

*English translation for information purposes only. In the event of discrepancies between English and Spanish version, the Spanish version shall prevail.*

## **MODEL APPENDIX I**

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

### **ISSUER IDENTIFICATION DETAILS**

**FINANCIAL YEAR END** 31/12/2013

**COMPANY TAX ID NO.** A81939209

**Corporate name:** Ferrovial, S.A.

**Registered office:** Príncipe de Vergara, 135, 28002 Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**A OWNERSHIP STRUCTURE**

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

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
03/12/2009	146,702,051.00	733,510,255	733,510,255

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

Yes  No

Type	Number of shares	Nominal amount	Nominal amount of voting rights	Other rights

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

Name or corporate name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
SOUTHEASTERN ASSET MANAGEMENT INC	0	Collective investment institutions managed	35,244,909	4.805
BLACKROCK INC.	0	BlackRock Advisors, LLC BlackRock Advisors (UK) Limited BlackRock Asset Management Australia Limited BlackRock Asset Management Canada Limited BlackRock Asset Management Deutschland AG BlackRock Asset Management Ireland Limited BlackRock Financial Management Inc BlackRock Fund Advisors BlackRock Fund Managers Limited BlackRock Institutional Trust Company, National Association BlackRock International Limited BlackRock Investment Management, LLC BlackRock Investment	22,034,880	3.004

		Management (Australia) Limited BlackRock Investment Management (UK) Limited BlackRock Japan Co., Ltd BlackRock Life Limited BlackRock (Luxembourg), S.A. BlackRock (Netherlands) B.V. iShares (DE) Investmentaktiengesellschaft mit Teilvermögen		
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Indicate the most significant movements in the shareholder structure during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
PORTMAN BAELA, S.L.	31/07/2013	Sale of 1.36% of the Company's share capital through an accelerated bookbuilding process for €127 million.

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

Name or corporate name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
RAFAEL DEL PINO Y CALVO-SOTELO	135,489	RIJN CAPITAL BV	9,132,708	1.264
SANTIAGO BERGARECHE BUSQUET	2,462,734		0	0.336
JOAQUÍN AYUSO GARCÍA	125,797	MONTSERRAT DE PAUL CRESPO	3,647	0.018
IÑIGO MEIRÁS AMUSCO	92,437		0	0.013
GABRIELE BURGIO	43,254		0	0.006
JAIME CARVAJAL URQUIJO	70,738	ISABEL HOYOS MARTÍNEZ DE IRUJO	1,560	0.010
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	168,902			0.023
JUAN ARENA DE LA MORA	87,934		0	0.012
KARLOVY, S.L.	14,718	PORTMAN BAELA, S.L.	301,126,351	41.055

MARÍA DEL PINO Y CALVO-SOTELO	19,986		0	0.003
PORTMAN BAELA, S.L.	301,126,351		0	41.053
SANTIAGO FERNÁNDEZ VALBUENA	16,660		0	0.002

<b>% of total voting rights held by the Board of Directors</b>	<b>42.742</b>
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Complete the following tables on share options held by directors:

Name or corporate name of director	Number of direct options	Indirect options		Number of equivalent shares	% of total voting rights
		Direct holder	Number of voting rights		
RAFAEL DEL PINO Y CALVO-SOTELO	1,966,000			1,966,000	0.268
JOAQUÍN AYUSO GARCÍA	1,716,000			1,716,000	0.234
IÑIGO MEIRÁS AMUSCO	990,000			990,000	0.135

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

Related-party name or corporate name	Type of relations hip	Brief description
PORTMAN BAELA, S.L.	Corporate	As declared on the "Voting rights notification" form lodged with the CNMV and with the Company on 31 July 2013, the family group consisting of María, Rafael, Joaquín, Leopoldo and Fernando del Pino y Calvo-Sotelo has control, according to the meaning in article 4 of the Securities Market Act, through Karlovy, S.L. ("Karlovy"), of a majority of the share capital of Portman Baela, S.L. ("Portman"). Similarly, Casa Grande de Cartagena, S.L.U. is controlled by certain members of this family group. At that date Portman owned 41.053% of the share capital of Ferrovial. Karlovy, at that date, had a direct shareholding of 0.002% in Ferrovial. The family group comprising the aforementioned persons had control at that date, through Karlovy and Portman, of 41.055% of the share capital of Ferrovial. According to this communication, the members of the family group – that is, María, Rafael, Joaquín, Leopoldo and Fernando del Pino y Calvo-Sotelo, in addition to Karlovy, S.L., Portman Baela, S.L. and Casa Grande de Cartagena, S.L.U. – held a total of 319,413,835 direct and indirect

		shares representing 43.546% of the capital of Ferrovial. The concerted action described is merely an action of fact and is independent from the shareholders agreements reported to the CNMV as a significant event on 29 December 2009 (registry no. 2009118302) regarding the restrictions on the free transferability of the shares of Karlovy and Portman.
KARLOVY, S.L.	Corporate	See the section above regarding Portman Baela, S.L.
CASA GRANDE DE CARTAGENA, S.L.U.	Corporate	See the section above regarding Portman Baela, S.L.
Shareholders of PORTMAN BAELA, S.L. and KARLOVY, S.L.	Corporate	See the section above regarding Portman Baela, S.L.

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

Related-party name or corporate name	Type of relationship	Brief description
RAFAEL DEL PINO Y CALVO-SOTELO	Corporate	Chairman and Chief Executive Officer of Ferrovial, S.A.
MARÍA DEL PINO Y CALVO-SOTELO	Corporate	Director of Ferrovial, S.A.
KARLOVY, S.L.	Corporate	Director of Ferrovial, S.A.
PORTMAN BAELA, S.L.	Corporate	Director of Ferrovial, S.A.
LEOPOLDO DEL PINO Y CALVO-SOTELO	Corporate	Individual representing Director PORTMAN BAELA, S.L.
JOAQUÍN DEL PINO Y CALVO-SOTELO	Corporate	Individual representing Director KARLOVY, S.L.

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Capital Companies Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes

No

Shareholders bound by agreement	% of share capital affected	Brief description of agreement
PORTMAN BAELA, S.L.	44.607	On 28 December 2009, Portman Baela, S.L., which holds a 44.607% interest in Ferrovial, S.A., notified the Company of certain agreements entered into by shareholders of this company. Under these agreements, ownership of the share capital and voting rights of all shareholders of Portman Baela, S.L., which are corporate entities, and of their Parents will at all times directly or indirectly devolve to Rafael del Pino y Moreno and/or his direct descendants in a straight line. The representatives of these corporate shareholders hereby assume the obligation on behalf thereof that the ownership of the share capital and voting rights of each of them shall devolve to Rafael del Pino y Moreno and/or his direct descendants in a straight line. (Reported through a Significant Event to the CNMV on 29 December 2009 under registry no. 118302). (See section A.4).

KARLOVY, S.L.	44.607	It is hereby declared that, on 28 December 2009, Karlovy, S.L. (the company that has control, within the meaning of article 4 of Securities' Market Act 24/1988, of 28 July, of Portman Baela, S.L. which in turn is the holder of 44.607% of Ferrovia, S.A.), disclosed to Ferrovia, S.A. the agreements entered into by Karlovy shareholders. Under these agreements a pact was made limiting the transferability of shares in Karlovy, S.L. and imposing an obligation on Karlovy S.L. shareholders to offer their shares in Karlovy S.L. to Karlovy, S.L. and to the other shareholders thereof in the event of any shareholding or voting rights in any corporate shareholder being taken, whether directly or indirectly, by any individual or body corporate other than certain specified persons (as provided by the agreement) descending from or belonging to the family of Rafael del Pino y Moreno. (Reported through a Significant Event to the CNMV on 29 December 2009 under registry no. 118302). (See section A.4).
Shareholders of PORTMAN BAELA, S.L. and KARLOVY, S.L.	44.607	See section above

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

Yes

No

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action
PORTMAN BAELA, S.L.	43.546	See section A.4
KARLOVY, S.L.	43.546	See section A.4
CASA GRANDE DE CARTAGENA, S.L.U.	43.546	See section A.4
Shareholders of PORTMAN BAELA, S.L. and KARLOVY, S.L.	43.546	See section A.4

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

No amendments to or termination of any of the agreements described above have been reported to the Company.

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

Yes

No

Name or corporate name
KARLOVY, S.L.

Remarks
Although the direct and indirect shareholding held by Karlovy, S.L. through Portman Baela, S.L. (41.055% at 31 December 2013) does not imply control pursuant to article 42 of the Commerce Code, to which article 4 of the Securities' Market Act refers, the present situation, described in section A.4 above, is a de facto continuation of the situation that existed in Grupo Ferrovial S.A. prior to its merger with Cintra Concesiones de Infraestructuras de Transporte, S.A. ("Cintra").

**A.8 Complete the following tables on the company's treasury stock:**

**At year-end:**

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0

(\*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
<b>Total:</b>	

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

Date of notification	Total number of direct shares acquired	Total number of indirect shares acquired	% of total share capital

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

RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING OF 22 October 2009

"To authorise the Board of Directors to increase share capital in accordance with article 153.1.b) of the Spanish Public Companies Act, subject to the following conditions:

1. Delegation of the power to increase share capital: The Board of Directors is hereby authorised to increase share capital on one or more occasions and at any time within a period of five years from the date of approval of this resolution, where appropriate, by the General Meeting of the Shareholders up to a maximum amount of 73 million euros (€73,000,000) by issuing new ordinary or preference shares, or new shares of any other type permitted by law, including redeemable shares, with or without share premium, with or without voting rights, consisting of the equivalent value in cash contributions. The Board of Directors may set the terms and conditions for the share capital increase and freely offer new shares that may not be subscribed within the period or periods for the exercise of the preferential subscription right. The Board of Directors is authorised in the event of incomplete subscription to establish the share capital increase exclusively for the amount of the shares actually subscribed and to amend the wording of the article of the bylaws referring to share capital.

2. Delegation of the power to exclude the preferential subscription right: The Board of Directors is hereby authorised to exclude, either in whole or in part, the preferential subscription rights of shareholders in relation to the issue of shares subject to this delegation of powers, in accordance with article 159.2 and concordant articles of the Spanish Public Companies Act, where necessary in the interest of said company and given compliance with all other applicable legal requirements. In any case, if the Board decides to suppress the preferential subscription right in relation to a specific share issue that is made subject to this authorisation, when the issue is approved, it will also issue a report detailing the specific reasons evidencing that this measure is in the Company's interests, which must be accompanied by the auditor's report referred to in article 159.2 of the Spanish Public Companies Act. These reports shall be made available to the shareholders and communicated at the first General Meeting of the Shareholders to be held after the resolution to issue shares.

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

This authorisation replaces that agreed at the General Meeting of the Shareholders held on 27 March 2007, leaving it without effect for the part not used.

This resolution shall be subject to the registration of the public instrument formalising the merger between CINTRA CONCESIONES DE INFRAESTRUCTURAS DE TRANSPORTE, S.A. and GRUPO FERROVIAL, S.A. in the Madrid Companies Register and shall take effect as of that moment."

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

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

- Form of acquisition: acquisition via purchase or any other *inter vivos* act for valuable consideration.
- Maximum number of shares to be acquired: Shares of Ferrovial, S.A., in an amount such that the par value of the shares acquired, together with that of those already held by Ferrovial, S.A. and any of its dependent companies, does not exceed 10% of the capital stock of Ferrovial, S.A.
- Minimum and maximum acquisition price: the minimum acquisition price of shares shall be equivalent to 75% of the market price and the maximum acquisition price shall be 120% of the market price on that same date.
- Duration of the authorisation: five (5) years from the date of this resolution.
- Use of the authorisation: the Board of Directors shall use this authorisation under the terms established in the Company's Internal Code of Conduct in force at any given time.
- Possible delivery of shares to employees or directors: the Board of Directors is empowered to allocate some or all of the own shares that are acquired to remuneration programmes whose purpose or mechanism is the delivery of shares or stock options, in accordance with article 146.1.a) of the Capital Companies Act.
- Powers to subdelegate: the powers conferred by this resolution may be subdelegated to the Executive Committee, the Chairman or the CEO of the Company, and, in any case, may be exercised at any time by the persons designated in the Company's Internal Code of Conduct under the terms set out therein.

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



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

Yes

No

Description of restrictions
The Company has no bylaw-stipulated restrictions on the transfer of securities or on exercising voting rights and, therefore, there are no restrictions other than those that may arise from general corporate regulations.
There are also no restrictions that may hinder the takeover of the Company.
There are no legal or bylaw-stipulated restrictions on voting rights, except for those established in section 83.1 of the Capital Companies Act and article 12.2 of the Bylaws (which state that shareholders in arrears in capital payments payable may not vote).

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

Yes

No

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

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

Yes

No

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

**B GENERAL SHAREHOLDERS' MEETING**

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

Yes  No

	Quorum % other than that established in article 193 of the LSC for general cases	Quorum % other than that established in article 194 of the LSC for the special cases described in article 194
Quorum required for first call		
Quorum required for second call		

Description of differences

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

Yes  No

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

	Qualified majority other than that established in article 201.2 of the LSC for general cases described in 194.1 of the LSC	Other cases requiring a qualified majority
% set by company for adopting corporate resolutions		
Describe the differences		

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

The Company Bylaws do not envisage anything different from that established under the law in general and, therefore, it must be followed. The following is a summary of the content of articles 194 and 201 of the Capital Companies Act.

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

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

The Capital Companies Act governs the safeguarding of shareholders' rights and establishes that amendments to the Bylaws which entail new obligations for shareholders must be adopted with the consent of those affected (article 291 of the Capital Companies Act).

Likewise, in order for a bylaw-stipulated amendment which directly or indirectly affects the rights of a class of shares to be valid, it must be approved by the General Shareholders' Meeting pursuant to the requirements established in the Capital Companies Act, as well as by the majority of the shares belonging to the class affected. When various classes are affected, a separate resolution will be required for each class (article 293 of the Capital Companies Act).

When the amendment only affects a portion of the shares belonging to the same class and entails discriminatory treatment among them, the shares which are affected by the amendment and those which are not will be deemed to compose separate classes. Therefore, the adoption of a separate resolution will be necessary for each with the same requirements as those envisaged in the Capital Companies Act for amendments to corporate bylaws, either in a special shareholders' meeting or through a separate vote in the general shareholders' meeting, in which case it will be expressly noted in the call.

**B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year:**

Date of general meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
22/03/2013	1.173%	67.403%	0.001%	1.263%	69.840%
30/03/2012	0.678%	66.013%	0.001%	0.61%	67.302%

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

Yes  No

<b>Number of shares required to attend the General Meetings</b>	<b>100</b>
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**B.6 Indicate whether decisions involving a fundamental corporate change ("subsidiarisation", acquisitions/disposals of key operating assets, operations that effectively entail the company's liquidation) must be submitted to the**

General Shareholders' Meeting for approval or ratification even when not expressly required under company law:

Yes

No

Article 22.2, section f) and g) of the Company Bylaws and article 5, section f) and g) of the Regulations of the General Shareholders' Meeting include among the competencies of the Shareholders' Meeting that of agreeing to incorporate entities dependent on the company for essential activities performed thus far by the Company, even when the Company maintains full control of said entities, as well as agreeing on the dissolution and liquidation of the Company or any other operation whose result is equivalent to liquidating the Company. However, it does not include the purchase-sale of essential operating assets since it is considered that the assumption thereof could give rise to a significant difficulty in the possible performance of corporate transactions.

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

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

## **C** COMPANY MANAGEMENT STRUCTURE

### **C.1** Board of Directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

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

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

<b>Name or corporate name of director</b>	<b>Representative</b>	<b>Position on the board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
RAFAEL DEL PINO Y CALVO-SOTELO	--	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	15/07/1998	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
SANTIAGO BERGARECHE BUSQUET	--	FIRST DEPUTY CHAIRMAN	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
JOAQUÍN AYUSO GARCÍA	--	SECOND DEPUTY CHAIRMAN	04/03/2002	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
IÑIGO MEIRÁS AMUSCO	--	CHIEF EXECUTIVE OFFICER	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING

JAIME CARVAJAL URQUIJO	--	DIRECTOR	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
PORTMAN BAELA, S.L.	LEOPOLDO DEL PINO Y CALVO-SOTELO	DIRECTOR	15/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
GABRIELE BURGIO	--	DIRECTOR	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
JUAN ARENA DE LA MORA	--	DIRECTOR	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
MARÍA DEL PINO Y CALVO-SOTELO	--	DIRECTOR	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
SANTIAGO FERNÁNDEZ VALBUENA	--	DIRECTOR	03/12/2009	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	--	DIRECTOR	27/10/2004	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING
KARLOVY, S.L.	JOAQUÍN DEL PINO Y CALVO-SOTELO	DIRECTOR	25/03/2010	22/03/2013	VOTE AT GENERAL SHAREHOLDERS' MEETING

<b>Total number of directors</b>	12
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Indicate any board members who left during this period:

<b>Name or corporate name of director</b>	<b>Status of the director at the time</b>	<b>Leaving date</b>

C.1.3 Complete the following tables on board members and their respective categories:

#### **EXECUTIVE DIRECTORS**

<b>Name or corporate name of director</b>	<b>Committee reporting appointment</b>	<b>Position held in the company</b>
RAFAEL DEL PINO Y CALVO-SOTELO	NOMINATION AND REMUNERATION COMMITTEE	Chairman and Chief Executive Officer
IÑIGO MEIRÁS AMUSCO	NOMINATION AND REMUNERATION COMMITTEE	Chief Executive Officer

<b>Total number of executive directors</b>	2
<b>% of the board</b>	16.667

**EXTERNAL PROPRIETARY DIRECTORS**

<b>Name or corporate name of director</b>	<b>Committee reporting appointment</b>	<b>Name or corporate name of significant shareholder represented or proposing appointment</b>
PORTMAN BAELA, S.L.	NOMINATION AND REMUNERATION COMMITTEE	PORTMAN BAELA, S.L.
MARÍA DEL PINO Y CALVO-SOTELO	NOMINATION AND REMUNERATION COMMITTEE	PORTMAN BAELA, S.L.
KARLOVY, S.L.	NOMINATION AND REMUNERATION COMMITTEE	PORTMAN BAELA, S.L.

<b>Total number of proprietary directors</b>	3
<b>% of the board</b>	25.00

**INDEPENDENT EXTERNAL DIRECTORS**

<b>Name or corporate name of director</b>	<b>Profile</b>
SANTIAGO BERGARECHE BUSQUET	Graduate in Economics and Law from Deusto University. A member of the Board of Directors of Ferrovial since 1999. Joined Ferrovial in 1995 as Chairman of Agroman. Served as Chief Executive Officer of Ferrovial from February 1999 to January 2002. Joint Chairman of Cepsa, Chairman of Dinamia Capital Privado and Director of Vocento, Maxam and the Deusto Business School. Formerly Managing Director of Banco Bilbao Vizcaya Argentaria (BBVA) and Chairman of Metrovacesa.
JAIME CARVAJAL URQUIJO	Graduate in Law (Universidad Complutense de Madrid), holding a MA in Economics from Cambridge University. A member of the Board of Directors of Ferrovial since 1999. Special Partner of Advent Internacional, Chairman of ABB (Spain), member of the Board of Aviva (Spain) and Maxam. Former Chairman of Ford España and Ericsson España, and former Board member of Telefónica, Repsol and Unión Fenosa.
JUAN ARENA DE LA MORA	PhD in Engineering (ICAI); Degree in Business Studies (ICADE); Degree in Psychology; Diploma in Tax Studies and AMP (Harvard Business School). A member of the Board of Directors of Ferrovial since 2000. Member of the Board of Directors of Laboratorios Almirall, Everis, Meliá Hotels International, PRISA and PANDA. Chairman of Fundación SERES, Chairman of the Advisory Boards of Consulnor and MARSH, member of the Advisory Board of Spencer Stuart, of the Professorial Council of ESADE and of the European Advisory Board of Harvard Business School. A member of the Board of Directors of the Deusto Business School and Senior Advisor of Oaktree. Senior Lecturer at Harvard Business School (2009-2010). He is the former CEO and Chairman of Bankinter and a former Board member of TPI and Dinamia.

GABRIELE BURGIO	Graduate in Law, holding an MBA from INSEAD. A member of the Board of Directors of Ferrovial since 2002. Chairman and CEO of Alpitour, S.p.A. and member of the Board of Directors of Banque SYZ & Co. Formerly the Executive Chairman of NH Hoteles from 1999 to 2011. Mr Burgio has also been Chief Executive Officer and Chairman of NH Italia S.r.l. and Chief Executive Officer of Cofir.
SANTIAGO FERNÁNDEZ VALBUENA	Holder of a Degree in Economics from the Universidad Complutense de Madrid and a PhD and Master's Degree in Economics from Northeastern University, Boston. A member of the Board of Directors of Ferrovial since 2008. Chairman of Telefónica Latin America and, since 2012, member of the Board of Telefónica S.A. He was head of Fonditel; Director-General of Strategy, Finance and Development of Telefónica; Chief Executive Officer of Société Générale Valores and Head of Equities at Beta Capital; Lecturer in Applied Economics in the Universidad Complutense and a lecturer at the Instituto de Empresa.
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	Graduate in Industrial Engineering from Universidad Politécnica de Barcelona. A graduate from the Harvard Business School ISMP programme. Mr Sánchez-Junco is a member of the State Corps of Industrial Engineers. Appointed to the Board of Directors of Ferrovial in 2009. From 2004 to 2009 he served on the Board of Directors of Cintra. Chairman and CEO of the MAXAM Group. He is the former Director-General of Iron, Steel and Naval Industries and former Director-General for Industry at the Ministry for Industry and Energy.

<b>Total number of independent directors</b>	6
<b>% of the board</b>	50.000

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

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

<b>Name or corporate name of director</b>	<b>Description of the relationship</b>	<b>Reasons</b>
SANTIAGO BERGARECHE BUSQUET	Mr. Bergareche is the Joint Chairman of CEPSA. The company sells fuel to Ferrovial group companies in the amount of €14,129 thousand. Similarly, Ferrovial group companies provided maintenance services to CEPSA in the amount of approximately €16 thousand.	Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

SANTIAGO BERGARECHE BUSQUET	Mr. Bergareche is a member of the Board of Directors of the MAXAM Group. This company supplies Ferrovia group companies with explosives in the amount of approximately €147 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JAIME CARVAJAL URQUIJO	Mr. Carvajal is Chairman of Asea Brown Boveri, a company that provided equipment repair and maintenance services to Ferrovia group companies in the amount of €141 thousand. Similarly, Ferrovia group companies provided waste collection services to Asea Brown Boveri in the amount of approximately €6 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JAIME CARVAJAL URQUIJO	Mr. Carvajal is a member of the Board of Directors of Aviva. Companies of this group provided insurance services to Ferrovia group companies in the amount of €2,440 thousand.	Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JAIME CARVAJAL URQUIJO	Mr. Carvajal is a member of the Board of Directors of the MAXAM Group. This company supplied explosives to Ferrovia group companies in the amount of approximately €147 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JUAN ARENA DE LA MORA	Mr. Arena is a member of the Board of Directors of Almirall. The Ferrovia group provided this company with management and waste collection services in the amount of approximately €29 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JUAN ARENA DE LA MORA	Mr. Arena is a member of the Board of Directors of Everis. Companies of this group provided communication services to Ferrovia group companies in the amount of €708 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JUAN ARENA DE LA MORA	Mr. Arena is a member of the Board of Directors of Meliá Hotels International. Companies of this group provided hotel and catering services to Ferrovia group companies in the amount of approximately €3 thousand. Similarly, Ferrovia group	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.



	companies provided maintenance and waste collection services to Meliá group companies in the amount of approximately €55 thousand.	
JUAN ARENA DE LA MORA	Mr. Arena is the Chairmen of Fundación SERES. Ferrovial is a trustee of the Foundation, to which it donated €18 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JUAN ARENA DE LA MORA	Mr. Arena is a member of the Board of Directors of PANDA. Companies of this group provided computer services in the amount of approximately €4 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
SANTIAGO FERNÁNDEZ VALBUENA	Mr. Fernández Valbuena is the Chairman of Telefónica Latin America and a member of the Board of Directors of Telefónica. Telefónica group companies provided telecommunication services in the amount of €9,218 thousand. Similarly, Ferrovial group companies re-invoiced Telefónica group companies for a series of cancellation costs in the amount of approximately €1,500 thousand.	Taking into account the type of operation and the business volume of the companies involved, the Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	Mr. Sánchez-Junco is the Chairman and CEO of the MAXAM Group. This company supplied explosives to Ferrovial group companies in the amount of approximately €147 thousand.	The Board does not consider the relationship described to be sufficiently important so as to affect the independence of the Board member.

#### **OTHER EXTERNAL DIRECTORS**

Name or corporate name of director	Committee reporting or proposing appointment
JOAQUÍN AYUSO GARCÍA	Nomination and Remuneration Committee

<b>Total number of other external directors</b>	1
<b>% of the board</b>	8.33

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained
JOAQUÍN AYUSO GARCÍA	Article 8.4.a) of Order ECC/461/2013, of 20 March, stipulates that persons that have been employees or executive directors of group companies may under no circumstances be deemed independent directors, unless three or five years, respectively, have elapsed since the employment relationship ended. Mr. Ayuso lost his status as Executive Director on 29 November 2012.	Ferrovia, S.A.

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

Name or corporate name of director	Date of change	Previous category	Current category

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

	Number of female directors				% of total directors of each type			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
<b>Executive</b>	0	0	0	0	0	0	0	0
<b>Proprietary</b>	1	1	1	1	8.33	8.33	8.33	8.33
<b>Independent</b>	0	0	0	0	0	0	0	0
<b>Other external</b>	0	0	0	0	0	0	0	0
<b>Total</b>	1	1	1	1	8.33	8.33	8.33	8.33

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

Explanation of measures
The measures adopted to ensure an even balance between male and female directors are those indicated below.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and

whether the company makes a conscious effort to search for female candidates who have the required profile:

<b>Explanation of measures</b>
<p>In compliance with the provisions of article 22.3.a) of the Regulations of the Board of Directors, the Nomination and Remuneration Committee "...shall ensure that there is no implicit bias in the selection of candidates that might prevent the selection of Directors based on personal circumstances."</p> <p>Similarly, in the processes for selecting new directors beginning after the last renewal of the composition of the Board in March 2013, this Committee has decided to deliberately search for female candidates that have the required professional profile. In the event an external consultant is contracted to search for candidates, this consultant will also be instructed to do the same.</p>

When, despite the measures taken, there are few or no female directors, explain the reasons:

<b>Explanation of the reasons</b>
<p>The Board of Director has one woman among its twelve members.</p> <p>The first measure indicated above, in article 22.3.a) of the Regulations of the Board, did not ensure an even balance between male and female directors. The second measure will be implemented in the future.</p>

C.1.7 Explain how shareholders with significant holdings are represented on the board:

The following directors form part of the controlling family group: Rafael del Pino y Calvo-Sotelo, María del Pino y Calvo-Sotelo, Portman Baela, S.L., represented by Leopoldo del Pino y Calvo-Sotelo, and Karlovy, S.L., represented by Joaquín del Pino y Calvo-Sotelo (See sections A.4 and A.6).

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital:

<b>Name or corporate name of shareholder</b>	<b>Reason</b>
Not applicable	

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

Yes

No

Name or corporate name of shareholder	Explanation

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

Name of director	Reasons for resignation
None	

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

Name or corporate name of director	Brief description
RAFAEL DEL PINO Y CALVO-SOTELO	All powers except those that cannot, under the law or the Company's Bylaws, be so delegated.
IÑIGO MEIRÁS AMUSCO	All powers except those that cannot, under the law or the Company's Bylaws, be so delegated.

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

Name or corporate name of director	Corporate name of the group entity	Position
JOAQUÍN AYUSO GARCÍA	AUTOPISTA DEL SOL, S.A.	Chairman
IÑIGO MEIRÁS AMUSCO	CINTRA INFRAESTRUCTURAS, S.A.	Chairman
IÑIGO MEIRÁS AMUSCO	FERROVIAL AEROPUERTOS, S.A.	Chairman
IÑIGO MEIRÁS AMUSCO	FERROVIAL AGROMAN, S.A.	Chairman
IÑIGO MEIRÁS AMUSCO	FERROVIAL FISA, S.L.	Chairman
IÑIGO MEIRÁS AMUSCO	FERROVIAL SERVICIOS, S.A.	Chairman
IÑIGO MEIRÁS AMUSCO	FINECOFER, S.L.	Chairman and Chief Executive Officer

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

<b>Name or corporate name of director</b>	<b>Name of listed company</b>	<b>Position</b>
RAFAEL DEL PINO Y CALVO-SOTELO	ZURICH INSURANCE GROUP	DIRECTOR
SANTIAGO BERGARECHE BUSQUET	VOCENTO, S.A.	DIRECTOR
SANTIAGO BERGARECHE BUSQUET	DINAMIA CAPITAL PRIVADO, S.A., S.C.R.	CHAIRMAN
JOAQUÍN AYUSO GARCÍA	BANKIA, S.A.	DIRECTOR
JOAQUÍN AYUSO GARCÍA	NATIONAL EXPRESS GROUP, PLC	DIRECTOR
JUAN ARENA DE LA MORA	MELIÁ HOTELS INTERNATIONAL, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	ALMIRALL, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	PRISA, S.A.	DIRECTOR
SANTIAGO FERNÁNDEZ VALBUENA	TELEFÓNICA, S.A.	DIRECTOR
SANTIAGO FERNÁNDEZ VALBUENA	TELEFÓNICA BRASIL, S.A.	DIRECTOR

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

Yes

No

<b>Explanation of rules</b>
The Board of Directors does not consider it necessary to limit the number of Boards to which a Director may belong, since it understands that control over this matter is sufficiently well preserved with the function performed by the Nomination and Remuneration Committee for reviewing the professional commitments of each Board member (Article 22.3.g) of the Regulations of the Board).

C.1.14 Indicate the company's general policies and strategies that are reserved for approval by the full Board:

	<b>Yes</b>	<b>No</b>
<b>Investment and financing policy</b>	YES	
<b>Design of the structure of the corporate group</b>	YES	
<b>Corporate governance policy</b>	YES	
<b>Corporate social responsibility policy</b>	YES	
<b>Strategic or business plans, management targets and annual budgets</b>	YES	

<b>Remuneration and evaluation of senior executives</b>	YES	
<b>Risk control and management policy, and the periodic monitoring of internal information and control systems</b>	YES	
<b>Dividend policy, as well as the policies and limits applying to treasury stock</b>	YES	

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

<b>Board remuneration (thousands of euros)</b>	12,796
<b>Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)</b>	0
<b>Total board remuneration (thousands of euros)</b>	12,796

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year:

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

<b>Total senior management remuneration (thousands of euros)</b>	17,712
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C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:

Name or corporate name of director	Name or corporate name of significant shareholder	Position
RAFAEL DEL PINO Y CALVO-SOTELO	KARLOVY, S.L.	Representative of the Chairman & CEO
RAFAEL DEL PINO Y CALVO-SOTELO	PORTMAN BAELA, S.L.	Representative of the Chairman & CEO
MARÍA DEL PINO Y CALVO-SOTELO	PORTMAN BAELA, S.L.	Representative of the Deputy Chairman and Board member
MARÍA DEL PINO Y CALVO-SOTELO	KARLOVY, S.L.	Representative of the Deputy Chairman and Board member

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

Name or corporate name of the director	Name or corporate name of significant shareholder	Relationship

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

Yes

No

Description of amendments

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

Composition of the Board.

The Bylaws and Regulations of the Board of Directors require the Board to do its utmost to ensure that external or Non-Executive Directors form an ample majority of Board members. The Board shall also seek to ensure that the group of external directors forming a majority of Board members includes Proprietary and Independent Directors, with the latter making up a significant proportion of the group. Independent Directors should, in any event, represent at least one third of all board members.

Recruitment of Directors.

The Regulations of the Board of Directors include a procedure for nominating or recruiting candidates for appointment or re-appointment as Directors. This procedure, when used to select new Directors, has normally been implemented with assistance from recruitment firms.

The responsibilities of the Nomination and Remuneration Committee include the drawing up of selection criteria on the basis of which candidates are to be chosen. Appointments (or re-appointments) of Directors, under article 26 of the Regulations of the Board of Directors, are to be preceded by:

- a recommendation from the Nomination and Remuneration Committee in the case of an Independent Director (including the Lead Director).
- a prior report from the Nomination and Remuneration Committee for all other appointments to the Board.

Every effort is made to ensure that successful candidates are of proven reliability, competence and expertise, and special care is taken with appointments to posts of Independent Director, which must be in accordance with the relevant provisions of the Regulations.

Proprietary Directors are not permitted by the Regulations to maintain, directly or indirectly, and in a personal capacity, any significant commercial, business, employment or professional relations with Ferrovial other than in the performance of the duties inherent to the offices of Chairman and Chief Executive Officer of the Company.

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

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

Directors proposed for appointment, re-election or removal shall not intervene in the corresponding deliberations and voting. All votes shall be taken in secret.

Term of office.

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

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

The Nomination and Remuneration Committee is required to:

- Submit a prior report on the appointment, resignation or removal of the Chief Executive Officer and Secretary to the Board.
- Propose Board members to sit on Board Committees.

Evaluation of the Board of Directors.

In accordance with article 25 of the Regulations to the Board, "once every two years, the Board evaluates:

- a) Its performance workings and the quality and efficiency of its work.
- b) The performance of the Chairperson and CEO of the Company, following consultation with the Nomination and Remuneration Committee.
- c) The performance of its committees on the basis of the reports issued by them.

The Chairperson of the Board of Directors will organize and coordinate the periodic evaluation of the Board with the Chairperson of the Nomination and Remuneration Committee."

Removal of Directors.



Article 30.2 of the Regulations of the Board of Directors stipulates that: “The Board may not remove any Independent Director before expiration of his/her term except with just cause observed by the Board and following consultation with the Nomination and Remuneration Committee. In particular, just cause will be deemed to exist where the Director breaches any of the duties inherent to the office or incurs in any of the cases of incompatibility described in the definition of Independent Director in article 2, or if any of the circumstances described in paragraph 3 below arise.

The removal of Independent Directors may also be proposed if, as a result of a takeover bid, merger or other similar transaction, there is a change in the Company's capital structure that makes it advisable to review the criteria of proportionality established in the recommendations on corporate governance.

3. Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases:

- a) Executive Directors, when the Board sees fit.
- b) Proprietary Directors, when the entire stake in the Company that enabled them to be appointed as such is disposed of. The appropriate number of Proprietary Directors must also resign when such stake is reduced to such a level as to require a reduction in the number of Proprietary Directors.
- c) Where Directors incur in any of the cases of incompatibility or prohibition envisaged by law or by the internal regulations.
- d) At the Board's request, because the Director has violated his/her obligations.
- e) Where the Director's continuance on the Board may jeopardize Ferrovial's interests.
- f) 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. In particular, if a Director is placed on trial for any violation of article 213 of the Corporate Enterprises Act, the Board must analyze, as soon as possible, the circumstances of the case and the advisability of the Director continuing or being removed; the decision must be disclosed in the Annual Corporate Governance Report.
- g) When Directors reach the age of 70. The Chairperson and Vice-Chairperson (if they are executives), the CEO and Secretary of the Board must resign at 65, but may continue as Directors and hold the office of Chairperson or Vice-Chairperson if they are not executives.
- h) When there are significant changes in their professional situation or in the conditions by virtue of which they were appointed Directors.

4. Upon resignation or removal from office for any reason, a Director may express the reasons in a letter and circulate it to the other Directors. If this occurs, the Company must disclose the reason for removal in the Annual Corporate Governance Report.”

C.1.20 Indicate whether the board has evaluated its performance during the year:

Yes

No

Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments
The self-evaluation process of the Board was carried out with the support of an international firm of recognised prestige. The conclusions of the process contributed to improving the functioning of the Board and its Committees, but did not give rise to significant changes in its internal organisation and procedures.

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

Rules have been laid down for Director resignations. The Regulations of the Board of Directors provide a set of circumstances in which Directors are required to offer their resignations to the Company and, if considered appropriate by the Company, to formally resign. In addition to termination of a Director's appointment at the end of their term of office or when the General Meeting so decides, the Regulations provide the following grounds for termination:

- In the case of an Executive Director, where the Board of Directors considers it appropriate.
- In the case of Proprietary Directors, when the whole of the shareholding in the Company in respect of which they were appointed is transferred. Directors must also resign from office, in a suitable number, if such shareholding is reduced to a level that requires a reduction in the number of Proprietary Directors.
- When they are in any situation giving rise to a conflict of interest or otherwise prohibiting them from holding office, whether provided for by law or by Company Regulations.
- At the request of the Board concerned, following a breach of their obligations as a Director.
- Where the Director could, by continuing to serve as a member of the Board, place the interests of Ferrovial in jeopardy.
- On reaching the age of 70 years. The Chairman, the Deputy Chairman (when performing executive functions), the Chief Executive Officer and the Secretary to the Board are required to resign on reaching the age of 65 but may continue to serve as Board members and as Chairman and Deputy Chairman when they are no longer executive members.
- If there is a significant change in their employment situation or in the conditions relevant to their appointments as Directors.
- Where due to circumstances attributable to the Director, their continuing presence on the Board would, in the Board's opinion, cause serious harm to the assets or reputation of the Company. In particular, if a Director is tried or summoned to attend a court hearing on a charge under section 213 of the Capital Companies Act, the Board will as soon as possible consider the circumstances of the case and whether or not the Director should remain in office, and report its conclusions in the Annual Corporate Governance Report.

With regard to Independent Directors, the Regulations of the Board of Directors state that the Board will not ask them to resign before the end of their term of office unless it considers there are reasonable grounds for doing so after a recommendation has been received from the Nomination and Remuneration Committee. Reasonable grounds are considered to exist, in particular, where an Independent Director has failed in his/her duty or has a conflict of interest, or in any of the circumstances described above.

An Independent Director may also be asked to resign if, as a result of a takeover bid, merger or other transaction of a similar nature, a change in the capital structure of the Company occurs such as to require an adjustment to the proportionality rules laid down in the recommendations on corporate governance.

### C.1.22 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person:

Yes

No

Measures for limiting risk

A) Powers of the Board of Directors

The Board of Directors is responsible for performing the management, representation and supervisory tasks necessary to ensure the achievement of the corporate purpose and to protect the general interests of the Company and create value for the benefit of all shareholders.

Furthermore, without prejudice to any delegated powers exercisable by it, the Board directly appropriates to itself or to Board Committees the power to deliberate on certain matters on which is it required to reach decisions. These include the following:

- Approval and oversight of strategies for the Company's development.
- Supervision of management activities and evaluation of managers.
- Setting up new companies and acquiring or selling existing shareholdings where such action would result in the taking or losing of a majority shareholding or a proportional shareholding of more than a certain size, or in the launching or discontinuing of one or more business lines.
- Any merger, spin-off or restructuring involving the Company or any company of which the Company is a shareholder.
- Transactions involving investments, disposals, financings or guarantees affecting significant Group assets whose value exceeds certain thresholds.

The call of the meeting for ordinary sessions of the Board will contain the agenda, which will include items requested by any of the Directors.

If, following a request for a Board meeting by the Directors, the Chairman fails to call the meeting within one month for no justified reason, Directors comprising at least one-third of the members of the Board of Directors may call a meeting of the Board, indicating the agenda, to be held in the city where the Company has its registered office.

B) Chief Executive Officer

The Company has had a Chief Executive Officer since it was stock market listed.

C) Lead Director

The Board of Directors has appointed a Lead Director (See the following section).

Indicate, and if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the Board of Directors.

Yes

No

Explanation of rules
Lead Director  Article 15 of the Regulations of the Board of Directors requires that where the Chairman is also the Company's first executive, one of the Independent Directors will take the role of coordinating the External Directors. In particular, he/she will act as a conduit for any issues or concerns raised by the External Directors and may ask for a Board meeting to be called and for items to be included on the agenda.

The Lead Director must be an Independent Director.

The Lead Director is appointed by the Board of Directors based on a proposal by the Nomination and Remuneration Committee.

At a meeting of the Board held on 30 May 2012, on the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed José Fernando Sánchez-Junco, with effect from 30 June 2012, as Lead Director for a term of two (2) years.

Article 23.2 of the Regulations of the Board of Directors lays down that call of ordinary meetings of the Board will contain the agenda, which will set out any items requested by any of the Directors.

In addition, if, following a request for a Board meeting by the Directors, the Chairman fails to call the meeting within one month for no justified reason, directors comprising at least one-third of the members of the Board of Directors may call a meeting of the Board, indicating the agenda, to be held in the city where the Company has its registered office.

The Lead Director does not have the duty of leading the Board's evaluation of the Chairman. The Company believes that this role must be fulfilled by the Board on the basis of a report from the Nomination and Remuneration Committee.

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

Yes

No

If applicable, describe the differences:

Description of differences

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

Yes

No

Description of requirements

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

Yes

No

Matters where the Chairman has the casting vote
In a vote on any matter on which there is a tie, the Chairman's vote will be decisive.

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

Yes  No

Age limit for Chairman 65

Age limit for CEO 65 Age limit for directors 70

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors:

Yes  No

<b>Maximum number of years in office</b>	
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C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether only one director of the same category may be appointed as a proxy. If so, give brief details:

Under article 47.3 of the Bylaws and article 24.3 of the Regulations of the Board of Directors, if a Director cannot attend in person, he will seek to appoint another member of the Board to act as his proxy; such appointment must be in writing, for a special purpose for each Board, and should include voting instructions where the form of the agenda so permits. There is no limit to the number of proxies that each Director may have and it is not a requirement that only one Director of the same category be appointed as a proxy.

C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions:

<b>Number of board meetings</b>	12
<b>Number of board meetings held without the Chairman's attendance</b>	0

Indicate the number of meetings of the various board committees held during the year:

<b>Number of meetings of the Executive or Delegated Committee</b>	3
<b>Number of meetings of the Audit and Compliance Committee</b>	5
<b>Number of meetings of the Nomination and Remuneration Committee</b>	4
<b>Number of meetings of the Nomination Committee</b>	N/A

<b>Number of meetings of the Remuneration Committee</b>	N/A
<b>Number of meetings of the _____ Committee</b>	

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions:

<b>Directors' attendance</b>	11
<b>% of attendances of the total votes cast during the year</b>	99.3

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:

Yes  No

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

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

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

With regard to responsibility for preparing the financial statements, article 8.2.d) of the Regulations of the Board of Directors contains the following provisions:

- Every effort will be made to ensure that there are no qualifications in the Auditor's Report.
- However, when a qualification is made and the Board considers that it should maintain its position, the Chairman of the Audit and Control Committee and, if required, the external auditor, will publicly explain the nature and extent of the disagreement.

C.1.33 Is the Secretary of the board also a director?

Yes  No

C.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether their appointment and removal have been notified by the Nomination Committee and approved by the full board:

<b>Appointment and removal procedure</b>
To be appointed Secretary to the Board of Directors it is not necessary to be a

Director. Appointments and removals are proposed by the Chairman and approved by the Board on the basis of a report from the Nomination and Remuneration Committee.

	Yes	No
<b>Does the Nomination Committee report appointments?</b>	Yes	
<b>Does the Nomination Committee report dismissals?</b>	Yes	
<b>Do appointments have to be approved by the full board ?</b>	Yes	
<b>Do dismissals have to be approved by the full board?</b>	Yes	

Is the Secretary of the board entrusted in particular with the function of overseeing corporate governance recommendations?

Yes

No

Remarks
Article 16.5 of the Regulations of the Board of Directors states that “the Secretary will also be in charge of verifying the Company's compliance with the corporate governance regulations and of interpreting them, in accordance with these Regulations. He/she will also take account of the corporate governance recommendations which the Company must adopt and will analyse those arising at any time in order to include them in the Company's internal rules.”

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies:

Independence of external auditors.

One area of responsibility of the Audit and Control Committee is to advise on the appointment of the external auditor, the terms of the engagement, the scope of the work and on whether or not the appointment should be renewed.

The Committee cannot under any circumstances recommend that the Board employ any auditing firm whose total fees for all services are expected to exceed 5% of the firm's total revenue for the last year.

The Committee must receive, on an annual basis, written confirmation from the auditor of its independence with respect to the Company or entities directly or indirectly connected to the Company, as well as information on any type of additional services provided to these entities by this auditor, or by persons or entities related to the latter pursuant to the provisions of the Audit Act. The Committee issues annually, prior to the issuing of the external auditor's report, a report expressing an opinion on the independence of the external auditor. This report must express an opinion on the provision of the aforementioned additional services.

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

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

Independence of analysts and rating agencies.

The Nomination and Remuneration Committee is responsible for taking measures to ensure that Ferrovial does not employ any staff or senior managers who have carried out research on the Company or the Company's subsidiaries whose shares are listed on any stock exchange, or that have worked for a rating agency within a period of two years after they have left the rating agency. The Nomination and Remuneration Committee decided that the Human Resources Department was the department best equipped to take the measures necessary to prevent the employment of such persons. As a result, in 2008 the Human Resources Department approved an internal procedure for this purpose.

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

Yes

No

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor and the reasons for the same:

Yes

No

Explanation of the disagreements

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

Yes

No

	Company	Group	Total
<b>Amount of non-audit work (in thousands euros)</b>	117	225	342
<b>Amount of non-audit work as a % of the total amount billed by the audit firm</b>	150%	5.3%	8%



C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications:

Yes  No

Explanation of reasons

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

	Company	Group
Number of consecutive years	4	4

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	31%	31%

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

Yes  No

Procedures
<p>Under the Regulations of the Board of Directors, Directors are at liberty to approach any member of Senior Management for information and should inform the Company Chairman when doing so. They are also free to ask the Chairman, the Deputy Chairman, the Chief Executive Officer and the Secretary to the Board for any other or further information they may reasonably require.</p> <p>To help External Directors in performing their duties, the Regulations of the Board of Directors also provide that they may request that legal, accounting, financial or other expert advisors be engaged at the Company's expense to provide assistance on particular issues where these are of a certain importance or complexity. Any such request should be made to the Chairman of the Company and may only be rejected by the Board in certain limited cases.</p> <p>Finally, there is a special provision in the Regulations under which the Audit and Control Committee may, subject to certain requirements, seek expert assistance in performing its duties.</p>

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

Yes

No

<b>Procedures</b>
<p>Once a year the Board of Directors draws up a schedule of dates and topics for meetings scheduled to take place during the following year.</p> <p>Meetings of the Board of Directors are convened by written call, including e-mail, sent personally to each Director, while the documents they will need to familiarise themselves with the business on the agenda are made available to them through electronic means. Save in exceptional circumstances, such call and documents must be delivered or made available, respectively, not less than 48 hours in advance of the date of the meeting. The agenda includes any items requested by any of the Directors.</p> <p>In addition, Directors are permitted by the Regulations of the Board of Directors to request information directly from Senior Management, and should inform the Company Chairman when doing so. They may also ask the Chairman, Deputy Chairman, the Chief Executive Officer and the Secretary to the Board for any additional information they may reasonably require.</p>

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:

Yes

No

<b>Details of rules</b>
<p>Under the Regulations of the Board of Directors, Directors are required to tender their resignation to the Company in certain circumstances, including the following:</p> <p>If there is a significant change in their employment situation or in the conditions relevant to their appointments as Directors.</p> <p>Where the Director could, by continuing to serve as a member of the Board, place the interests of the Company in jeopardy.</p> <p>Where due to circumstances attributable to the Director, their continuing presence on the Board would, in the Board's opinion, cause serious harm to the assets or reputation of the Company. In particular, if a Director is tried or summoned to attend a court hearing on a charge under section 213 of the Capital Companies Act, the Board will as soon as possible consider the circumstances of the case and whether or not the Director should remain in office, and report its conclusions in the Annual Corporate Governance Report.</p> <p>The Regulations of the Board of Directors also require Directors, as part of their duty of disclosure, to inform the Company of any criminal or other proceedings taken against them which are of a sufficiently serious nature to risk causing grave harm to Ferrovial's reputation.</p>

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

Yes

No

Name of director	Criminal proceedings	Remarks

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

Yes

No

Decision/action taken	Justified explanation

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

A corporate financing agreement with certain lending institutions has been in force since April 2011 that includes, as grounds for early maturity at the request of the lending institutions, a change in the control of Ferrovia, S.A. which is understood as an event in which a third party becomes the holder of an ownership interest in the voting rights of Ferrovia, S.A. which is greater than the voting rights held by the current majority shareholder at any time.

In January and May 2013, Ferrovia Emisiones, S.A., a wholly-owned subsidiary of Ferrovia, S.A., completed two note issues maturing in 2018 and 2021, respectively, admitted for trading on the London Stock Exchange, and guaranteed by various Group companies including, among others, Ferrovia, S.A. Section 7(c) of the Terms and Conditions contained in the two prospectuses includes as grounds for total or partial early redemption, at the noteholders' choice, the occurrence of a change in control of Ferrovia, S.A. under the terms established in the aforementioned section, i.e., in the event that a person or persons unrelated to the current majority shareholder acquires control of more than 50% of the voting rights in the General Shareholders' Meeting or the right to appoint the majority of the members of the Board of Directors which, furthermore, gives rise to the loss of or a drop in Ferrovia, S.A.'s rating.

The Company and its group are party to less onerous contracts, mainly financial in nature, that require authorisations or set conditions for a change of control or corporate transactions such as a merger or spin-off.

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

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other:

<b>Number of beneficiaries</b>	1
<b>Type of beneficiary</b>	<b>Description of the resolution</b>
Senior Management	Maximum of two annual payments in the case of unfair dismissal

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

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

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

## C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of proprietary and independent directors:

### EXECUTIVE OR DELEGATE COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
RAFAEL DEL PINO Y CALVO-SOTELO	CHAIRMAN	EXECUTIVE
SANTIAGO BERGARECHE BUSQUET	BOARD MEMBER	INDEPENDENT
JOAQUÍN AYUSO GARCÍA	BOARD MEMBER	OTHER EXTERNAL
ÍNIGO MEIRÁS AMUSCO	BOARD MEMBER	EXECUTIVE
JAIME CARVAJAL URQUIJO	BOARD MEMBER	INDEPENDENT
MARÍA DEL PINO Y CALVO-SOTELO	BOARD MEMBER	PROPIETARY
JOSÉ FERNANDO SÁNCHEZ-JUNCO MANS	BOARD MEMBER	INDEPENDENT

<b>% of executive directors</b>	29
<b>% of proprietary directors</b>	14
<b>% of independent directors</b>	43
<b>% of other external directors</b>	14

### AUDIT COMMITTEE

Name	Position	Type
JUAN ARENA DE LA MORA	CHAIRMAN	INDEPENDENT
SANTIAGO FERNÁNDEZ VALBUENA	BOARD MEMBER	INDEPENDENT
GABRIELE BURGIO	BOARD MEMBER	INDEPENDENT
PORTMAN BAELA, S.L.	BOARD MEMBER	PROPRIETARY

% of executive directors	0
% of proprietary directors	25
% of independent directors	75
% of other external directors	0

### NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
GABRIELE BURGIO	CHAIRMAN	INDEPENDENT
JUAN ARENA DE LA MORA	BOARD MEMBER	INDEPENDENT
JAIME CARVAJAL URQUIJO	BOARD MEMBER	INDEPENDENT
SANTIAGO BERGARECHE BUSQUET	BOARD MEMBER	INDEPENDENT

% of executive directors	0
% of proprietary directors	0
% of independent directors	100
% of other external directors	0

### NOMINATION COMMITTEE

Name	Position	Type

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

### REMUNERATION COMMITTEE

Name	Position	Type

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

\_\_\_\_\_ COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>

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

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

	<b>Number of female directors</b>							
	<b>Year t</b>		<b>Year t-1</b>		<b>Year t-2</b>		<b>Year t-3</b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
<b>Executive Committee</b>	1		1		1		1	
<b>Audit Committee</b>	0		0		0		0	
<b>Nomination and Remuneration Committee</b>	0		0		0		0	
<b>Nomination Committee</b>	N/A		N/A		N/A		N/A	
<b>Remuneration Committee</b>	N/A		N/A		N/A		N/A	
<b>XX Committee</b>								

C.2.3 Indicate whether the Audit Committee is responsible for the following:

	<b>Yes</b>	<b>No</b>
<b>Monitoring the preparation and integrity of financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation</b>	YES	

	Yes	No
<b>perimeter and the correct application of accounting principles.</b>		
<b>Reviewing internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.</b>	YES	
<b>Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.</b>	YES	
<b>Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.</b>	YES	
<b>Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of their engagement.</b>	YES	
<b>Receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations.</b>	YES	
<b>Monitoring the independence of the external auditor.</b>	YES	

**C.2.4 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees:**

The Committees set up to advise the Board of Directors are the Audit and Control Committee and the Nomination and Remuneration Committee which were created in Grupo Ferrovial, S.A. (now Ferrovial, S.A.) in 1999. Both Committees are composed entirely of External Directors as required by the Regulations of the Board of Directors, and their duties are concerned with reporting, advising and making recommendations within their respective areas of responsibility. The powers of Committees to make recommendations cannot prevent the Board from making decisions within these areas on its own initiative. The Regulations of the Board of Directors prohibit the taking of any decision against a Committee's recommendation, except by a resolution of the Board of Directors. The Regulations require that the Chairmen of both Committees be Independent Directors. Both Committees have the same minimum and maximum number of members, which are fixed by the Regulations at between four and six. The minutes of Advisory Committee meetings are circulated to all Directors. A report on the Committee's deliberations is also given at the first Board meeting to be held after each Committee meeting.

## FUNCTIONS OF THE AUDIT AND CONTROL COMMITTEE

In accordance with that established in article 52 of the Bylaws, the Audit and Control Committee has assigned the following tasks:

“a) Informing the Shareholders’ Meeting about the matters raised by shareholders within the scope of its functions.

b) Monitoring the effectiveness of the company's internal control, internal audit and risk management systems, and discussing with the company's auditors any significant weaknesses detected in the internal control system during the audit.

c) Supervising the process of drawing up and presenting the regulated financial information.

d) Making proposals to the Board of Directors, for submission to the Shareholders’ Meeting, regarding the appointment of the auditors as referred to in the legislation that is applicable to the company.

e) Liaising with the auditors in order to receive information about matters that might jeopardise their independence, for examination by the Committee, and any other matters related to the audit process as well as other matters envisaged in the audit standards. In any event, each year it must receive from the auditors written confirmation of their independence with respect to the company and entities directly or indirectly related to the company, as well as information on any additional services of any type provided to those entities by the auditors or by persons or entities related to the auditors, as provided for in the Audit Act (Act 19/1988, of 12 July).

f) Issuing a statement on the independence of the auditors each year prior to the issuance of the auditors' report. In any event, that statement must address the provision of additional services referred to in the preceding section.”

## FUNCTIONS OF THE NOMINATION AND REMUNERATION COMMITTEE

In accordance with article 53 of the Bylaws, the most important functions of the Nomination and Remuneration Committee are: Proposing appointments of Independent Directors and reporting on proposed appointments of other Directors. Submitting reports on appointments to the posts of Chief Executive Officer and Secretary to the Board. Making recommendations for appointments of Committee members. Making a recommendation for the appointment of a Lead Director. Proposing a system of annual remuneration for Directors and the amount of that remuneration, reporting on the annual remuneration paid to Executive Directors and other terms of their contracts. Reporting on the appointment or removal of senior managers directly answerable to the Chief Executive Officer. Reporting on the contracts of and compensation payable to Senior Managers. Reviewing the process for ensuring an orderly succession to the Chairman and the Chief Executive Officer.

## EXECUTIVE OR DELEGATE COMMITTEE

The Executive Committee is responsible for recommending and overseeing Ferrovial's financial, business and investment strategy.

All powers of the Board of Directors have been delegated to the Executive Committee except for those which under the law or the Bylaws cannot be so delegated. However, article 18.1 of the Regulations of the Board of Directors requires that every effort be made to ensure that all decisions and functions of the types listed therein are taken by the Executive Committee in urgent cases only and that they are then confirmed by the Board.

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



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

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

The Bylaws and the Regulations of the Board of Directors are registered with the Mercantile Registry and can be viewed on the group web site at [www.ferrovial.com](http://www.ferrovial.com).

There were no changes to the aforementioned regulations in 2013.

Each year the Audit and Control Committee prepares a report on its activities which is included as part of the Company's Management Report. Its Chairman also reports to the General Meeting on the Committee's activities.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors:

Yes  No

<b>If the answer is no, explain the composition of the Executive or Delegate Committee.</b>

**D RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions:

<b>Competent body for approving related-party transactions</b>
In accordance with the provisions of the Board Regulations, the Board of Directors, subject to a report from the Audit and Control Committee, approves any relevant transactions that may be carried out by Ferrovial with directors and persons related thereto, as well as with the controlling shareholders.

<b>Procedures for approving related-party transactions</b>
In order to carry out professional or commercial transactions with Ferrovial, approval for the transactions is required from the Board, subject to a report from the Audit and Control Committee. However, board authorisation is not necessary for those transactions that simultaneously meet the following three conditions: <ol style="list-style-type: none"> <li>1. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;</li> <li>2. They are carried out at prices or rates established on a general basis by the party acting as the supplier of the good or service in question;</li> <li>3. Their amount does not exceed more than 1% of the company's annual revenue.</li> </ol> The Director requesting authorisation must vacate the meeting room while the Board deliberates and votes on said authorisation and may not exercise or delegate his or her voting rights. In the case of ordinary transactions involving Ferrovial, the general approval of the Board of Directors will suffice.

Explain if the authority to approve related-party transactions has been delegated to another body or person.

NO

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

<b>Name or corporate name of significant shareholder</b>	<b>Name or corporate name of the company or its group company</b>	<b>Nature of the relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of euros)</b>

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

<b>Name or corporate name of director or senior manger</b>	<b>Name or corporate name of related party</b>	<b>Relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of euros)</b>

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

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

<b>Corporate name of the group company</b>	<b>Brief description of the transaction</b>	<b>Amount (in thousands of euros)</b>

D.5 Indicate the amount from related-party transactions:

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

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

In no circumstances should a Director be present at or take part in any discussions on matters in which he has a personal interest.

Direct and indirect conflicts of interest arising shall be reported in the annual report.

These requirements also apply to controlling shareholders, members of Senior Management and any persons who are related to any of them.

In particular the Regulations require that a Proprietary Director disclose to the Company any circumstances that could involve a conflict of interest between the shareholders nominating the Proprietary Director and Ferrovial. In these circumstances, all parties concerned are likewise required to abstain from taking any part in the decision process.

In accordance with the Regulations of the Board of Directors, all professional or commercial transactions involving Ferrovial, S.A. or its subsidiaries and the persons referred to below require the authorisation of the Board of Directors, subject to a report from the Audit and Control Committee. In the case of ordinary transactions involving Ferrovial, the general approval of the Board of Directors will suffice. This authorisation is not necessary, however, for transactions that simultaneously meet the following three conditions:

- 1.- They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
- 2.- They are carried out at prices or rates established on a general basis by the party acting as the supplier of the good or service in question.
- 3.- Their amount does not exceed more than 1% of the company's annual revenue.

The following persons are subject to these rules:

- Directors of Ferrovial S.A. The person requesting authorisation must vacate the meeting room while the Board deliberates and votes on said authorisation and may not exercise or delegate his or her voting rights.
- Controlling shareholders.
- Natural persons representing directors that are legal persons.
- Members of Senior Management.
- Other managers designated individually by the Board of Directors.
- Persons related to the above listed persons, as defined in the Board of Directors Regulations.

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

Yes

No

Identify the listed subsidiaries in Spain:

Listed subsidiaries

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

Yes

No

<b>Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies</b>
--

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

<b>Mechanisms in place to resolve possible conflicts of interest</b>
--

## **E RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1 Describe the risk management system in place at the company.**

The Board of Directors is responsible for approving the policy regarding risk control and management, and monitoring the information and control systems. The Board has determined that risk policy at Ferrovial can be concisely expressed by the following principles:

- Awareness and proportionality of the risk assumed.
- Protection of people's health and integrity.
- Observance of the Code of Ethics.
- Definition and delegation of responsibilities.
- Distribution of information.
- Assessment of risks.
- Global risk management.
- Integration and coordination with other systems.

Based on the principles approved by the Board, Ferrovial has implemented a comprehensive risk management system called Ferrovial Risk Management (FRM). This system allows the risk factors which threaten the achievement of the business objectives to be assessed in a consistent manner throughout the entire Group, based on their possible impact and the probability of their occurrence.

The system is applied to all the Group's lines of business, regardless of their geographical location, including subsidiaries in which Ferrovial has management capacity, and all of the Company's support areas.

### **E.2 Identify the bodies responsible for preparing and implementing the risk management system.**

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

Our risk management policy requires all business divisions and subsidiaries in which Ferrovial has management capacity to identify and assess the risks to which they are exposed in the pursuit of their business objectives, for the purpose of identifying sufficiently in advance the appropriate mitigating measures which reduce/eliminate the probability of

the risk occurring and/or its potential impact on the objectives in the event it were to materialise.

### E.3 Indicate the main risks which may prevent the company from achieving its targets.

In performing its activity, Ferrovial is exposed to a variety of risks inherent to the different business activities in which it engages and to the countries in which they are carried out.

In addition, the different degree of economic-financial uncertainty which exists in the markets in which Ferrovial carries out its activity may lead to the appearance of risk factors, currently unknown or not considered relevant, which could eventually affect the Company's business, results and/or financial situation.

The main risks that Ferrovial is exposed to in the pursuit of its objectives relating to business, growth, profitability and maintaining its corporate reputation are:

#### **Regulations**

Certain assets managed by Ferrovial, mainly in the toll road and airport activities are subject to specific regulations, which were taken into account in the preparation of their business plans. However, unexpected regulatory changes may occur which could affect the fulfilment of the business objectives.

The Company therefore constantly monitors regulatory processes that might affect its business areas, seeking to not only control risk for its activities but also exercise influence to exploit opportunities that may arise in new regulatory frameworks.

#### **Global economic context**

The slow economic recovery and the stress in the financial markets, which have yet to recover their financial strength, may adversely affect the investment capacity in infrastructure as regards both public and private initiatives, with the consequent effect on the Company's profitability and growth. Similarly, the stress on public accounts may give rise to tax reform and legislative changes which could affect the activities performed by the Company.

On the other hand, the deterioration in the population's economic capacity has an adverse effect on demand for the services provided by Ferrovial, mainly toll road activity, which can be affected by reduced traffic.

#### **Liquidity of public authorities**

The decline in liquidity of the public authorities of certain countries in which Ferrovial carries out its activities and their need to reach and maintain a balanced budget may adversely affect the average collection periods for the services provided to these authorities.

#### **Solvency of financial institutions**

Over the last year, western banks have undergone a restructuring and recapitalisation process which is providing solvency to these institutions and is opening the doors to improved financing conditions. The downturn in the western financial system's recovery of solvency may increase financial counterparty risk and complicate project financing.

#### **Market and financial risks**

Ferrovial's businesses are exposed to different market and financial risks including, in particular, interest rate risk, foreign currency risk, credit risk, liquidity risk and equity risk. Section 3 of the consolidated financial statements details the main market and financial risks, as well as the systems for managing them.

#### **Competition**

The progressive toughening of competition in the markets targeted by Ferrovial may complicate its access thereto and, thus, complicate the Company's objectives for expansion and growth.

### **Legislative and contractual context**

The activities carried out by Ferrovial are subject to varied legislation, some requirements of which are stricter than others depending on the countries in which the activity is located, and to the Company's own internal codes. There is a risk that, despite the controls in place to prevent any breach of the legislation applicable to each activity (environmental, labour, criminal, etc.), Ferrovial may be affected by a legislative infraction which impacts the Company's profitability and reputation.

Similarly, despite the quality and compliance management systems in place for meeting the obligations established in the Company's businesses and projects, Ferrovial is exposed to the risk of failing to meet any of its obligations to its customers, suppliers, financial institutions and employees which may give rise to claims or court proceedings in any of the countries in which their businesses are located.

### **Accidents**

The complexity of certain activities performed by Ferrovial, mainly in construction, increases exposure to the risk of accidents occurring which may harm people or the environment, despite the prevention and security measures in place to mitigate the probability of the risk's occurrence and/or its impact in the event it does occur.

### **Natural disasters**

The activities carried out by Ferrovial may be affected, to a greater or lesser extent based on their location, by natural disasters (earthquakes, extreme weather conditions, electrical storms, etc.). These natural disasters may interrupt normal operations or cause significant damages to the infrastructure under management or construction. The Company has taken out the cover necessary to minimise the impact of a potential natural disaster on the business.

### **Safety**

Due to the geographical diversity of the areas in which Ferrovial carries out its activities, the Company may be exposed to certain types of event or conflicts related to safety which hinders the normal development of its businesses and projects (hostile social movements, terrorism, sabotage, cyber attacks or any other type of criminal action against the Company's employees or interests). The Corporate Safety Department monitors whether the prevention measures implemented are adapted to the risk profile of the business' location and environment.

## **E.4 Identify if the company has a risk tolerance level.**

Taking into account the Group's strategic objectives and the strategic lines for its achievement, Management approves the acceptable level of risk for each group of risks, business type and geographic location, as well as the permitted deviation levels. The acceptable levels of risk are periodically updated in accordance with any changes in the corporate strategy and the risk profile of the businesses.

The management team, through FRM (Ferrovial Risk Management), periodically identifies the risks which threaten the Company's ability to meet its business objectives and assesses them based on their potential impact and the probability that they will occur. The combination of the impact and probability that they will occur determines the risk's level of seriousness.

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

### **Risks occurred**

Progressive decline in the construction market in Spain.  
EU bailout and budgetary adjustment in Greece and Portugal.  
Decrease in traffic in Portugal.

Tightening of the financial market for financing projects in Spain.  
Increase in competition in the infrastructure management sector in international markets.

### **Circumstances responsible for the occurrences**

The international financial crisis has caused drastic adjustments to national budgets and a decline in the population's economic capacity. On the other hand, the search for new business opportunities outside the countries most affected by the crisis has increased the competition in the target international markets.

### **Operation of control systems**

The Company's risk identification and assessment systems have allowed the risks which threaten the ability to meet the business objectives to be identified and assessed sufficiently in advance in order to implement appropriate corrective measures and mitigate their negative impact.

## E.6 Explain the response and monitoring plans for the main risks the company is exposed to.

### 1. Risk Management System (FRM)

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

FRM is structured as follows:

#### a) The Risk Universe

The analysis diagram is based on a common risk event catalogue to be used by the different business lines which classifies the risks into four main areas: strategic risks, operating risks, regulatory risks and financial risks.

#### b) Risk identification and assessment

The identification and evaluation process is based on the use of two instruments: the Relevance Matrix and the Assessment Scale. With the use of these instruments to ensure the use of a common and ordered working process, direct managers identify, prioritise and access the most relevant risks faced by their businesses in accordance with their potential impact on business objectives and the likelihood of occurrence.

Finally, values are assigned to the probability and recurrence of risk, thus yielding a quantification on a common scale of all risks considered relevant.

#### c) Reporting

In addition to evaluating the risks incorporated in the FRM system, business managers describe the management systems used and propose, as necessary, new controls or modifications of existing ones.

They will also report on the evolution of specific episodes (contingencies) included in the FRM associated with the different risk categories, according to the structure of the Risk Universe, for a particular reporting period.

Finally, with the FRM system, the recipients of the information on risks and contingencies and the frequency with which they receive it can be modified based on the relevance of the risks and contingencies.

## 2. Quality management systems

As part of the Company's risk management process, all business areas have implemented quality management systems that comply with the ISO 9001 standard. When deemed necessary by relevant stakeholders, these systems are certified by a third party; the interest of these groups in certification is not homogeneous in all countries and businesses. The 80% of the sales of the entire Group have systems that have been certified by accredited bodies.

In all cases, these systems are implemented at the project level 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 and 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. The most significant variables of the quality systems are grouped in indicators and the Management Committee is informed periodically of their evolution.

Similarly, business activities are subject to periodic audit processes that evaluate compliance with regulations, contractual requirements and objectives. This follow-up is the responsibility of the technical department, independent of the production line.

Lastly, and to facilitate knowledge about and use of quality requirements in production processes, Ferrovial has a comprehensive centralised database including all the technical regulations applicable to the business activities on a global scale (the "Normateca" platform), which contains over 16,000 legal rules and standards ISO, UNE, ANSI, DIN, as well as those from other standardisation organisations. All the business areas have full online access to this application, which is maintained by central services.

## 3. Environmental management systems.

All business areas have implemented environmental management systems that comply with at least the ISO 14001 standard and the EMAS Regulation of the EU. When deemed necessary by relevant stakeholders, these systems are certified by a third party. The 79% of the total sales of the Group have systems that have been certified by accredited bodies. In each production centre, these systems adapt to the reality of the site by means of an environmental management plan that includes systematic planning and control of processes that involve a risk to the environment, applicable legal requirements and the establishment of quantified objectives for improvement of environmental performance.

Furthermore, activities are subject to ongoing examination by means of environmental assessments and audits of processes, practices and the degree of regulatory compliance. Accordingly, the environmental management systems are closely linked to the risk assessment and management systems. In this regard, Ferrovial has an innovative environmental risk control and monitoring tool called EPI (environmental performance index), which was validated, when it was designed, by a government-sponsored research centre (Universidad Rey Juan Carlos de Madrid) and recognised by UNESCO's Environmental Chair. EPI has been implemented and validated in Construction and Services, the activities with the highest degree of environmental risk in Ferrovial, where it functions as an integrated indicator. It also serves as an early-warning system for possible non-compliance of the sustainability policy and applicable legal requirements.

The Company's industrial sites in Spain (mainly linked to its waste management activities) are subject to an environmental assessment and monitoring system that complies with Spanish UNE 15008 standard and the requirements of the European Environmental Liability Directive.

Finally, as mentioned above, in order to ensure adequate knowledge of environmental regulations, in 2005 Ferrovial introduced an IT system ("Ambienteca") containing environmental legal requirements applicable to the production centres.

## 4. Reliability of financial reporting.



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

5. Financial risk control mechanisms

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

Financial risk management is focused mainly on the management of interest rate, foreign currency, credit, counterparty, liquidity and equity risk. Section 3 of the consolidated financial statements explains the Company's financial risk management policy in detail.

6. Other preventive procedures

a) Occupational health and safety risk prevention systems

OHS risk prevention systems have been applied in all activities in accordance with Law 31/1995 and its implementing regulations. Prevention systems are audited periodically by accredited external bodies.

The activities with most significant OHS risks, particularly Construction, have health and safety plans specifically designed for each project and are continuously monitored and analysed.

As an instrument to improve the OHS risk prevention systems, in 2010 an internal reporting procedure was created for work-related accident data pertaining to Ferrovial and its subsidiaries around the world, binding on all business areas. The system gathers all the information generated in the work centres in accordance with the following, among other aspects:

1. Ensure the reliability of the information, regardless of the business area, subsidiary or geographical location.
2. Provide indicators and ratios that are comparable across areas and countries, that serve for decision making that is corporate in scope.

b) 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 Finance departments in order to ensure that they establish sufficient guarantees in the event of non-payment. During the performance of the work, the Finance Department continually monitors the certificates and collection documents, and their effective payment.

c) Business continuity plans

Ferrovial has implemented a Business Continuity Model which enables serious contingencies to be managed appropriately and the acceptable recovery of its critical processes, as necessary. The contingency scenarios contemplated include the absence of key personnel, the absence of facilities and the absence of information systems.

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

d) Crisis notification and management procedures

In the corporate sphere, risk profile is the basis for identifying unexpected situations that may trigger a crisis with significant consequences for the Company. Such risks are identified in itemised catalogues for each business activity that are permanently updated and accessible at all levels of the organisation where such situations may occur.

Similarly, there are specific procedures in the corporate business continuity plan mentioned above and in the business area management systems that include the measures to be implemented at all levels affected by the crisis in order to manage and lessen any harm to people or the environment, besides reducing its economic impact and making it easier for

business activity to be resumed in the shortest possible time.  
As part of these procedures, there is a protocol for internal and external communication whose aim is, given a crisis situation, for all decision-making levels of the organisation to have access to reliable, adequate information in the shortest possible time.

#### 7. Risk cover systems

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

In the case of environmental risk, it has an environmental responsibility policy which hedges the Company's environmental risks under the terms established by the European standards related thereto. This hedge remains in force and in line with the reality of the risk at all times.

## **F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

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

The main developments in the implementation and supervision of the Company's ICFR system are summarised below, followed by a detailed description of its main features.

Firstly, with regard to implementation, it is worth noting that for the first time in 2013 the risks and controls related to the Information Systems which support the processes for preparing the financial information were reported through the FRM ICFR tool.

Secondly, the training given to those responsible for reporting and assessing the Group's ICFR risks, which included the attendance of the Company's Internal Audit Department, was of particular note.

The Company has continued to make progress in its work documenting the critical processes and their related control activities, in order to ensure the reliability of the financial reporting, through analysing and documenting the internal control of the Construction business in the US (Webber and Ferrovial Agromán USA) and in Poland (Budimex), as well as through documenting and implementing controls over deferred taxes.

With regard to the action plans the Company has in place, in 2013 the nearly complete implementation of the projects related to automating the valuation of derivatives and the efficiency test and the first phase of automatic accounting for derivatives and debt were of particular note.

In relation to the supervision of the system, the Internal Audit Department has reviewed the ICFR system's efficiency and design with regard to the Company's Interior and Industrial Construction business and the global consolidation and reporting process, both with favourable results.

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

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

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

#### Bylaws and Regulations of the Board of Directors

The responsibilities of the Board of Directors and of the Audit and Control Committee (hereinafter, ACC) over financial reporting are established in the Company's Bylaws and in the Regulations of the Board of Directors.

The Board of Directors is responsible for drafting clear and precise financial statements and supervising the information that is to be provided periodically to the markets, ensuring that the information is drafted in accordance with the same principles as the financial statements and that it is equally reliable.

Article 8.2.e) of the Regulations of the Board of Directors assigns the Board the responsibility of “monitoring the Company’s financial statements, at least every quarter, and supervising 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.”

Further, article 8.2.d) of these Regulations assigns the Board the duty of “drafting clear and precise financial statements so that they can be easily understood while seeking to avoid qualifications by the auditor”.

In turn, the duties of the ACC include supervising the effectiveness of internal control of the Company and supervising the process of drawing up and submitting regulated financial reporting.

The ACC, in accordance with paragraphs b) and c) of article 52.1 of the Company’s Bylaws, has among its duties:

- “Monitoring the effectiveness of the company’s internal control, internal audit and risk management systems, and discussing with the company’s auditors any significant weaknesses detected in the internal control system during the audit.”
- “Supervising the process of drawing up and presenting the regulated financial information.”

#### General framework of Internal Control Over Financial Reporting (ICFR)

The general framework of the internal control over financial reporting (ICFR) system, accessible to all employees on the Company intranet, assigns Senior Management, which includes members of the Management Committee, the responsibility of designing, implementing and maintaining the ICFR. Therefore, this responsibility not only falls within finance, but also affects the entire organisation, as financial reporting feeds on the activity and information generated by business areas and other supporting areas such as HR, Legal Affairs or IT Systems.

Finance is responsible for coordinating such tasks at a global level through the Finance Department (hereinafter, FD), monitoring all phases of the system and reporting to the ACC on progress in implementation and monitoring. Such coordination is carried out in each business area by the individual Finance Departments thereof.

In addition, the Internal Audit Department supports the ACC in its activities related to the supervision of the ICFR system. Its annual work plans includes, in accordance with the ACC, specific tasks related to adapting the design and efficiency of certain aspects of the ICFR system and, in general, all of its work includes control tests on the risks assessed as significant. Likewise, it monitors the weaknesses identified, incorporating the results of its progress into its audit plan.

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

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

Under the Regulations of the Board of Directors, the responsibilities of the Nomination and Remuneration Committee include analysing the process for

orderly succession of the Chairman and Chief Executive Officer, who is appointed by the Board, and reporting on the appointment or removal of executives accountable to the CEO.

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

In turn, the latter are responsible for making changes in the organisational structure under their immediate control, subject to the authorisation of the CEO and with the advice of the Head of Human Resources.

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

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

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

#### Code of Business Ethics

The Company has a Code of Business Ethics issued by the Chairman that is available to employees on the Company intranet. The code includes the basic principles of conduct: respect for the law, ethical integrity, respect for human rights, respectful treatment and prohibition of discrimination, and so on. It contains a specific mention of the preparation of financial reporting: "As the guiding principle in its business conduct towards shareholders, investors, analysts and the market in general, Ferrovial undertakes to disclose truthful, and complete information that provides an accurate view of the company and Group, their corporate activities and their business strategies."

The Audit and Control Committee is responsible for supervising compliance with the Code of Ethics. Through the Internal Audit Department, it is periodically informed of all activities and measures taken. In this supervisory role, this Department receives assistance from HR and Legal Affairs when it believes the work to be performed falls within the scope of their responsibilities.

With regard to the degree of dissemination and instruction, the Company obligates its employees to take an online course in business ethics in which the basic principles of the code are explained.

Since 2011, mandatory online courses were organised on the reform of the Penal Code and the Code of Good Tax Practices, with participants answering questionnaires to obtain a certificate.

#### Crime Prevention Protocol in Spain

With the entry into force of the reform of the Penal Code in December 2010, the Board of Directors adopted a Crime Prevention Protocol in Spain that is available to all employees on the Company intranet. The protocol includes a series of prohibited conducts, including crimes that may affect financial reporting at Ferrovial, such as fraud, corruption, bribery, falsification of financial statements and falsification in calculation of tax, and a list of rules that prevent the commission of crimes, such rules including the regulatory framework of the ICFR system.

#### Internal Code of Conduct

Finally, it should be mentioned that the Company has an Internal Code of Conduct in matters relating to the securities markets that is applicable to Directors of the Company and the most significant subsidiaries, Executives, External Advisors and, generally, to any other person that may have access to insider information in the group.

- 'Whistle-blowing channel', for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

Article 21.j) of the Regulations of the Board of Directors stipulates that the ACC must "establish and supervise a system that enables any employee to report, confidentially and, if he/she wishes, anonymously, any situation of inefficiency, improper behaviour or violations of importance, particularly with regard to finance or accounting, within Ferrovial".

The Company has an anonymous whistle-blowing channel that is accessible through the intranet for employees and the websites (in both the Spanish and English versions), and that allows any interested counterparty to report to the ACC finance and accounting irregularities or breaches of the code of conduct and irregular activities in the organisation. Ferrovial also has a postbox for those who prefer to use this channel.

All these mechanisms can be used in a secure, personalised or anonymous manner and allow for the provision of documentary evidence.

The ACC supervises these channels and receives periodic reports from the Internal Audit Department on the activities and measures taken. In this supervisory role, this Department receives assistance from HR and Legal Affairs when it believes the work to be performed falls within the scope of their responsibilities.

The functioning of the channel is regulated in a corporate procedure issued by the Chairman that is accessible to all employees on the intranet.

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

The managers of departments engaged in preparing financial information must ensure their staff receive training and refresher courses. HR and, specifically, the Corporate University are responsible for implementing the required training programmes.

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

The heads of the University together with the Finance Department coordinate training for personnel involved in the preparation and revision of financial information. The Finance Department co-ordinates the training requirements of all affected areas. Subsequently, the heads of the University provide the Finance Department with a summary of the actions taken in the academic year.

The University has a broad range of courses, including a specific finance course (finance classroom), which is supplemented by special workshops.

In addition, finance courses are imparted and managed directly by HR areas of the business units involved.

In 2013, approximately 640 employees received 13,866 hours of training in finance, with a special focus on updating and recycling knowledge of accounting rules, analysis of financial statements and investments, drawing up cash flows and tax knowledge, as well as subjects of a complex or subjective

nature, as they are influenced by judgements or estimates, such as financial products and financial modelling (“project finance”).

Of the hours indicated, it is worth mentioning that 1,080 hours correspond to the training given on internal control over financial reporting to those responsible for reporting and assessing the Group's ICFR risks, which included the attendance of the Company's internal auditors (45 attendees).

## F.2 Risk assessment in financial reporting

Report at least:

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

- The process exists and is documented.
- The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.
- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.
- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.
- Finally, which of the company's governing bodies is responsible for overseeing the process.

Ferrovia has implemented a comprehensive risk management system called Ferrovia Risk Management (FRM), which is the basis for a procedure under the responsibility of the Corporate Risk Unit that is accessible to all employees on the Company intranet. It is described in greater detail in section E of the Annual Corporate Governance Report.

The Risk Universe of the FRM is part of a common catalogue to be used by different businesses, which classifies risks into four main areas: strategic risks, operating risks, regulatory risks and financial risks.

The financial risks include identification of risks and associated controls related to the reliability of financial information (FRM ICFR), which is a separate section within the FRM.

The design of the content of the information to be reported in the FRM framework relating to ICFR is the responsibility of the Finance Department. Specific software has been developed as a channel to support the FRM ICFR process. The FRM ICFR tool was designed to enable the completion of the exercises described below and to optimise the use of the information generated in this manner.

The complete process of analysing the risks of financial reporting is executed once a year in co-ordination with the Corporate Risk Unit.

The management units of the various business areas, belonging to the Finance Departments, are responsible for providing the required information in the process of risk identification and controls.

Ferrovia has a risk inventory on financial reporting known as the “ICFR Risk Universe”. These risks are defined in the Risk Matrix.

The ICFR Risk Universe, common for all the businesses, comprises the following risk categories:

- Items of the financial statements (Balance Sheet, Income Statement, Other Comprehensive Income)
- Cash Flow
- Consolidation/Closing of Accounts
- Disclosures in the Notes to the Financial Statements: for information not related to the accounting headings (contingent liabilities, guarantees, sureties, etc.).
- Information systems
- Other risks: in the event there are any risks that could affect the financial information but were not included in the foregoing risk categories.

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

For the first time in 2013 the risks and controls for information systems were reported through the tool and the following objectives were reported as not having been fulfilled: security organisation; management of third parties; access control; change management; system use and operation; separation of roles, and operational continuity.

The Information and Innovation Systems Department, with the collaboration of the Finance Department, has identified the support systems for the process of preparing the financial information managed in a centralised manner (SAP, BPC, Works Management Systems, etc.), as well as the specifics of the main subsidiaries (Amey, Budimex, Webber, Chicago Skyway American toll roads and SH130).

During each financial year, the data regarding quantitative reporting materiality established for the group is updated with the information from the balance sheet and income statement for the immediately preceding financial year.

The heads of the business areas have to report their assessment of the risks for all the risk categories of the balance sheet and income statement that exceed the quantitative reporting materiality threshold.

Additionally, all those risks from the aforementioned risk categories that do not exceed the quantitative materiality level can be voluntarily selected, provided that there are certain circumstances involved such as fraud, complex transactions, items subject to judgements and estimations, etc.

Risks relating to comprehensive income and other categories (Consolidation/Closing and Cash Flow and Disclosures in the Notes to the Financial Statements) must always be assessed at the consolidated level, regardless of the quantitative materiality. The same will be true in those cases where sub-consolidated data is prepared to report to the Group (basically, Amey and Budimex).

Risks are assessed through the Relevance Scale, an instrument which ensures the use of a common and ordered working process for the managers.

The Assessment Scale is designed to make two different risk assessments: one for inherent risk and another for residual risk (after controls), in accordance with their potential impact, likelihood of occurrence and exposure.

To assess the possible impact should the risk occur, circumstances such as the following have been taken into account: the complexity of transactions and applicable rules, the volume of transactions, the complexity of calculations, application of judgements, estimates or projections, whether there is fraud, whether the risk was previously identified by an internal/external auditor, and whether errors were made in the past.

The final risk assessment will be the product of the assessments made of the impact, likelihood and exposure, thus yielding a value for risk that will place it on the following scale according to five score-based divisions, the first being "No risk" and the last being "Very serious".

To evaluate the risks incorporated in the FRM ICFR system, the business managers describe the controls currently in place to mitigate relevant risks and can propose, as necessary, new controls or modifications of existing ones. With respect to the controls, the managers must include a description which is sufficient to understand its function, as well as the information mainly related to the person responsible for its execution, the frequency with which it is executed and the manner in which it is executed depending on whether or not he/she has support from computer tools (Automatic/Manual/Semiautomatic).

Likewise, the supporting evidence for each control must be reported so that it may be supervised and audited.

With respect to Information System risks, the Company worked with a closed catalogue of controls aligned with international standard ISO 27002 and the maturity of its implementation was assessed based on the evidence provided.

The most recent update of this work was completed in July of last year, and the Finance Department reported on the results achieved to the ACC at its meeting in December.

Fifty-one management units participated in all of the countries in which the Company operates (10 in the US and Canada; 16 in Spain; 3 in the United Kingdom; 16 in the rest of Europe, with Poland and Portugal standing out; 4 in Latin America and 2 in the rest of the World). This data includes the information for companies consolidated using the equity method, such as Heathrow Airport Holding (hereinafter, HAH) and ETR-407 which, although they do not form a global part of the Company's ICFR since they are not controlled by the Company, provide a summary of the information they monitor within the internal control over financial reporting systems they have in place.

The risks and controls have been validated by the different levels of authorisation defined, involving the various financial divisions of the business areas and main subsidiaries. In addition, the different levels of authorisation establish a league table of what they consider to be the main financial information risks in the field of their responsibility.

The most recent update of this work was completed in July of last year. The Finance Department presented the results achieved to the ACC, reporting on the risks of the top rankings in the classification for the entire Group.

Within the Finance Department, the Accounting Department performs a number of controls to ensure the consolidation of all companies as required by law. Companies that report already-consolidated information to the group have the same mechanisms with a view to ensuring the completeness of the process.

At present, there are mainly two control activities for companies whose consolidated information is prepared centrally at group level:

1. Investment requests: acquisition of companies is subject to authorisation. A copy of the signed authorisation is received by members of the Executive Committee.
2. Interface between Consolidation tool and SAP: when a company is added in SAP, the interface detects it and the consolidation tool issues notice for incorporation to the same, thus ensuring the consistency of information in the two systems.

Those companies that report sub-consolidated data, basically Amey and Budimex, have the same processes.

The Company is working on implementing the SAP Corporate Master program in order to improve the automation of the scope identification process, thereby facilitating the coordination of the various departments involved therein.

### **F.3 Control activities**

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



F.3.1. Procedures for reviewing and authorising financial information and the description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

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

The Regulations of the Board of Directors state that the statements presented for approval by the Board must first be certified by the Chairman, Chief Executive Officer and the Chief Financial Officer.

Prior to such certification, the Chief Executive Officers and Chief Financial Officers of the businesses and main subsidiaries must certify the information reported for the purposes of preparation of the annual consolidated financial statements of the group for their own areas of responsibility.

The report describing the ICFR is drawn up by the Finance Department with the co-operation of the pertinent corporate departments and is submitted to the ACC for review and issue.

All business areas have controls of critical processes to ensure the reliability of financial information. Such controls are included in written procedures in certain cases or in the functioning of reporting systems serving as the basis for preparation of financial information.

The control map is identified in two ways:

- a) Through the FRM ICFR (in a more summarised manner).
- b) Through comprehensive documentation of the critical processes.

Since 2006, such processes and related control processes have been systematically documented.

Yearly election of processes is made by the Finance Department according to the risks identified in the risk identification process described in F.2.1 and it is done at two levels: by business line and across business lines.

The following work on internal control was performed in 2013, with special emphasis on:

- Analysis and documentation of the internal control of the Construction business in the US (Webber and Ferrovia Agromán USA) and in Poland (Budimex).
- Documentation and implementation of controls over deferred taxes.

Additionally, it is worth mentioning that Construction has also published a procedure for the closing of accounts and additional controls in its income recognition policy. For works that begin in 2014, Budimex has published a new income recognition policy based on an examination of the work performed which is in line with that of the Group's.

Services has published its procedure for the closing of accounts and its policy for the recognition of initial costs. Amey has published an income recognition policy which arose from the need to improve upon prior work done on documenting the Company's ICFR system, and which is very relevant to the consolidation process for the recently acquired company, Enterprise. With this policy, Amey has made an effort to establish objective criteria that limit the subjectivity of the judgements and estimates in each contract.

Opportunities for improvement have been identified in the work at Webber, FAUS and Budimex and action plans have been adopted to implement such improvements.

The Finance Department periodically notifies, at least twice a year, the ACC of the progress made in the work regarding the design and implementation of proposals for improvement and maintenance of ICFR.

In order to monitor the action plans, the ICFR coordinators and financial officers of the businesses are systematically asked to send updated information on the various improvement measures within the scope of their responsibility.

In 2013, virtually all of the automation projects for the valuation of derivatives and the efficiency test were implemented throughout the Group, except in US toll roads (which was delayed to the beginning of 2014), as was the first phase of automatic accounting for derivatives and debt and the document manager.

The Company has a closing of accounts procedure which is applicable to all business. The process is co-ordinated by the Finance Department, which issues instructions and sets a calendar for milestones.

The Company also has corporate closing of accounts procedure that is available on the Company intranet. It describes the content of the corporate controls for the closing of accounts that are performed centrally to assure the reliability of the consolidated financial information and the monitoring and updating mechanisms, and how these are to be recorded.

Similarly, the Construction, Services and Cintra businesses have similar procedures for the closing of accounts in place which guarantee the reliability of the consolidated information within the scope of their responsibility that is reported in order to prepare the Group's consolidated information.

The Finance Department prepares a document on judgements and estimates in the yearly closing that is submitted to the ACC.

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

Both Finance Department-issued processes are on the Company intranet to ensure that all employees are familiar with them.

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

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

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

1. Service Strategy that ensures the correct alignment of the DGSII with the business and the financial control of services.
2. Service Provision, which ensures control over the development, capacity, availability, continuity and security of services.
3. Service Support, which ensures control over changes, configurations, incidences and problems related to the provision of services.

4. Management of Continuous Improvement through the setting up of control mechanisms of service levels and the deployment of scorecards.

These processes, in turn, are divided into sub-processes that contain the control activities necessary to cover risks relating to management of IT systems that support processes related to the preparation of financial reporting. Such sub-processes include:

- Continuity management: Ferrovial has implemented a Business Continuity Model that properly manages grave contingencies and the acceptable recovery of critical processes in such circumstances. This model regulates the following matters, among others:
  - Global Business Continuity Policy.
  - Governing Framework and Responsibilities.
  - Business Impact Analysis to correctly identify the critical processes for business continuity.
  - Incident Response Structure, including measures to back up and recover information in contingency situations, such as management of back-up copies and recovery of information in systems disasters.

The Business Continuity Committee is responsible for maintaining the model up to date and for periodically testing compliance.

- Change management and control through the setting up of procedures in different fields (development of products and services, technology infrastructures, etc.) to ensure that changes in IT systems supporting financial information are evaluated, approved, implemented and reviewed in a controlled manner.

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

Within this framework, Ferrovial acknowledges the strategic importance of its information assets and establishes a series of general guidelines in order to protect information from unauthorised destruction, unavailability, manipulation or disclosure.

Ferrovial has an Information Security Committee with the following main duties:

- Develop a General Corporate Information Security Framework and ensure its correct implementation in Ferrovial by executing and monitoring initiatives in information security.
- Develop rules, procedures and, generally, control mechanisms to regulate correct access and treatment by Ferrovial employees and collaborators of both the information and the systems processing the information.
- Oversee compliance with both internal and legal rules and control mechanisms in force in Ferrovial in information security.

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

Management of information security is aligned with international standards ISO/IEC 27001, including and regulating, among others, in a process of continuous improvement in risk management, matters such as control of access and segregation of functions to ensure that treatment of financial information supported by IT systems is performed in an authorised and supervised manner that is proportional to the needs of users in performing tasks.

The Ferrovia Information Security Management System (ISMS) has been certified under standard ISO/IEC 27001 since March 2012.

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

When the Company outsources certain activities, it verifies the technical expertise and skills of the subcontractor. The group has implemented control activities to check the soundness of the conclusions of independent experts.

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

▪ Outsourcing of hardware and software management of IT systems

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

- Alignment/certification of provision of service in terms of international standards (including ISO/IEC 20000 and ISO/IEC 27001).
- Establishment of governance mechanisms and mechanisms to monitor service.
- Setting up of obligatory and periodic processes of auditing and service reviews.
- Establishment and management of service levels.

▪ Actuarial studies of pensions

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

In addition, the Company requests the certification or a specific report on internal control (as per SAS 70, AAF 01/06 or a similar standard) of the companies subcontracted by the Trustees of these funds that are responsible for the processes of valuing assets in the funds and administering them, as they are a source of information for the calculations by the actuary contracted by the Company.

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

Lastly, the Company has an internal procedure for contracting professional consulting or advisory services with auditing firms and parties that are related or part of the same network, independently of whether they are engaged at the time in reviewing the consolidated or individual financial statements of Ferrovia or its investees. Certain approval levels are required that depend on the amount, including approval from the ACC, as the case may be. Under this procedure, at least three bids must be requested for each job, in the absence of a justified cause, and the reason for the outsourcing must be explained.

The General Secretary and the Legal Advisory Departments of the businesses are responsible for co-ordinating the appointment of the individuals or firms providing legal services as lawyers, solicitors and notaries to Group companies and for supervising the provision of services and accrual of fees.

## F.4 Information and communication

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

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

This is a centralised corporate function for the entire geographic scope of the group.

The Accounting Policies and Internal Control Department, which reports to the Planning and Control Department within the Finance Department, is responsible for defining and maintaining the accounting rules manual (Ferrovial GAAP) up to date and available on the Company intranet and answer questions or resolve conflicts related to its interpretation.

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

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

This department must prepare technical notes when important decisions need to be taken in relation to accounting standards to document that decisions are sufficiently grounded.

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

The Finance Department continuously oversees that there is an appropriate proportion of subsidiaries whose transactional and consolidation information systems are those applicable at the group level and that they gather information in a standard format. It also determines which standard reporting system (Reporting Package) will be used in companies whose systems are not used at group level and which are material to the consolidated financial information of the group in order to ensure the consistency of reported information.

At the transactional system level, Ferrovia has a harmonised system internally called SAP Fidelio which includes companies that accounted for 59% of sales, 70% of EBITDA and 71% of assets in 2013. Companies outside SAP Fidelio mainly belong to the Amey and Budimex groups.

Ferrovia has the BPC consolidation tool in which all companies are consolidated, except for the sub-consolidated financial statements of Amey and Budimex (companies in which the BPC tool is forecast to be implemented in 2014) and companies consolidated using the equity method, which are reported in a standard reporting package format and consolidated with other group companies. The reporting package includes itemisations necessary for the preparation of financial statements and, with the ICFR, it includes the certification of the Chief Financial Officer and the Chief Executive Officer of such subsidiaries, as discussed in section F.3.1.

## F.5 Monitoring

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

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

Ferrovial has an Internal Audit Department that reports directly to the ACC of the Board of Directors, which ensures total independence and objectivity of those employees making management decisions when reviews are conducted. The functions under the Regulations of the Board of Directors and the ACC that affect the Internal Audit Department include proposing and removing the manager of the department, approving the budget and ensuring that the human and material resources are appropriate for the performance of its duties. Members of the team exclusively carry out audit work.

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

The annual work programme is drawn up on the basis of risk parameters included in a priority matrix (intrinsic risk, controls, sector, activity, country, age, etc.) which determine what work is a priority for the next year when applied to the total "auditable universe". This planning proposal is discussed with Senior Management with a view to incorporating their proposals and submitted to the ACC for approval prior to the start of the year. Then, during the year, the degree of progress in planning is reported, as are any deviations, and these are explained. The guiding principle is that all work considered a priority must be audited during the current year and others are positioned for the following years. Hence, a review of the entire auditable universe will have been completed once a certain number of years have elapsed, which Ferrovial believes is sound and representative of the level of risk.

The scope of the Internal Audit Department's work is global, as it includes reviewing the financial statements (both as part of accounting and the past, including the following areas: the balance sheet and income statement, both financial and future: business plans, budgets, finance models, etc.), as well as analysing the effectiveness and efficiency of processes, internal controls, the design and compliance with applicable internal and external regulations, the functional completeness and sufficiency of IT systems and organisational structures.

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

The Internal Audit report contains three sections, in which, in addition to an overall opinion of the performance of the audited unit (company, system, process, etc.), sufficient details are provided on any opportunities for improvement. These details are incorporated in recommendations to managers, with deadlines for implementation and subsequent verification. A single report is issued and distributed at the same time to all the heads of the audited unit, the Ferrovial Management Committee and Senior Management.

This philosophy is applicable uniformly to all the work of the Internal Audit Department. In the specific field of ICFR, the effectiveness and design of internal controls is analysed, as noted previously with regard to work performed in audited units. Additionally, the work carried out in 2013 included auditing two specific processes, across business lines and of one business area, with satisfactory results, and the continuous updating of the status of monitoring the recommendations issued in previous audits. For 2014, the plan approved by the ACC included the complete auditing of two ICFR processes, which can be across business lines or of one business area, and the verification in the other audits of the specific risks and controls that have been identified. In all cases, evidence will be requested to carry out efficiency testing.

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

The Regulations of the Board of Directors state that the functions of the ACC include discussing with auditors any significant weakness in the internal control system encountered in the audit.

Under the Board Regulations, the external auditor submits to the ACC on a yearly basis any weaknesses in internal control found in the course of audit work.

Such weaknesses are incorporated to the ICFR action plan, while Finance is responsible for designing an action plan to correct them and report the progress to the ACC.

In the Recommendations section of the audit report, the Internal Audit Department provides recommendations for improvement regarding any weaknesses found. The direct managers of the audited units undertake to implement the recommendations on dates to be agreed upon with the Internal Audit Department, which continuously assesses their effective implementation and issues formal quarterly reports. This information is also periodically reported to Senior Management and the ACC for their information and for any measures deemed appropriate. In some cases, implementation of the recommendations of the Internal Audit Department is made part of the personal objectives of the manager responsible, thus affecting attainment of variable remuneration.

## F.6 Other relevant information

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## F.7 External auditor review

State whether:

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

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

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

Indicate the degree of the company's compliance with Corporate Governance recommendations.

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

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

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

Compliant  Explain

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

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

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

See sections: D.4 and D.7

Compliant  Partially compliant  Explain  Not applicable

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

**a) The transformation of listed companies into holding companies through the process of "subsidiarisation", i.e. reallocating core activities to subsidiaries that were previously carried out by the originating company, even though the latter retains full control of the former;**

**b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**

**c) Operations that effectively add up to the company's liquidation.**

See section: B.6

Compliant  Partially compliant  Explain

It is assumed, and this has been included in its Regulations, that the powers of the Shareholders' Meeting include that of expressing its opinion on the subject matter of this



Recommendation, with the exception of paragraph b), since it is considered that its adoption would mean a significant difficulty in the possible performance of corporate transactions, besides which it is understood that the concept “fundamental corporate change” carries with it an element of lack of security and definition.

- 4. Detailed proposals of the resolutions to be adopted at the General Shareholders’ Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the call of the meeting.**

Compliant  Explain

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

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

Compliant  Partially compliant  Explain

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

Compliant  Explain

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

**It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.**

Compliant  Partially compliant  Explain

- 8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

- a) The company's general policies and strategies, and in particular:**
  - i) The strategic or business plan, management targets and annual budgets;**
  - ii) Investment and financing policy;**

- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and evaluation of senior executives;
- vii) Risk control and management policy, and the periodic monitoring of internal information and control systems;
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) On the proposal of the company's chief executive, the appointment and removal of senior executives, and their compensation clauses.
- ii) Directors' remuneration, and, in the case of executive directors, the additional remuneration for their executive functions and other contract conditions.
- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

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

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

1. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients;
2. They go through at market prices, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit

**Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.**

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

See sections: D.1 and D.6

Compliant  Partially compliant  Explain

In relation to the provisions of section b.i) the Board of Directors considers that the decision regarding the appointment and possible dismissal of senior managers should be the responsibility of the Company's Chief Executive Officer. However, the Regulations of the Board of Directors confer powers on the Nomination and Remuneration Committee for drawing up reports prior to the appointment and removal from office of senior managers who report directly to the Chief Executive Officer.

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

See section: C.1.2

Compliant  Explain

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

See sections: A.3 and C.1.3

Compliant  Partially compliant  Explain

**11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.**

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

- 1 In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**
- 2 In companies with a plurality of shareholders represented on the board but not otherwise related.**

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

Compliant  Explain

**12. The number of independent directors should represent at least one third of all board members.**

See section: C.1.3

Compliant  Explain

**13. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

See sections: C.1.3 and C.1.8

Compliant  Partially compliant  Explain

**14. When women directors are few or non existent, the Nomination Committee should take steps to ensure that:**

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

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Compliant  Partially compliant  Explain  Not applicable

The Board of Director currently has one woman among its twelve members. Further, the Nomination and Remuneration Committee has the task of ensuring that, in any selection processes, there is no implicit bias against women candidates owing to personal circumstances.

Section b) was not compliant as a result of the renewal of all Board members that took place in March 2013 (there was no change in the composition of the Board), notwithstanding the measures referred to in section C.1.6.

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

See sections: C.1.19 and C.1.41

Compliant  Partially compliant  Explain

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

See section: C.1.22

Compliant  Partially compliant  Explain  Not applicable

Recommendation 16 is actually comprised of a set of recommendations, the majority of which Ferrovial complies with.

The only point on which the Company does not comply with the Recommendation is that the Lead Director does not have the duty of leading the Board's evaluation of the Chairman. The Company believes that this role must be filled by the Board on the basis of a report from the Nomination and Remuneration Committee.

**17. The Secretary of the Board should take care to ensure that the board's actions:**

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) Comply with the company Bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;**
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

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

See section: C.1.34

Compliant  Partially compliant  Explain

**18. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.**

See section: C.1.29

Compliant  Partially compliant  Explain

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

See sections: C.1.28, C.1.29 and C.1.30

Compliant  Partially compliant  Explain

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

Compliant  Partially compliant  Explain  Not applicable

**21. The board in full should evaluate the following points on a yearly basis:**

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

See sections: C.1.19 and C.1.20

Compliant  Partially compliant  Explain

The Company complies with the recommendation and evaluates the quality and efficiency of the Board's operation, the performance of the Chairman and the Chief Executive of the Company and the performance of its committees.

However, the Board believes that it is sufficient and more practical for the periodicity of these evaluations to be every two years rather than annually.

**22. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See section: C.1.41

Compliant  Explain

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

See section: C.1.40

Compliant  Explain

**24. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Compliant  Partially compliant  Explain

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

- a) **Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;**
- b) **Companies should lay down rules about the number of directorships their board members can hold.**

See sections: C.1.12, C.1.13 and C.1.17

Compliant  Partially compliant  Explain

The Board of Directors does not consider it necessary to adopt the recommendation that urges the Company to limit the number of Boards to which a Director may belong, since it understands that control over this matter is sufficiently well preserved with the function performed by the Nomination and Remuneration Committee for reviewing the professional commitments of each Board member.

**26. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:**

- a) **On the proposal of the Nomination Committee, in the case of independent directors.**
- b) **Subject to a report from the Nomination Committee in all other cases.**

See section: C.1.3

Compliant  Partially compliant  Explain

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

- a) **Professional experience and background;**
- b) **Directorships held in other companies, listed or otherwise;**
- c) **An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.**
- d) **The date of their first and subsequent appointments as a company director, and;**
- e) **Shares held in the company and any options on the same.**

Compliant  Partially compliant  Explain

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

See sections: A.2, A.3 and C1.2

Compliant  Partially compliant  Explain

**29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in Ministerial Order ECC/461/2013.**

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Compliant  Explain

**30. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the crimes stated in article 213 of the Capital Companies Act, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Compliant  Partially compliant  Explain

**31. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

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

The terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Compliant  Partially compliant  Explain  Not applicable

**32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is**



**filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

See section: C.1.9

Compliant  Partially compliant  Explain  Not applicable

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

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

Compliant  Partially compliant  Explain  Not applicable

The company has had a system of mandatory investment in company shares since 2003. At present, it consists of the obligation of devoting just one of the three components of board remuneration that is received in cash to purchase of Company shares.

This commitment to invest part of their remuneration in Ferrovial shares applies to all the members of the Board of Directors; directors may thus dispose of those shares acquired prior to leaving their position and provided that three full financial years have elapsed since the financial year in which the purchase of such shares occurred.

**34. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.**

Compliant  Explain  Not applicable

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

Compliant  Explain  Not applicable

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

Compliant  Explain  Not applicable

**37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.**

See sections: C.2.1 and C.2.6

Compliant  Partially compliant  Explain  Not applicable

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

Compliant  Explain  Not applicable

**39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.**

**The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:**

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first full board following each meeting;**
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior executives may also attend meetings, for information purposes, at the Committees' invitation.**
- c) Committees should be chaired by an independent director.**
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- e) Meeting proceedings should be minuted and a copy sent to all board members.**

See sections: C.2.1 and C.2.4

Compliant  Partially compliant  Explain

**40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.**

See sections: C.2.3 and C.2.4

Compliant  Explain

**41. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management.**

Compliant  Explain

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

See section: C.2.3

Compliant  Explain

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

Compliant  Partially compliant  Explain

**44. Control and risk management policy should specify at least:**

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

See section: E

Compliant  Partially compliant  Explain

**45. The Audit Committee's role should be:**

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

- a) Review internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.
- b) Monitor the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or

**accounting irregularities, with potentially serious implications for the firm.**

**2 With respect of the external auditor:**

- a) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.**
- b) Monitor the independence of the external auditor, to which end:
  - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
  - ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.****

See sections: C.1.36, C.2.3, C.2.4 and E.2

Compliant  Partially compliant  Explain

In relation to accepting the recommendation concerning the possible existence of disagreements with the outgoing auditor and, if any, explaining them, the Board of Directors considers that this statement represents a strain factor in possible episodes involving a change of auditor and a restricting element in the decision-making capacity of the Company in respect of changing its external auditor.

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

Compliant  Explain

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

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See sections: C.2.3 and C.2.4

Compliant  Partially compliant  Explain

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

See section: C.1.38

Compliant  Partially compliant  Explain

**49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.**

See section: C.2.1

Compliant  Explain  Not applicable

**50. The Nomination Committee should have the following functions in addition to those stated in earlier Recommendations:**

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the Chairman and chief executive, making recommendations to the board so the succession proceeds in a planned and orderly manner.
- c) Report on the senior executives appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4

Compliant  Partially compliant  Explain  Not applicable

**51. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.**

**Any board member may suggest directorship candidates to the Nomination Committee for its consideration.**

Compliant  Partially compliant  Explain  Not applicable

**52. The Remuneration Committee should have the following functions in addition to those stated in earlier Recommendations:**

- a) **Make proposals to the Board of Directors regarding:**
- i) **The remuneration policy for directors and senior executives;**
  - ii) **The individual remuneration and other contractual conditions of executive directors.**
  - iii) **The standard conditions for senior executives employment contracts.**
- b) **Oversee compliance with the remuneration policy set by the company.**

See sections: C.2.4

Compliant  Partially compliant  Explain  Not applicable

In accordance with article 22.3.h) of the Regulations of the Board of Director, it is the responsibility of the Nomination and Remuneration Committee to “advise on the individual remuneration of the Executive Directors and the other conditions of their contracts”. However, in practice, this Committee submits to the Board their proposal for the remuneration of the Executive Directors and the conditions of their contracts.

**53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior executives.**

Compliant  Explain  Not applicable

**H OTHER INFORMATION OF INTEREST**

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

SECTION C.1.2.

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

Rafael del Pino y Calvo-Sotelo: 9.1.1992  
 Santiago Bergereche Busquet: 23.2.1999  
 Joaquín Ayuso Garcia: 22.3.2002  
 Íñigo Meirás Amusco: 20.10.2009  
 Jaime Carvajal Urquijo: 23.2.1999  
 Portman Baela, S.L.: 26.6.2000  
 Juan Arena de la Mora: 26.6.2000  
 Gabriele Burgio: 31.5.2002  
 María del Pino y Calvo Sotelo: 29.9.2006  
 Santiago Fernández Valbuena: 29.5.2008

The Directors José Fernando Sanchez-Junco and Karlovy S.L. were not on the Board of Directors of Grupo Ferrovial, S.A.

#### SECTION C.1.39

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

#### SECTIONS D.2, D.3 and D.4

In the related Note to the consolidated and individual financial statements, Ferrovial provides information on the main transactions performed in 2013 with related parties in the ordinary course of the Company's and its group's business and on an arm's length basis.

#### SECTION G

##### Recommendation 2

At present, no other company in the Ferrovial group is listed on the stock exchange apart from Ferrovial itself. However, when this circumstance arose (the listing of Cintra and Grupo Ferrovial, S.A.) the company fully complied with this recommendation and, therefore:

- The Board of Directors of the Company has been assigned the responsibility under its Regulations to oversee that, if the Company and a subsidiary are listed simultaneously a public and precise definition is given of the respective areas of activities and the business dealings that may exist between them and the other companies in the group, and the mechanisms established to resolve any conflicts of interest.
- Upon the listing in 2004 of Cintra, Grupo Ferrovial, S.A. and Ferrovial Agroman (a subsidiary that operates in the construction business), on the one hand, and Cintra on the other, they signed and made public a Framework Agreement to regulate the dealings between Grupo Ferrovial, S.A. and its subsidiaries on the one hand, and Cintra and its subsidiaries on the other.
- Finally, the Framework Agreement envisaged that Cintra's Related Operations Committee would exercise certain functions of supervision and reporting, with special attention to matters related to the corporate governance of Cintra and prevention of situations of conflicts of interest. In particular, this Related Operations Committee would be responsible for overseeing compliance of the Framework Agreement.

##### Recommendation 35

The Company complies in its internal regulations, to the extent provided for in this Recommendation, although the situation in which its application would be appropriate has not arisen to date.

##### Recommendation 50

The Company complies, although the powers of the Nomination and Remuneration Committee on the subject of the Chairman's and CEO's succession refer to analysis of the process that permits the orderly succession of the Chairman and CEO.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

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

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

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

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This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on: 25 February 2014.

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

Yes

No

<b>Name or corporate name of director</b>	<b>Reasons (voted against, abstention, non-attendance)</b>	<b>Explain the reasons</b>