see section 5] and share option plans [see section 6]	3,932	7,142
Remuneration as members of governing bodies of other group, multi-group or associated companies	11	42
Insurance premiums	11	9

During 2006, the Company granted loans to Senior Managers in the amount of 30,000 euros and repayments for a value of 262,000 euros were made. The balance of these loans at 31 December 2006 was 527,000 euros. No loans were granted in 2005.

The above-mentioned remunerations correspond to the persons holding the following positions;

- Chief Financial Officer
- General Manager of Human Resources
- General Manager of Construction, although the person holding this post changed in February 2006 and the previous manager remained in the company until April 2006.

- General Manager of Real Estate
- General Manager of Services
- Head of External Relations and Communications, until May 2006.
- Audit Manager
- Quality and Environment Manager
- Communications Manager, since September 2006.

Remuneration for Senior Managers who are also Executive Directors is not included since it is indicated above.

#### **5. Remuneration system linked to the share price (2000/2001)**

This system of remuneration linked to the value of the Company's shares, which was established for the Senior Management of the Company, including the members of the Board of Directors with executive duties, and authorized by the Shareholders' Meeting at its meetings held on 31 March 2000 and 30 March 2001, was cancelled in 2006.

The system consisted of granting the right to receive the amount by which the share price appreciated between the date the right was granted and the date it was exercised, which had to be between three and six years after the date the right was granted. This right, and the specific amount to be received, was conditional upon attainment of a minimum rate of return on consolidated equity. The CNMV was duly informed of the approval of the system and the rights assigned to each beneficiary.

In 2006, this system resulted in the payment of the sums stated under the heading "Stock options and/or financial instruments" in the table showing the remunerations of the Executive Directors (section 3) and Senior Management (section 4). That table also shows the data for 2005.

In this regard, it is important to bear in mind that from 31 December 2000 up to the close of the 2005 financial year, the price of the Grupo Ferrovial share had appreciated by 330%, and by 444% in respect of 2006.

On the other hand, in order to offset the possible impact on the Company's net worth of exercising this (and other) remuneration systems, the Company arranged equity swaps with financial institutions to ensure that, when the remuneration had to be paid, the company would receive an amount equal to the share appreciation, so the remuneration payments have not had any impact on company earnings.

#### **6. Stock options plan (2004)**

On 26 March 2004, the Shareholders' Meeting approved a Stock

Option Plan applicable to Board members with executive functions and to Senior Managers who report directly to the Board or to its delegate bodies.

The plan consists of granting stock options of Grupo Ferrovial, S.A., which can only be exercised between three and six years after granting, so they cannot be exercised until 2007. This right is conditional upon attainment of a minimum rate of return on consolidated equity.

Each option corresponds to one share and the total number of options that can be granted under the Plan cannot exceed 1,700,000, equivalent to 1,700,000 shares (1.21% of the share capital of Grupo Ferrovial, S.A.).

The option's strike price is the average share price in the twenty stock market sessions prior to the date on which the options were granted. The amount was established at 33.65 euros.

The premium to be paid by the beneficiary is 1 euro per share.

In order to offset future appreciation in the Company's share value, a hedge was arranged with a financial institution.

The CNMV was informed of the system and the individual allocations on 26 and 31 March and 7 May 2004.

The percentage of options allocated to those persons with respect to the total number of options granted varies between a minimum of 0.95% and a maximum of 18.95%.

In 2006, in application of special circumstances provided for in the General Conditions of the Plan, its beneficiaries (former Senior Management members) exercised their option rights, which gave rise to the remunerations in kind whose values are shown in the section "Stock options and/or other financial instruments: stock option plans", in section 4, relating to Senior Management remunerations.

#### **7. Stock options plan (2006)**

On 31 March 2006, the Shareholders' Meeting approved the application of a remuneration system consisting of a Stock Options Plan applicable to Executive Directors and to members of Senior Management, in practically identical terms to those of the Options Plan approved in 2004, as described in the preceding section.

The new system also consists of granting stock options of Grupo Ferrovial, S.A., which can only be exercised between three and six years after granting, so they cannot be exercised until 2009. This right is also conditional upon attainment of a minimum rate of return on consolidated equity.

Similarly, each option corresponds to one share and on this occasion, the total number of options that can be granted under

the Plan cannot exceed 950,000, equivalent to 950,000 shares (0.68% of the share capital of Grupo Ferrovial, S.A.).

Just as in the Plan corresponding to 2004, the option's strike price is the average share price in the twenty stock market sessions prior to the date on which the options were granted. The amount was established at 65.92 euros, with the exception of one of the participants, who signed up for the Plan subsequently, and for whom it was established at 66.40 euros.

Unlike the previous Plan, the premium to be paid by the beneficiary is two (2) euros per share.

In order to offset future appreciation in the Company's share value, a hedge was also arranged on this occasion with a financial institution.

The number of options allocated under this Plan to date varies between a minimum of 9,000 and a maximum of 196,600.

The CNMV was informed of the system and the individual allocations on 31 March; 10 and 12 May and 3 November 2006.

### 8. Other information on remuneration

Seven of the contracts between the Company and Senior Managers, including two Executive Directors, expressly envisage the right to receive indemnities in the event of unfair dismissal as established in article 56 of the Workers' Statute.

Also as regards this section, it should be mentioned that in order to enhance their loyalty and permanence, deferred remuneration has been granted to seven Senior Managers, including two Executive Directors. This is an extraordinary remuneration item that is effective only when one of the following circumstances occurs:

- A Senior Manager leaves by mutual agreement upon reaching a certain age.
- Unfair dismissal or severance without just cause prior to the date on which the Senior Manager reaches the age initially agreed upon, if the amount is higher than that resulting from applying the Workers' Statute.
- Death or disability of a Senior Manager.

To cover this incentive, the Company makes annual contributions to a group savings insurance, in which the Company is both the policyholder and beneficiary; they are quantified according to a certain percentage of the total monetary remuneration of each Senior Manager. The amount paid for this item totalled 1,619,000 euros in 2006 and 1,442,000 euros in 2005.

Lastly, it should be mentioned that members of Senior Management have jointly received a total of 1,735,000 euros as compensation for contract severance.

## III. Composition of the Board Committees

### 1. Executive Committee

The Board of Directors established an Executive Committee in accordance with the provisions of the Company Bylaws, to which it expressly delegated all the powers corresponding to the Board of Directors, except the powers whose delegation is prohibited by law or the Bylaws.

The composition of the Executive Committee changed in 2006, with Fernando del Pino y Calvo-Sotelo ceasing to be a member, and the following new members being appointed: Santiago Eguidazu Mayor (Independent Director), and María del Pino y Calvo-Sotelo.

The composition of the Executive Committee at 31 December 2006 was as follows:

Rafael del Pino y Calvo-Sotelo	Executive and proprietary
Santiago Bergareche Busquet	Independent
Jaime Carvajal Urquijo	Independent
Joaquín Ayuso García	Executive
Santiago Eguidazu Mayor	Independent
María del Pino y Calvo-Sotelo	Proprietary
José María Pérez Tremps	Executive

The Executive Committee is chaired by the Chairman of the Board of Directors and the Committee's Secretary is the Secretary to the Board of Directors.

### 2. Audit and Control Committee

The current composition of this Committee is as follows:

Gabriele Burgio <i>Chairman</i>	Independent
Santiago Eguidazu Mayor	Independent
PORTMAN BAELA S.L. represented by Eduardo Trueba Cortés	Proprietary
Juan Arena de la Mora	Independent

In 2006, Santiago Eguidazu Mayor was replaced as Chairman of the Committee since his 4-year term of office had ended, as established by law and by the internal Regulations, and Gabriele Burgio was appointed to replace him. Also, Juan Arena de la Mora was appointed as member of the Committee to replace Santiago

Bergareche Busquet, and PORTMAN BAELA S.L. to replace María del Pino y Calvo-Sotelo.

As a result, all the members of the Committee continue to be External Directors and its chairmanship falls to an Independent Director, as required by the Board of Directors Regulations.

### 3. Nomination and Remuneration Committee

The current composition of this Committee is as follows:

Jaime Carvajal Urquijo <i>Chairman</i>	Independent
Santiago Bergareche Busquet	Independent
Juan Arena de la Mora	Independent
Gabriele Burgio	Independent

Changes also occurred in this Committee in 2006: Gabriele Burgio was appointed as member to replace Santiago Eguidazu Mayor, and the chairmanship passed to Jaime Carvajal Urquijo.

All its members continue to be Independent Directors, in accordance with the stipulations of the Board of Directors Regulations in this respect.

## IV. Selection, appointment and removal of Directors and assessment of the Board of Directors

### 1. Selection of Directors

The Board of Directors Regulations establish a procedure for the appointment and re-appointment of Directors. When applied for selecting new Board members, this process has been carried out with the involvement of external firms.

The Nomination and Remuneration Committee drafts the candidate selection criteria, its specific proposal then being submitted for approval by the Board of Directors.

The Company strives to ensure that persons appointed as directors are of acknowledged ability, competence and experience.

The Board of Directors Regulations state that the persons meeting any of the conditions described in section B.I.1 above cannot be appointed as Independent Directors.

The Board of Directors Regulations also state that Proprietary Directors cannot personally have stable significant commercial, economic, labour or professional relations, directly or indirectly, with Ferrovial, except those inherent to the post of Chairman or CEO of the Company.

The Board Regulations do not establish any specific requirement for appointing the Chairman of the Board.

### 2. Term of office

In accordance with the Company's Bylaws and the Board Regulations, a Director's term of office is three years, with the possibility of re-appointment.

There is no term limit for Independent Directors.

### 3. Appointment of the CEO, Board Secretary, and members of the Board Committees

The Nomination and Remuneration Committee must also inform the Board of Directors about the appointment of the CEO and Secretary, and propose the members of each Committee.

### 4. Resignation of Directors

The Regulations also establish the reasons for which a Director must tender his/her resignation to the Board of Directors. In addition to resigning when the period for which they were appointed ends or when the Shareholders' Meeting so decides, the following causes are also envisaged:

- Executive Directors, when the Board sees fit.
- Proprietary Directors, upon disposal of the stake in the Company that enabled them to be appointed as such.
- When Directors incur any of the cases of incompatibility or prohibition envisaged by law or by the internal Regulations
- At the Board's request, because the director has violated his/her obligations.
- When the Director's continuance on the Board may jeopardize Ferrovial's interests.
- When Directors reach the age of 70. The Chairman and Vice Chairman (if Executive), the CEO and Secretary of the Board must resign at 65, but may continue as Directors and hold the office of Chairman or Vice Chairman if they are not executive.
- When there are significant changes in their professional situation or in the conditions by virtue of which they were appointed as directors.
- When, because of events attributed to the Director, the Board considers that his/her continuance on the Board causes serious damage to the Company's net worth or reputation.



## 5. Assessment of the Board of Directors

In accordance with the Board of Directors Regulations, at least one of the meetings held each year must be dedicated to assessing the Board's functioning and quality.

Work commenced during 2006 for making an assessment of the Board as a collective body, analysing its organization and functioning in the light of the most widespread market recommendations and practices, besides an individualized assessment in respect of each of its members. This process is expected to be completed during 2007 and, as on previous occasions, will be assisted by the collaboration of a specialist outside firm.

## V. Responsibilities, Organization and Working of the Board of Directors

### 1. Responsibilities

#### a) General functions

The function of the Board of Directors of Grupo Ferrovial, S.A. is to manage, represent and supervise as may be necessary, so as to ensure that the Company meets its corporate purpose, while seeking to protect the Company's general interests and create value to the benefit of all the shareholders.

Also, and without prejudice to the powers delegated to it, the Board has, directly or through its Committees, exclusive powers regarding a number of matters, including:

- Appointment, remuneration and, where appropriate, removal of Senior Managers.
- Approval and oversight of the strategies established for the Company's development.
- Control of performance and assessment of the Directors.
- Incorporation of new companies and acquisition or sale of stakes in existing companies, where the latter imply the obtainment or loss of a majority stake, exceeding certain percentages of ownership, or the commencement or abandonment of business lines.
- Mergers, spin-offs or concentrations involving the Company or any of its direct investees.
- Investment, disinvestment, financing or guarantee transactions involving substantial group assets or for amounts above specific thresholds.
- Policy of disclosure and reporting to shareholders, markets and public opinion.

#### b) Specific function related to financial disclosure and financial statements

##### (i) Powers of the Board and the Audit and Control Committee.

One of the Board of Directors' powers that is specifically regulated is to monitor the Company's financial statements, at least every quarter, and supervise the information that is provided periodically to the markets or supervisory authorities, ensuring that the information is drafted in accordance with the same principles as the financial statements and that it is equally reliable.

For this purpose, the assistance of the external auditors or any Ferrovial Executive may be called upon.

On the other hand, the Audit and Control Committee has the following functions in relation to financial information and financial statements:

- To be informed of the Company's financial reporting process and internal control systems, monitoring compliance with the legal requirements and the correct application of generally accepted accounting principles. Also, to inform the Board of changes in accounting criteria and of any possible risks.
- To supervise the information that the Board of Directors must approve and include in the Company's annual public documentation.
- To assist the Board of Directors in its task of ensuring the accuracy and reliability of the financial information that the Company must provide periodically to the markets, investors and authorities, in accordance with the applicable Regulations.

In accordance with the Regulations, the Audit and Control Committee may request assistance from experts when it deems that Ferrovial's technical resources are not sufficient for reasons of independence or specialization. The Committee may also request assistance from any member of Senior Management.

The Audit and Control Committee's report, which is included in the Company's Management Report, makes reference to the meetings held with the external auditor.

##### (ii) Certification of financial statements.

The financial statements submitted for the Board's approval must be certified beforehand by the Company's Chairman, Chief Executive Office and Chief Financial Officer.

The 2006 financial statements will be certified by Rafael del Pino y Calvo-Sotelo, Chairman of the Board of Directors; Joaquín Ayuso García, Chief Executive Officer, and Nicolás Villén Jiménez, Chief Financial Officer.

(iii) Provisions specifically regulating the auditors' report.

Regarding the function of drafting the financial statements, the Board Regulations state the following:

- The financial statements shall be drafted in such a way as to avoid any qualifications from the auditor.
- Nevertheless, if there is a qualification and the Board believes that its position is sound, it must publicly explain the content and scope of the discrepancy.

## **2. Organization and functioning**

### **a) Notice of meetings**

The Board normally meets on a monthly basis or at the Chairman's initiative whenever the latter sees fit, or whenever at least two Board members so request.

Board of Directors meetings are convened by written notice addressed personally to each Director, with the necessary documentation about the agenda, at least one day before the date of the meeting, except in extraordinary circumstances.

The Board drafts an annual schedule of meetings.

The Board held twelve (12) meetings in 2006, all of which were attended by the Chairman.

### **b) Information and external advice for Directors**

The Board of Directors Regulations allow Directors to request information directly from Senior Management, informing the Company Chairman of this, and request whatever information they may reasonably require from the Chairman, CEO or Secretary of the Board.

The Board of Directors Regulations also establish that, in order to assist them in discharging their duties, Directors may request the engagement, at the Company's expense, of legal, accounting and financial consultants and other experts for major, complex problems. The request for the engagement of external consultants must be made to the Company Chairman, and the Board of Directors may only reject the request in limited circumstances.

Lastly, there is a specific statutory provision that enables members of the Audit and Control Committee to be assisted by experts in the discharge of their duties.

### **c) Proxies**

In accordance with the Bylaws and the Board of Directors Regulations, if a Director cannot attend a meeting, he/she must

try to grant a special written proxy to another Board member that includes the appropriate instructions, if the agenda allows.

### **d) Quorum**

The Board is validly convened when at least half of its members are present or represented.

Unless a legal provision states otherwise, resolutions are adopted by absolute majority of those in attendance.

In the event of a tie on any issue, the Chairman has the casting vote.

### **e) Third-party liability insurance**

The Company has arranged third-party liability insurance for its Directors and other parties.

## **VI. Responsibilities, organization and working of the Board Committees**

### **1. Board Committee Regulation**

The Executive Committee is regulated in the Board Regulations and, where applicable, by the rules laid down for the Board of Directors.

The composition, positions, functioning rules and powers of the Audit and Control Committee are regulated in the Bylaws.

Moreover, the Board of Directors Regulations establish that the advisory committees shall regulate their own function and, where there are no specific provisions, the rules of functioning established by the Regulations in relation to the Board shall apply, provided that they are compatible with the committee's nature and purpose.

### **2. Executive Committee**

As stated earlier, all the powers corresponding to the Board of Directors have been delegated to the Executive Committee, with the exception of powers whose delegation is prohibited by law or the Bylaws.

It is entrusted with proposing and overseeing Ferrovial's financial, commercial and investment strategies.

The rules governing the working of this Committee follow the same principles as those governing the Board of Directors and, as stated earlier, are included in the corresponding Regulations.

At the Board of Directors meeting held immediately after a meeting of this Committee, the Board members are notified of the resolutions approved at the Executive Committee meeting and are supplied with a copy of the corresponding minutes.

The Executive Committee held eight (8) meetings in 2006.

### **3. Advisory Committees**

The Advisory Committees to the Board of Directors are the Audit and Control Committee and the Nomination and Remuneration Committee, which were created in 1999.

Both Committees comprise External Directors only, in accordance with the Board of Directors Regulations, and they have the powers of information, advice, supervision and proposal in the matters of their respective authorities. Their powers of proposal do not preclude the possibility of the Board deciding on such matters on its own initiative, while duly consulting the corresponding Committee.

According to the Board Regulations, a decision that clashes with a Committee's recommendations can only be adopted with a resolution by the Board of Directors.

In accordance with the Board Regulations, the Chairmen of both Committees are Independent Directors. They also share the same limits as to minimum and maximum number of members, as established by the Board Regulations, between four and six.

#### **a) Responsibilities of the Audit and Control Committee**

The main functions of this Committee are as follows:

- To supervise compliance with the legal requirements and the correct application of generally accepted accounting principles.
- To act as a liaison between the Board of Directors and the external auditors, and assess the results of each audit.
- To supervise the information which the Board of Directors must approve and include in its annual public documentation.
- To assist the Board in its mission of ensuring the correctness and reliability of periodical financial information.
- To furnish information during the procedure for appointing and replacing the internal audit manager.
- To analyse and evaluate the main business risks and the systems established for managing and controlling them.
- To report on exemptions and authorizations in matters relating to Directors' duties.
- To report on Company transactions with shareholders, Direc-

tors and Senior Management subject to Board approval.

The Audit and Control Committee drafts an annual report on its activities that is included in the Company's Management Report.

Its Chairman also informs the Shareholders' Meeting of this Committee's activities.

The Audit and Control Committee held six (6) meetings in 2006.

#### **b) Responsibilities of the Nomination and Remuneration Committee**

Its main functions are:

- To advise on proposals for the appointment of Directors and of the CEO.
- To propose the members of each Committee.
- To advise on the system and amount of annual remuneration for Directors.
- To advise on the appointment or dismissal of the executives who report directly to the CEO.
- To propose the system and amount of annual remuneration for Directors.
- To advise on the contracts and remuneration system for Senior Management.

The Nomination and Remuneration Committee held five (5) meetings in 2006.

## **VII. Board Regulations**

The Board of Directors Regulations are available for consultation on Ferrovial's web site, [www.ferrovial.com](http://www.ferrovial.com).

The Board Regulations were not changed in 2006.

## **VIII. Relationship between the Board of Directors and the markets, external auditors and financial analysts**

### **1. Dissemination of information about the Company**

#### **a) Actions by the Board of Directors**

In accordance with the Board Regulations, the Board of Directors has adopted the necessary measures for making information about the Company known to the shareholders, investors and

markets, using the most efficient means available, so that the information is transmitted equally, immediately and without hindrance to the recipients.

One of the Board's functions is to establish appropriate regular information exchange mechanisms with institutional investors which, in accordance with the Board Regulations, must not have access to information that might place them in a privileged situation or give them an advantage over other shareholders.

#### b) Regulation of price-sensitive information

The Internal Code of Conduct of Grupo Ferrovial, S.A. establishes the obligation to notify the CNMV of significant information (as defined in the Securities Market Law) before disseminating it via any other means and immediately after the circumstances making such notification compulsory have arisen.

Whenever possible, significant information is notified when the market is closed in order to avoid distortions in trading.

It is the task of the Chairman, CEO, Board Secretary, Chief Financial Officer and Communications Manager to confirm or deny public information about circumstances considered to be Significant Information.

#### c) Internal procedure for controlling information about significant transactions

In order to comply with the obligations established in article 83 bis of the Securities Market Law brought in by Law 44/2002, dated 22 November, on measures for reforming the financial system, the Company established an internal procedure for the control measures that must be implemented in the unit responsible for managing significant transactions in coordination with the Company's Secretariat. Those measures refer to limits on access to information, book-keeping, rules on filing, reproduction and distribution of information, and share price monitoring, among others.

## 2. Relations with auditors and analysts

### a) Audit and Control Committee

Another function of the Audit and Control Committee is to propose the appointment, conditions of engagement, extent of professional mandate and, where appropriate, revocation or non-renewal of the auditor.

Under no circumstances may the Audit and Control Committee propose that the Board of Directors engage an audit firm where the fees it plans to pay, under all headings, exceed 5% of the firm's total revenues in the last business year.

### b) Internal procedures

According to the Company's internal procedure, the Financial Department is responsible for engaging external auditors when companies are acquired (due diligence) or other special work that requires external auditors is performed.

Moreover, the engagement of any professional consulting or advisory service from the external auditor and any entity related to the latter, as appointed for reviewing the annual consolidated and individual financial statements of Grupo Ferrovial, S.A. or its subsidiaries, must be authorized beforehand by the Chief Financial Officer.

### c) Audit fees

The current audit firm of the Company and its consolidated group, which has audited the financial statements for the last four years (of the eighteen in which Grupo Ferrovial has been subject to statutory audit) also performed other work.

The following table shows the audit fees:

	2006			2005		
	Company	Group	Total	Company	Group	Total
Fees for work other than auditing (thousands of euros)	13	1,334	1,347	76	769	845
Fees for work other than auditing/Total fees billed by the audit firm (%)	8.025%	27.350%	26.729%	2.520%	25.497%	29.71%

#### d) Restrictions on hiring analysts

As regards analysts, the Nomination and Remuneration Committee establishes measures to check that Ferrovial does not hire, as employees or senior managers, persons who have covered the Company at a rating agency in the two years after leaving such agency.

## ■ (C). Related-party Transactions

### I. Transaction approval

In accordance with the Board of Directors Regulations, all professional and commercial transactions with Grupo Ferrovial, S.A. or its subsidiaries require Board authorization, based on a report by the Audit and Control Committee. In the case of ordinary transactions, the Board of Directors may approve general guidelines.

The following must comply with this system:

- Directors of Grupo Ferrovial, S.A.
- Controlling shareholders.
- Individuals who represent Directors that are legal persons.
- Senior Management.
- Other managers who the Board of Directors appoints individually.
- Related parties of persons in the foregoing categories, as defined in the Regulations.

### II. Related-party Transactions

The transactions carried out in 2006 on an arm's length basis as part of the Company's and Group's normal transactions are listed below.

In this document, the Company provides information about related-party transactions, in accordance with the definitions and criteria stated in the Ministry of Economy and Finance Order EHA/3050/2004, dated 15 September, and the CNMV Circular 1/2005, dated 1 April.

When the profit or loss from a transaction cannot be indicated because it corresponds to the provider, this circumstance is indicated with an asterisk (\*).

#### 1. Significant shareholders

Individualized details of the most significant transactions carried out during 2006 with significant shareholders, with members of the "controlling family group" (except those members who are also Company Directors, whose information is stated in the following section) or with entities closely linked to that group are shown in the section on the COMPANY'S OWNERSHIP STRUCTURE:

Name	Grupo Ferrovial company	Nature of transaction	Type of transaction	2006		2005	
				Amount	Profit or loss	Amount	Profit or loss
				(Thousands of €)		(Thousands of €)	
Members of the controlling family group / their related parties	Ferrovial Servicios S.A. / Subsidiaries	Commercial	Provision of integral management services for a building in Madrid and conservation, maintenance and repair	480	67	474	35
	Ferrovial Servicios S.A. / Subsidiaries	Commercial	Provision of integral management services in offices in Madrid	342	91	356	24
	Ferrovial Conservación S.A.	Commercial	Lease to Ferrovial of offices in Madrid owned by the shareholders	176	(*)	167	(*)
	Ferrovial Inmobiliaria S.A. / Subsidiaries	Commercial	Provision of real estate management services for developments in Madrid	128	125	110	107
	Grupo Ferrovial companies	Commercial	Lease of private means of transport for use by Company management	19	(*)	44	(*)
	Ferrovial Agromán S.A. / Subsidiaries	Commercial	Construction work	2,699	145	-	-
	Ferrovial Servicios S.A. / Subsidiaries	Commercial	Provision of integral management services for offices in Madrid	181	15	102	7
	Ferrovial Agromán S.A. / Subsidiaries	Commercial	Construction work	373	13	-	-

(\*) Profit or loss is not stated because this corresponds to the provider.

Besides the individualized operations stated above, there were three minor transactions with significant shareholders, which consisted of carrying out minor alterations or repairs and maintenance services at homes or headquarters of a non-material amount and duration, and always under market conditions, the aggregate amount of which was 43,000 euros, and which generated an overall profit of 1,300 euros. In 2005, these transactions amounted to 5,000 euros and generated a total profit of 300 euros.

## 2. Transactions with Directors and Senior Managers

The transactions carried out in 2006 with Directors and Senior Management of the Company are listed in the table below. Also, the transactions with Banesto, NH Hoteles, Bankinter, Ericsson, TPI, Lafarge Asland, Asea Brown Boveri and Aviva are disclosed, in accordance with section 2 of Order EHA/3050/2004, since certain Directors are, or have been at some time during 2006, members of the Board of Directors of the companies stated:

Name	Grupo Ferrovial company	Nature of transaction	Type of transaction	2006		2005	
				Amount	Profit or loss	Amount	Profit or loss
				(Thousands of €)		(Thousands of €)	
Rafael del Pino y Calvo-Sotelo	Ferrovial Agromán S.A. / Subsidiaries	Comercial	House building	520	18	692	26
	Ferrovial Agromán S.A. / Subsidiaries	"	Integral management of works	17	0.9	14	0.1
	Ferrovial Servicios S.A. / Subsidiaries	"	Maintenance services at a house	19	5	18	2
Nicolás Villén Jiménez	Ferrovial Servicios S.A. / Subsidiaries	"	Facility maintenance services	18	1.3	-	-
	Ferrovial Inmobiliaria S.A. / Subsidiaries	"	Acquisition of a house under development in Madrid	259	67	48	16
Alvaro Echániz Urcelay	Ferrovial Inmobiliaria S.A. / Subsidiaries	"	Acquisition of a house under development in Madrid	397	103	37	12
Banesto	Grupo Ferrovial companies	"	Collection of business commissions and settlement of collected derivative transactions	1,196	1,196	1,765	1,765 (*)
		"	Payment of commissions for derivative transactions	3,880	(*)	1,980	(*)
		"	Interest paid	4,398	4,398 (*)	1,835	1,835 (*)
		"	Payment of credit and mortgage interest	9,144	(*)	1,575	(*)
		"	Outstanding balance of credit and guarantee lines	323,900	(*)	316,600	(*)
		"	Outstanding balance of confirming lines	47,800	(*)	50,000	(*)
		"	Outstanding balance of mortgage loans and credit lines	200,600	(*)	166,000	(*)
Ericsson	Ferrovial Servicios S.A. / Subsidiaries	"	Provision of integral management services	6,611	1,438	22,347	1,952
Aviva	Grupo Ferrovial companies	"	Insurance policies	1,729	1,729	1,783	(*)
		"	Collection of brokering commissions	10	10 (*)	54	54 (*)
		"	Payment of miscellaneous commissions	173	(*)	65	(*)
		"	Interest paid	1,730	1,730 (*)	739	739(*)
Bankinter	Grupo Ferrovial companies	"	Interest paid for credits and mortgage loans	1,490	(*)	1,094	(*)
		"	Outstanding balance of mortgage loans and credit lines	38,600	(*)	39,600	(*)
		"	Outstanding balance of confirming lines	62,100	(*)	52,300	(*)
		"	Outstanding balance of guarantee lines	40,200	(*)	30,000	(*)
TPI	Ferrovial Inmobiliaria S.A. / Subsidiaries	"	Advertising services	6	(*)	178	(*)
NH Hoteles and its group companies	Grupo Ferrovial companies	"	Hotel/catering services provided by NH Hoteles and its group companies	111	(*)	58	(*)
	Ferrovial Servicios S.A. / Subsidiaries	"	Maintenance services provided to NH HOTELES	6	6	8	1
Lafarge Asland	Grupo Ferrovial companies	"	Purchases of goods	5,186	(*)	-	-
Asea Brown Boverly	Ferrovial Servicios S.A. / Subsidiaries	"	Provision of waste product collection services	2	0.2	-	-

(\*) Profit or loss is not stated because this corresponds to the provider.

(†) The full amount of the transaction is considered to be a profit in these types of item (paid commissions and interest).

In addition to the above transactions, transactions with Directors and Senior Managers, directly or through linked parties, totalled 66,000 euros in 2006 for carrying out minor works on houses, the provision of facility assembly, repair, maintenance services and the provision of waste product collection services, all of which were for an insignificant duration and amount and carried out under market conditions. These transactions generated a total profit of 2,000 euros. In 2005, transactions of this type amounted to 6,000 euros and yielded a profit of 900 euros.

Information about remunerations and loan transactions carried out with Directors and Senior Management is shown in the heading on "Directors' and Senior Management remuneration".

### **3. Transactions between group companies**

Mentioned below are transactions carried out between Grupo Ferrovial companies which, since they form part of normal operations as regards their purpose and conditions, have not been eliminated for the following reason when drawing up the consolidated financial statements of the Company.

As explained in detail in Note 2.2.d) of the Company Report, balances and transactions relating to construction work performed by the construction division for the infrastructure concession companies are not eliminated upon consolidation, as these transactions are understood to be construction contracts performed for third parties, since the final owner of the work performed, from both an economic and legal standpoint, is the granting administration.

In 2006, Grupo Ferrovial's construction division invoiced the infrastructure division for the work performed, and for advances related to that work, a total of 383,911,000 euros (520,395,000 euros in 2005), recognizing 490,036,000 euros as revenue for that work (470,398,000 euros in 2005).

The profit on these transactions that was not eliminated upon consolidation, which is attributable to the percentage of Grupo Ferrovial's stake in the concession companies that received the services, amounted to 32,568,000 euros in 2006, net of taxes and minority interests. In 2005, the amount was 14,947,000 euros.

### **III. Conflicts of interest**

The Board of Directors Regulations establishes that, among other obligations, Directors must strive to avoid situations that might involve a conflict of interest, and must provide the Board Secretary with due advance notice of any such situations.

If required, the matter is submitted to the Board of Directors.

In any case, Directors must not attend or intervene in the debates on matters in which they have a personal interest.

These obligations also apply to controlling shareholders, Senior Management and persons related to them.

In particular, the Regulations also state that Proprietary Directors must inform the Company of any situations that may involve a conflict of interest between the shareholders who proposed their appointment and Ferrovial. In these cases, they must not participate in adopting the corresponding resolutions.

In 2006, the Director Santiago Eguidazu Mayor made known to the Company a conflict of interest on the occasion of the consultancy provided during the year by Nmas1, of which Mr. Eguidazu is Chairman, to one of the companies that submitted bids for the acquisition of the Real Estate division of Grupo Ferrovial, which is undergoing disinvestment. Whenever the Board of Directors discussed this disinvestment operation, Mr. Eguidazu left the meeting for the duration of the debate on this matter.



## ■ (D) Risk Control Systems

### I. Risk policy and risks covered by the system

#### *Introduction*

Since 2003, Ferrovial has operated using a global risk management (GRM) system that covers all its business activities around the world, including the activity of affiliated companies over which it has management capacity.

In a dynamic, highly competitive environment, this system is an important tool for the strategic management of business and contributes to the appropriate handling of the factors that can condition the achievement of medium- and long-term economic and operative targets. Ferrovial believes that a responsible, active risk policy designed from a global perspective helps to create value for the Company's activities, both for the shareholders and for the rest of the significant interest groups.

The risk policy and the management system that emanates from it are governed by the following principles:

- The final aim of risk management is to contribute to generating sustainable profit in all business areas and activities.
- The management system is designed from a global perspective; in other words, it integrates all the strategic and operative factors that shape the Ferrovial risk profile, including economic, regulatory and legal, socio-political, labour and environmental factors.
- Management involves decision-making individuals at all levels of the organization, including Senior Management and the Board of Directors committees.
- The functions arising from maintenance of the system and the reporting of risks are separate from the business lines, although the latter do provide their knowledge for analysing risks and establishing the most suitable management models in each case.
- The system renders decision-making easier from a balanced, multi-criteria perspective, as it maintains standard, comparable measurement units regardless of the nature of the risk assessed.

#### *The Company's main risks*

Ferrovial operates in countries with different social and economic situations and regulatory frameworks. In this context, a range of risks arise that are considered to be inherent to Ferrovial's

businesses and sectors.

In general, Ferrovial believes that significant risks are those that may compromise the profitability of its activities, the financial solvency of the Company or the Group, the corporate reputation and the personal safety of its employees.

In particular, the most significant risks covered by the management system are as follows:

#### **1. Quality risks related to deficiencies or delays in executing work or providing services to customers and users**

Quality management systems, which are described in detail in Section II.1 below, have been introduced into all business areas. The systems perform continuous follow-up of key indicators, which measure the quality levels of the work delivered (Construction and Real Estate), or the service provided (Real Estate, Services and Infrastructures), with the aim of establishing preventive measures and early courses of action to reduce the probability of risk emergence.

In addition, satisfaction surveys are carried out by independent experts, with a view to identifying the critical areas of customer and user dissatisfaction and setting in motion measures designed to solve these deficiencies.

#### **2. Environmental risks:**

- (a) Risks arising from practices that may generate a significant environmental impact, mainly as an effect of construction work, waste product management or processing, and the provision of other services.
- (b) Risk of failing to comply with current regulations, specifically those related to adapting the group's new activities to the latest environmental and planning regulations.

In order to ensure adequate knowledge of the current regulations on the matter, in 2005 Ferrovial introduced an on-line information system (SIGMA) that can be consulted via the corporate intranet, which summarizes the legal requirements in environmental matters for all the production centres in a detailed, simple way and is constantly updated.

On the other hand, the Quality & Environment Department performs continuous monitoring of environmental legislation that is at the design stage, keeping in close contact with the legislators and participating in consultation groups for putting the new regulations into practice, in order to be ahead of changes in regulations that could affect the activities of Grupo Ferrovial.

The business areas with the greatest environmental risk (Construction and Services), have implemented and had certified the

environmental management systems that are described in Section II. 1.b). The Infrastructures division has moved ahead during 2006 with the introduction of an environmental management system that complies with the ISO 14001 standard, which is expected to be certified during 2007, both in the Spanish toll road concession companies and in the car parks activity.

### **3. Regulatory and socio-political risks, particularly in Infrastructures activity:**

- (a) Risks of regulatory framework changes that could have a negative effect on forecast revenue or on profit margins, mainly in the airport business.

The British airports subsidiary (BAA) maintains permanent relations with the regulatory authorities (Regulation Steering Group), with a view to being ahead of possible regulatory changes.

- (b) Risk of buy-back of the concession without payment of compensation (linked to the so-called "country risk").
- (c) Social movements against transport infrastructure construction or expansion, besides movements organized by interest groups favouring the suppression of toll-road charges or any others linked with concession contracts.

Regarding this group of socio-political risks, Ferrovial's investment focuses mainly on OECD countries since their political, social and economic conditions and legal certainty are considered to be sufficient and sound. In this context, the risk that the government will denationalize the concessions is sufficiently hedged by the clauses that guarantee indemnity and compensation to concession holders.

In any case, the Financial and Legal departments perform constant follow-up of the evolution of these socio-political and regulatory risks.

### **4. Financial risks, the following being highlighted as the most significant:**

- (a) Variation in interest rates, as well as exchange rate fluctuations in activities carried out abroad.
- (b) Non-payment or default.

### **5. Risks from causing damage:**

- (a) Liability arising from causing damage to third parties during service provision.

- (1) Damage to third parties because of the poor state of

the highway in infrastructures activity: Liabilities arising from road accidents and incidents caused by a poor state of highway maintenance.

The quality system implemented performs continuous monitoring of the level of highway servicing, which allows the appropriate preventive measures to be carried out.

In addition, the Corporate Insurance Department maintains a Public Liability programme with covers and compensation limits that are in line with the assessment of this risk.

- (2) Incidents or accidents involving aircraft at airports managed by Ferrovial.

- (3) Incidents that may affect the safety of airport users, including those arising from terrorist threat.

The British airports subsidiary (BAA) performs systematic follow-up of compliance with all airport safety rules published by the CAA (British authority) and the ICAO (international body). In addition, the airports managed by Ferrovial have introduced the best process practices from MATRA (Multi-Agency Threat and Risk Assessment), which is a mechanism protected by public institutions (TRANSEC programme), based on collaboration and the exchange of information between different agencies (government departments, local authorities, emergency services, the police, etc.).

Likewise, the Corporate Insurance Department maintains Public Liability and Damage programmes that include cases of terrorist threat, with covers and compensation limits that are in line with the assessment of this risk (see Section II.2).

- (b) Damage to infrastructures promoted or managed by Grupo Ferrovial, mainly due to natural disasters.

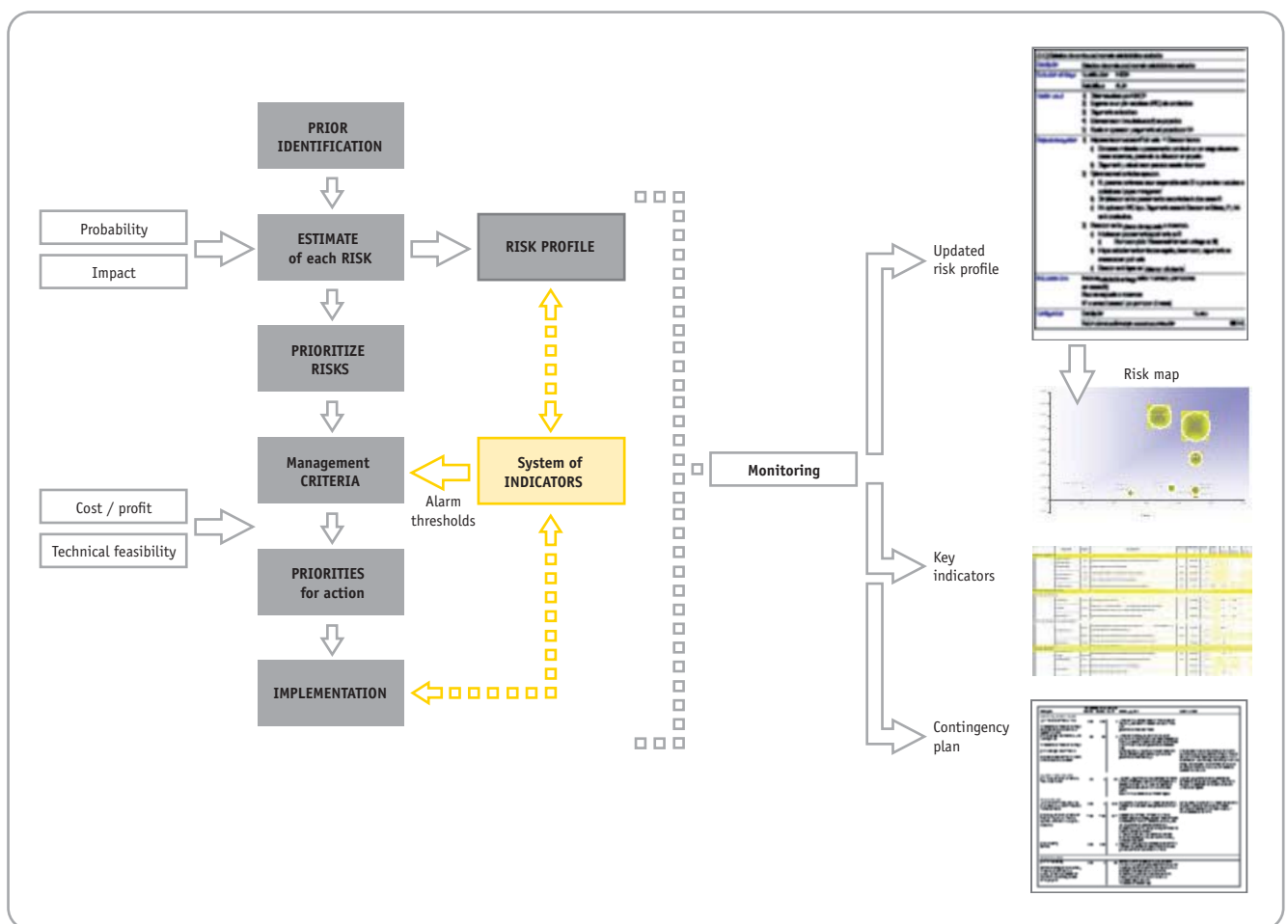
In addition to the foregoing, although more generic or less specific, labour risks and, in particular, those related to employee health and safety (particularly significant in Construction activity), and those involving damage to goods and assets belonging to group companies, are also risks that are managed by the system.

Irrespective of the special features described in this section, the management systems described in heading II below have been designed from the perspective of global risk management, and affect all areas of Grupo Ferrovial's activity and all corporate spheres.

The control systems have been designed for the effective identification, measurement, assessment and prioritization of risks. These systems generate sufficient reliable information for enabling the various units and bodies holding powers in risk management to decide in each case whether risks are assumed under controlled conditions, are reduced or avoided.

## II. Control systems

Risks are identified and control measures are established in all corporate and business spheres using the system shown in the following diagram:



The procedure is based on international risk management standards (IRM, AIMC, ALARM. 2002).

The information used by the system is generated through a small work-team that includes the heads of Finance, Quality & Environment, Human Resources, and Legal departments, directly supervised by the General Manager. All members of the team belong to management.

The risks that are detected are assessed and prioritized by a standardized semi-qualitative procedure based on a system of relevant reliable indicators; in each case they describe the

control and management measures established. This information is transmitted periodically to the corporate level, where it is compiled and cross-checked before notifying the Audit and Control Committee, as detailed in section IV. In order to facilitate the identification of the main trends and decision making, the system has a graphic output that integrates all the information in a comparable format (risk map).

### **1. Quality management systems**

All the business areas have implemented ISO 9001-compliant quality management systems certified by accredited bodies. In all cases, these systems are implemented at the production centres through quality plans developed specifically for each one, which ensure (a) prior planning of the relevant processes for product and service quality; (b) a systematic, documented control of such processes; and (c) sufficient feedback for detecting systematic errors and designing corrective or preventive measures in order to prevent or mitigate errors in the future.

In 2004, the Real Estate and Construction divisions co-developed an innovative tool for measuring the quality of delivery of homes built by Ferrovial (the Inca system). This tool identifies critical points in the process and triggers improvement projects to increase the quality of the product delivered to the customer. During 2006, this tool was used in the majority of the new residential developments.

The most significant variables in the quality systems of the various businesses are grouped in indicators, the Management Committee of Ferrovial being informed periodically of their evolution.

### **2. Environmental management systems**

The business areas have implemented environmental management systems that comply with at least the ISO 14001 standard, the systems having been certified by accredited bodies. The Infrastructures area has implemented the system and will be certified progressively throughout 2007. At production sites, these systems are adapted to the site via an environmental management plan that envisages the systematic planning and control of the processes that involve environmental risk, the applicable legal requirements, and the establishment of quantified objectives for improving the production site's environmental performance.

Likewise, activities are subjected to a continuous system of environmental assessment and audit of processes, applicable environmental practices and the level of compliance with legislation. This monitoring is the responsibility of an independent technical

department of the production line.

Grupo Ferrovial has an innovative environmental risk control and monitoring tool called EPI (environmental performance index), which has been validated by a government-sponsored research centre (King Juan Carlos I University in Madrid) and recognized by UNESCO's Environmental Chair. The EPI has been implemented in the Construction area and the design of the index for the Services area was completed during 2006, this index also enjoying the recognition and institutional support of that Chair. Therefore, all the activities with the highest environmental risk have an environmental performance indicator throughout the process and the results are reported periodically to the Management Committee and the Audit and Control Committee

Lastly, and as mentioned earlier, in order to ensure adequate knowledge regarding prevailing regulations on the matter, in 2005 Ferrovial developed an on-line information system (SIGMA) that can be consulted via the corporate intranet, which summarizes the legal requirements in environmental matters for all the production centres in a detailed, simple way and is constantly updated.

### **3. Other preventive measures:**

#### **Occupational safety systems**

In all the areas and in the corporate sphere, occupational safety systems have been applied in accordance with Law 31/1995 and its implementing regulations. Safety systems are audited periodically by external bodies accredited for this purpose.

The areas with most significant occupational risks, particularly Construction, have health and safety plans specifically designed for each project and are continuously monitored by central services. Monitoring visits access on-site safety measures, including all outsourced activities. The system was co-developed with the 'Instituto Nacional de Seguridad e Higiene en el Trabajo' (National Institute for Safety and Hygiene in the Workplace) under the framework of an agreement signed between Ferrovial Agromán and this body in 2004.

#### **Financial risk control mechanisms**

##### **Exposure to exchange rate fluctuations:**

In general, management of this risk is centralized through the Finance Department based on hedging mechanisms.

In order to ensure that projected cash flows are not affected by

exchange rate fluctuations, the following are hedged:

- Multi-currency projects (awarded or in the bidding process)
- Income from foreign subsidiaries and dividends or refunds of capital expected to be received from foreign subsidiaries.
- Intragroup loans to foreign subsidiaries.
- Cash of foreign subsidiaries.
- Payments to suppliers in foreign currency.

#### **Exposure to interest rate variations:**

The objective when financing infrastructure projects is to obtain a fixed interest rate when closing the deals with the financiers. When this is not possible, the Company considers hedging that risk during the entire financing term (depending on the situation and on the investment volume).

Regarding the Grupo Ferrovial's floating-rate debt, the Finance Department monitors any market changes in order to take advantage of lower interest rates. Although the trend in previous years was to be exposed to interest rates, the Group's change towards a net debt position has given rise to the contracting of cover instruments for recently issued debt. Such cover covers the risk of nominal rates, and in some cases the risk of real rates, because income from the assets they finance are updated through inflation.

#### **Non-payment or default:**

The risk of non-payment by private customers, mainly in the Construction area, is mitigated by a study of their solvency prior to the signing of the contract. The contractual requirements are supervised by the Legal and Financial departments in order to ensure that they establish sufficient guarantees in the event of non-payment, including halting the work. During the performance of the work, the Finance department continually monitors the certificates and collection documents, and their effective payment.

#### **Risk Cover Systems**

Grupo Ferrovial policy is to arrange insurance for all its activities through the Corporate Insurance Unit (organically and functionally, this department is situated in the global risk management area), in order to take advantage of the risk profile of the group through technical and economic optimization of the insurance policies subscribed by Grupo Ferrovial.

Company policy requires that, in general, insurance cover be arranged for damage to own goods and infrastructure built by

group companies and for third-party liability.

Under this common policy, risks that can be transferred totally or partially via insurance policies are monitored continually since the company analyses and revises cover, indemnity caps, exclusions and premium costs.

As a result of the redefinition of insurance policy that started the previous year, the process of optimizing covers and premiums of the policies subscribed in the various programmes in the international sphere continued throughout 2006, taking advantage of the volume and variety of the exposure of all the businesses and activities, particularly Services and Infrastructures.

#### **III. Risk occurrence in 2006**

In 2006, there were no risks other than those caused by the normal conduct of Grupo Ferrovial's various activities, which did not have significant adverse effects on the Company.

In fact, when there has been a situation in which a risk could materialize, information and control mechanisms worked effectively; therefore, the Company believes that its risk management systems and resources have worked satisfactorily.

#### **IV. Bodies with responsibility for risks**

A Quality & Environment Department was created in 2003 and reports directly to the CEO; its powers include most of those related to coordinating and monitoring the Group's risk profile.

The Corporate Insurance Unit was created in 2004 as part of the Quality & Environment Department. Its functions are described in section II.2.

The Audit Department, also part of the corporate structure, plans and works on the basis of the identified risks in order to assess the efficacy of the measures established for risk management.

Lastly, the Board of Directors Regulations state that the Audit and Control Committee's powers include periodically analysing and assessing the businesses' main risks and the systems established for their management and control. The Committee devotes most of its meeting schedule to this function and is periodically assisted by the heads of the aforementioned corporate departments.

## **V. Compliance processes**

### ***Quality management***

The quality, environmental and occupational safety management systems are continually being assessed and audited internally. The audit plans affect both central services and the production centres. In all cases, central services audit both the business areas and the corporate sphere, with the cooperation of qualified technicians who know the business but are independent of the production line.

### ***Internal audit***

The Audit Department, which reports directly to the Chairman and is at the disposal of the Board of Directors through the Audit and Control Committee, contributes to managing the risks the Group faces in meeting its objectives.

The Audit Department continually analyses the control procedures and systems, organization models and management variables of the main areas of Grupo Ferrovial, including the projects within the various business lines and aspects of the various support departments. The conclusions are then reported to the heads of the areas assessed and the Group's Senior Management, and specific recommendations are made with regard to implementing improvements.

The Audit Department also collaborates in investment and post-investment processes, participates actively in fraud prevention and control, and arbitrates internal disputes between the various Grupo Ferrovial companies.

Lastly, it should be mentioned that in order to perform these functions, the Audit Department has the knowledge and experience accumulated from continuous direct contact with the various businesses, and draws on assistance from leading external advisors whenever necessary.

### ***Code of Business Ethics***

Since 2004, Grupo Ferrovial, S.A. has a Code of Business Ethics, approved by the Board of Directors, that establishes the basic business ethics principles and commitments that all its companies, employees and executives must respect and comply with in the performance of their activities.

The document complies with the Company's commitment to ensure that relations between the Company, its employees and other interest groups adhere to the principle of respect for the

law, ethical integrity and respect for human rights.

In parallel, the company has also established a procedure for proposing improvements, making comments and criticisms, and reporting inefficient situations, inappropriate conduct, non-compliance with the Code of Business Ethics and other matters, all of which can be done anonymously.

### ***Procedure for protecting Grupo Ferrovial's assets by preventing internal fraud***

An internal procedure, whose aim is to protect the corporate assets through the prevention of conduct that could mean internal fraud, has been current in Grupo Ferrovial since 2005.

The procedure implements the corresponding principle of the Code of Business Ethics and establishes the rights and obligation to inform of behaviour or actions that may jeopardize Group assets either to a superior or via a system through which employees can make a report (signed or anonymous).

## ■ (E) Shareholders' Meeting

### I. Convening Shareholders' Meetings and adopting resolutions

#### 1. Attendance right

In accordance with the Shareholders' Meeting Regulations and the Bylaws, all shareholders who own at least one hundred (100) shares may attend the Shareholders' Meeting and the shares can be grouped to reach that figure.

Other than that minimum, there are no bylaw restrictions on attendance.

#### 2. Proxies

Shareholder representation at Shareholders' Meetings is regulated by article 15 of the Bylaws and articles 12 and 13 of the Shareholders' Meeting Regulations. This regulation is considered appropriate for guaranteeing shareholders' rights to be represented at the Meeting and delegate their vote.

#### 3. Quorum

The provisions of the Bylaws and the Shareholders' Meeting Regulations relating to the quorum reproduce the legal regime established in sections 102 and 103 of the Spanish Corporations Law, summarized as follows:

	At first call	At second call
Quorum	25%	No minimum
Special cases established by law	50%	25%. If less than 50%, resolutions must be adopted by two thirds of the capital present or represented.

#### 4. Meeting Chairmanship

The Chairman of the Shareholders' Meeting is the Chairman of the Board of Directors.

The Shareholders' Meeting Regulations are considered to be appropriate for guaranteeing the correct functioning of the Shareholders' Meeting.

Since the company was floated on the stock exchange, Grupo Ferrovial, S.A. has requested the presence of a notary to minute

the Shareholders' Meeting and perform the related functions, such as helping to organize the round of questions as the Meeting decides, and minuting or looking after the literal statements submitted by the shareholders.

#### 5. Adopting resolutions

There were no changes in the legal system for adopting resolutions, the Bylaws and the Shareholders' Meeting Regulations establishing that resolutions shall be adopted by a majority, unless the law states otherwise.

### II. Shareholders' Meeting Regulations. Rights and participation of shareholders at Shareholders' Meetings

#### 1. Rights and participation of shareholders

The Shareholders' Meeting Regulations, which were approved by the Shareholders' Meeting on 26 March 2004, regulate shareholders' rights in relation to Shareholders' Meetings and, in addition to the provisions established in the Spanish Corporations Law, they envisage the following:

At the Shareholders' Meeting held in 2006, a modification to the Bylaws and the Shareholders' Meeting Regulations was approved in order to include the changes introduced into the Spanish Corporations Law by Law 19/2005, dated 14 November, concerning the European Corporation domiciled in Spain, and relating to the publication of a supplement to the agenda at the request of certain shareholders, and the possibility of attending via distance communication means and announcing the meeting date before the formal notice is given.

#### Announcement of meetings

- As soon as the likely date of the Meeting is known, the Board may post it on the Company's web site or disseminate it by any other means it sees fit.
- The governing body shall consider the advisability of disseminating the notice of meeting via a larger number of media.

#### Drafting of the agenda

- The Board of Directors may consider the suggestions or proposals made in writing by shareholders and bearing relation

to the Company's activities or interests which it deems of interest for the Meeting.

#### **Right to be informed**

- The Company will post on its web site the text of all the resolutions proposed by the Board of Directors with regard to the items on the Agenda, with an explanation of the reasons for each one.
- The Company will post on its web site the replies given to shareholders in response to the questions they raise in the exercise of their right to be informed.

#### **Attendance of external auditors**

- The external auditors must attend the Shareholders' Meeting.

#### **Audit and Control Committee participation**

- The Chairman of the Audit and Control Committee must participate in Ordinary Shareholders' Meetings.

#### **Shareholder participation**

In accordance with the Board of Directors Regulations, one of the Board's functions is to encourage shareholder participation and adopt all appropriate measures to enable the Shareholders' Meeting to perform its functions effectively. The Board must also endeavour to ensure that shareholders have all the necessary information so as to form an accurate opinion about the Company's performance.

The Shareholders' Meeting Regulations contain several provisions that encourage shareholders to participate:

- The Board must consider the advisability of disseminating the notice of meeting via a larger number of media.
- When the Board is aware of the likely date of the next Shareholders' Meeting, it can communicate this through the Company's web site or via any other means it deems fit.
- Shareholders will be told, in the notice, that the Meeting is more likely to be held at first call or at second call on the scheduled dates.
- To draw up the Agenda, the Board must consider the suggestions and proposals made in writing by the shareholders which bear a relation to the Company's activities and interests and which it deems to be of interest to the Meeting.
- On giving notice of the Shareholders' Meeting, the Board

shall assess whether there are distance communication means enabling shareholders to vote and/or grant proxy while duly ensuring the identity of the person exercising the right to vote or, if by proxy, the identities of the proxy and shareholder, and whether the use of such means is feasible.

- Shareholders with attendance rights may attend the General Meeting via distance communication means, if the Board of Directors considers, on the occasion of each call to meeting, that the technical resources and legal grounds permitting and guaranteeing this form of attendance exist.
- The Company shall post the text of all the proposed resolutions, and the documents and reports that are mandatory or are determined by the Board of Directors, on the web site. Proposed resolutions must be accompanied by a justification.
- The Company's web site shall contain all the information deemed to be useful for enabling shareholders to attend and participate in the Shareholders' Meeting, including the procedure for obtaining the attendance card; instructions on how to cast or delegate votes at a distance as envisaged in the notice, if appropriate; information on the Meeting venue and how to get there; information on any systems or procedures that enable shareholders to follow the Meeting, and information about the Shareholder Service Department.
- Shareholders may be able to follow the Meeting at a distance via audiovisual means.
- The possibility of simultaneous translation mechanisms is envisaged.
- The Company will study measures to enable disabled shareholders to access the Meeting room.
- The round of questions at the Shareholders' Meeting is regulated in detail. In addition to taking the floor, shareholders may verbally request any information or clarification they see fit regarding the items on the Agenda.
- Shareholders' rights to be informed before or during the Meeting are guaranteed, in accordance with the Spanish Corporations Law.

#### **2. Shareholders' Meeting Regulations**

As already stated, the current Shareholders' Meeting Regulations were approved by the Shareholders on 26 March 2004 and were registered at the Madrid Companies Registry after being notified to the CNMV.

As mentioned earlier, the Shareholders' Meeting Regulations were modified through resolution of the Shareholders' Meeting