

Independence and diversity

FERROVIAL'S CORPORATE GOVERNANCE SEEKS TO GUARANTEE INTEGRITY, WHICH IS VIEWED AS DILIGENT, TRANSPARENT AND RESPONSIBLE CONDUCT VIS-À-VIS SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND THE DIFFERENT AGENTS INVOLVED IN THE COMPANY'S ACTIVITIES. INTEGRITY IS KEY TO ENSURING PROFITABLE BUSINESS AND LONG-TERM SUSTAINABILITY IN LINE WITH THE COMPANY'S STRATEGY, WHILE STRENGTHENING THE TRUST THAT SHAREHOLDERS AND OTHER STAKEHOLDERS PLACE IN THE COMPANY.

In compliance with commercial law, the Annual Corporate Governance Report (ACGR) forms part of this Management Report. It was drawn up by the Board of Directors and has been filed with the Spanish National Securities Market Commission (CNMV). The ACGR details all corporate governance aspects at Ferrovial and is available at www.ferrovial.com.

As explained in the ACGR, Ferrovial is fully or partially compliant with most of the recommendations set out in the Good Governance Code of Listed Companies (57 out of the 59 recommendations that apply to the company). The company regularly analyzes the national and international best practices and regulations relating to good governance to assess their application and possible incorporation into its internal regulations.

GOVERNING BODIES

The ACGR describes how the group's management bodies and the decision-making process work, highlighting the roles of the General Shareholders' Meeting and Board of Directors as the company's most senior governance bodies.

Board of Directors

The Board performs its duties with unity of purpose and independent judgment. It treats all shareholders equally and works towards the company's interests, meaning

the need to secure a profitable business that is sustainable in the long term, while supporting its continuity and seeking optimal economic value for the company.

It comprises 12 members, thus ensuring an efficient and participative functioning of the board. Its members are re-elected

Each year, the Board appraises the quality and efficiency of its own functioning and that of its various committees. For the fourth straight year, it has been aided in this process by a widely respected external consultant. As part of the action plan in place to improve upon those aspects, the Board has agreed to continue strengthening its role in discussing and shaping group strategy, in supervising innovation, technology and digital transformation and in permanently monitoring the projects and issues that matter the most to each business unit.

Executive Committee

This committee has all delegated powers of the Board of Directors, except for those that cannot be delegated for legal reasons or because the bylaws say so. The committee comprises seven members. Among other duties, it monitors the performance of key business indicators and the status of the most pressing corporate matters, while also approving the operations of its competence as a delegated body of the Board of Directors.

Audit and Control Committee

It comprises three independent directors, who have been appointed in consideration of their knowledge and experience in accounting, auditing or risk

BRUNO DI LEO, INDEPENDENT DIRECTOR

In 2018, the Board of Directors appointed Bruno Di Leo as an independent director by co-option. The appointment was duly preceded by a selection process with the involvement and assistance of a renowned external expert. This latest appointment, which follows the appointments of Hanne Sørensen in 2017 and Philip Bowman in 2016, effectively increases the Board presence of independent directors, who already account for 50% of total members. It also makes the Board more diverse in relation to the gender, backgrounds, knowledge and experience of its members.

FEMALE BOARD MEMBER TARGET

30%

Of the Board in 2020

...

EXTERNAL ASSESSMENT OF THE BOARD

4

Years in a row

...

VOTING RIGHTS ASSIGNED TO THE BOARD OF DIRECTORS

31.15%

...

LEAD DIRECTOR

1

...

INDEPENDENCE

50%

Of Directors

...

AUDIT AND CONTROL COMMITTEE

100%

Independent Directors

...

management. Between them, they possess the requisite technical knowledge and expertise in relation to the sector in which the company operates. To increase the diversity of its members, Australian board member Philip Bowman was awarded a seat on the committee in 2018.

Their main duties resulting from the adoption of the recommendations contained in the Good Governance Code of Listed Companies are described below, without prejudice to any others prescribed by law.

- Supervising the generation and presentation of mandatory financial information and ensuring that the Board seeks to present accounts to the General Shareholders' Meeting without any limitations or qualifications contained in the audit report.
- Remaining fully apprised of any structural and corporate changes planned by the company, while reporting previously to the Board of Directors on the financial terms and accounting impact of such changes, particularly in relation to the proposed exchange ratio such one exist.
- Ensuring that the company and the financial auditor adhere to rules governing the rendering of non-audit services, limits on the concentration of auditor services and other general regulations governing the independence of the financial auditor.
- Ensuring that the remuneration of the financial auditor does not compromise its quality or independence.
- Receiving regular information on activities from the Internal Audit Department.
- Ensuring the independence of the Internal Audit Division.
- Establishing and supervising a system that allows employees to confidentially and anonymously report any irregularities with potentially serious implications that may be detected at Ferrovial, particularly regarding financial and accounting matters.
- Supervising compliance with internal corporate governance and standards of conduct in the securities markets, and suggesting improvements.
- Coordinating the process of reporting non-financial information according to applicable law and benchmark international standards.

The committee held five meetings in 2018, with all members in attendance at each such meeting. The activities performed by the committee during the year are described in the report regarding its operation, available on the Ferrovial website. The Audit and Control Committee takes into account the recommendations of the CNMV Technical Guide on Audit Committees for Public-Interest Entities when going about its business.

BUSINESS DISCUSSED BY THE BOARD OF DIRECTORS

Every year, at the proposal of its Chairman, the Board of Directors draws up a calendar and an agenda for each of the meetings scheduled for the following year, taking into consideration the suggestions raised by directors and the recommendations of the company's external consultant who collaborated on the Board assessment process. Naturally the Board may also address any other unforeseen matters that require its attention during the year. The main matters addressed in 2018 are as follows:

- Financial information periodically reported.
- Internal financial reporting system.
- Risk management process.
- Annual General Shareholders' Meeting (call, proposal of agreements, reports).
- Report from each business unit and corporate area.
- Annual budget and amendments to the budget for the current year.
- Health and Safety (which is reviewed at each Board meeting due to the importance the company attaches to this subject).
- Fiscal and tax policies followed by the company in 2018.
- Compliance Model.
- Innovation.
- Cyber-security.
- Social welfare action.
- Quality and the Environment.
- Ferrovial's shareholding structure and on the perception of investors and analysts.
- Scrip dividend program.
- Annual assessment of the Board and its committees.
- Remuneration of Directors.
- New developments in corporate governance.

Appointments and Remunerations Committee

The committee comprises four non-executive directors, the majority of whom are independent, including its Chairman. They all possess the knowledge, aptitude and experience needed to perform the functions entrusted to them. To increase the diversity of its members, Danish board member Hanne Sørensen was awarded a seat on the committee in 2018.

Their main duties resulting from the adoption of the recommendations contained in the Good Governance Code of Listed Companies are described below, without prejudice to any others prescribed by law.

- Proposing the basic terms of the contracts signed with members of the senior management.
- Ensuring that all non-executive directors have sufficient time to duly perform their duties.
- Ensuring compliance with the remuneration policy established by the company.
- Verifying information on remuneration for executives and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.
- Ensuring that any conflicts of interest do not impair the independence of the advice provided to the committee.
- Reporting on the appointment of the members that are to sit on each of the committees, in view of the knowledge, skills and experience of directors and the duties of each committee.

The committee held six meetings in 2018, with all members in attendance at each such meeting. The activities performed by the committee during the year are described in the report regarding its operation, which is available on the Ferrovial website. [f](#)

		RAFAEL DEL PINO	SANTIAGO BERGARECHE	JOAQUÍN AYUSO	ÍÑIGO MEIRÁS	MARÍA DEL PINO	SANTIAGO FERNÁN- DEZ VALBUENA	JOSE FERNANDO SÁNCHEZ-JUNCO	JOAQUÍN DEL PINO	ÓSCAR FANJUL	PHILIP BOWMAN	HANNE SØRENSEN	BRUNO DILLO
POSITION		Chairman	First Vice- Chairman	Second Vice- Chairman	CEO	Member	Member	Member	Member	Member and Lead Director	Member	Member	Member
Board of Directors	Executive	✓			✓								
	Proprietary	✓				✓			✓				
	Independent						✓	✓		✓	✓	✓	✓
	Other external		✓	✓									
Committees	Executive Committee	✓ C	✓	✓	✓	✓		✓		✓			
	Audit and Control Committee						✓ C			✓	✓		
	Appointments and Remunerations Committee		✓				✓	✓ C				✓	
Shareholding	% of capital held directly and indirectly	20.104	0.334	0.018	0.049	8.082	0.003	0.023	2.530	0.003	0.003	0.00	0.00
Other information	Date of first appointment	9/1/1992	23/2/1999	22/3/2002	20/10/2009	29/9/2006	29/5/2008	3/12/2009	29/10/2015	30/7/2015	28/7/2016	5/4/2017	26/7/2018
	Nationality	SPANISH	SPANISH	SPANISH	SPANISH	SPANISH	SPANISH	SPANISH	SPANISH	SPANISH	AUSTRA- LIAN	DANISH	PERUVIAN
	Positions as direc- tors at other listed companies	0	2	2	0	0	1	0	0	2	2	4	1
	Age	60	73	63	55	62	60	71	57	69	66	53	61

C: Chairman of the Executive Committee, Chairman of the Audit and Control Committee and Chairman of the Appointments and Remuneration Committee.
Information updated at February 2019.

EXPERIENCE AND TRAINING OF BOARD MEMBERS

