

CORPORATE GOVERNANCE REPORT OF ACS GROUP 2013





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THE ANNUAL CORPORATE GOVERNANCE REPORT FORMS PART OF THE DIRECTORS' REPORT, IN ACCORDANCE WITH THE PROVISIONS OF THE SPANISH LIMITED LIABILITY COMPANIES LAW. THE AFOREMENTIONED DIRECTORS' REPORT IS INCLUDED IN THE ACS GROUP'S ECONOMIC AND FINANCIAL REPORT FOR 2013.

A. OWNERSHIP STRUCTURE

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

Date of last change	Share capital (€)	Number of shares	Number of voting rights
23/09/2013	157,332,297.00	314,664,594	314,664,594

Indicate whether there are different classes of shares carrying different rights:

Yes	No
	X

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

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. Alberto Cortina Alcocer	4,875	12,272,838	3.90%
Mr. Alberto Alcocer Torra	0	11,502,616	3.66%
Corporación Financiera Alba, S.A.	0	51,305,942	16.30%
Inversiones Vesan, S.A.	39,397,625	0	12.52%
Sayglo Holding S.L.	0	17,741,012	5.64%
Iberostar Hoteles y Apartamentos, S.L.	17,643,657	0	5.61%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
Mr. Alberto Cortina Alcocer	Percacer, S.L.	6,063,705
Mr. Alberto Cortina Alcocer	Imvernelin Patrimonio, S.L.	5,064,693
Mr. Alberto Cortina Alcocer	Corporación Financiera Alcor, S.L.	466,440
Mr. Alberto Cortina Alcocer	Cinainvest Holding, S.A.	678,000
Mr. Alberto Alcocer Torra	Comercio y Finanzas, S.L.	5,971,482
Mr. Alberto Alcocer Torra	Imvernelin Patrimonio, S.L.	5,064,694
Mr. Alberto Alcocer Torra	Corporación Financiera Alcor, S.L.	466,440
Corporación Financiera Alba, S.A.	Alba Participaciones, S.A.	51,305,942
Sayglo Holding S.L.	Gloya Trust, B.V.	97,355
Sayglo Holding S.L.	Iberostar Hoteles y Apartamentos, S.L.	17,643,657

Indicate the most significant changes in the shareholding structure occurring the year:

Name or company name of the shareholder	Transaction date	Description of the transaction
SOUTHEASTERN ASSET MANAGEMENT, INC	21/10/2013	Ownership interest has fallen below 5% of Share Capital

A.3 Complete the following tables on the members of the company's Board of Directors who hold voting rights through company shares:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. José Luis del Valle Pérez	278,902	0	0.09%
Mr. Julio Sacristán Fidalgo	4,925	0	0.00%
Mr. José Álvaro Cuervo García	0	44,333	0.01%
Mr. José María Loizaga Viguri	128,313	0	0.04%
Mr. Pedro José López Jiménez	0	954,000	0.30%
Mr. Javier Echenique Landiribar	28,674	0	0.01%
Mr. Antonio García Ferrer	100,572	0	0.03%
Mr. Agustín Batuecas Torrego	952,000	1,500,000	0.78%
Mr. Javier Monzón de Cáceres	4,750	0	0.00%
Mr. Florentino Pérez Rodríguez	0	39,397,625	12.67%
Mr. Miguel Roca Junyent	40	0	0.00%
Mr. Juan David Grimà Terré	0	0	0.00%
Mr. Pablo Vallbona Vadell	13,737	0	0.00%
Ms. Sabina Fluxà Thienemann	0	0	0.00%
Mr. Manuel Delgado Solís	0	0	0.00%
Mr. Juan March de la Lastra	100	0	0.00%
Mr. Santos Martínez-Conde Gutiérrez-Barquín	8,663	0	0.00%

Name or company name of the indirect shareholder	Held through: Name or company name of the direct shareholder	Number of voting rights
Mr. José Álvaro Cuervo García	Sociedad de Estudios de Estrategia Empresarial, S.A.	44,333
Mr. Pedro José López Jiménez	Lynx Capital, S.A.	309,357
Mr. Pedro José López Jiménez	Fidalsar, S.L.	644,643
Mr. Agustín Batuecas Torrego	Inversiones Batuecas Torrego S.L.	1,400,000
Mr. Agustín Batuecas Torrego	Inversiones Ceda S.L.	100,000
Mr. Florentino Pérez Rodríguez	Inversiones Vesan, S.A.	39,397,625
% of total voting rights held by the Board of Board Members		13.79%

Complete the following table on the members of the company's Board of Directors who hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Number of indirect voting rights	Equivalent number of shares	% of total voting rights
Mr. José Luis del Valle Pérez	351,160	0		0.11%
Mr. Florentino Pérez Rodríguez	936,430	0		0.30%

A. OWNERSHIP STRUCTURE

A.4 Indicate, as applicable, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

—

A.5 Indicate, as applicable, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

—

A.6 Indicate whether any shareholders' side agreements affecting the company have been executed between shareholders pursuant to Articles 530 and 531 of the Spanish Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

	Yes	No
		X

Indicate whether the company is aware of any concerted actions between its shareholders. If so, provide a brief description:

	Yes	No
		X

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

—

A.7 Indicate if there is any individual or legal entity that exercises or could exercise control over the Company under Article 4 of the Securities Market Law. If so, identify them:

	Yes	No
		X

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

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
2,766,973	0	0.88%

(*) Through:

In accordance with the provisions set forth in Royal Decree 1362/2007, detail any significant changes during the financial years:

Notification date	Total direct shares acquired	Total indirect shares acquired	% of total share capital
01/02/2013	3,212,622	0	1.03%
26/03/2013	3,552,663	0	1.13%
05/07/2013	3,222,724	0	1.03%
05/09/2013	3,336,645	0	1.03%
26/09/2013	238,420	0	0.07%

A. OWNERSHIP STRUCTURE

A.9 Give details of the conditions and time periods governing any resolutions of the General Shareholders' Meeting authorising the Board of Directors to issue, acquire or transfer treasury shares.

The following resolution was adopted at the Ordinary General Shareholders' Meeting held on 10 May 2013:

In rendering the authorisation granted through the resolutions of the Company's General Shareholders' Meeting held on 30 May 2012 null and void and in accordance with the provisions of Articles 146 et seq. and 509 of the Spanish Companies Law, the Board of Directors of the Company and those of its subsidiaries are authorised, during a period of one year from the date of this meeting, which shall be automatically extended for periods of equal duration up to a maximum of five years, unless stipulated otherwise by the shareholders at the General Meeting, and in accordance with the conditions and requirements envisaged in the legal provisions in force at the time, to acquire, at any given time and as many times as deemed advisable and through any of the means admitted by law, with a charge to profit for the year and/or unrestricted reserves, shares of the Company, the nominal value of which when added to those already owned by the Company or by its subsidiaries does not exceed 10% of the share capital issued or, where applicable, the maximum amount authorised by the legislation applicable at any given time. The minimum price and the maximum price, respectively, will be the nominal value and the weighted average price relating to the last trading day prior to the transactions increased by 20%.

The Board of Directors of the Company and those of its subsidiaries are also authorised, within the period and in accordance with the conditions established above to the extent that it is possible, to acquire shares of the Company through loans, for a consideration or otherwise, on an arm's-length basis, taking into account market conditions and the characteristics of the transaction.

Express authorisation is given for the treasury shares acquired by the Company or its subsidiaries to be earmarked, in full or in part: (i) for sale or retirement, (ii) for delivery to workers, employees or Board Members of the Company or its Group, when there is a right recognised either directly through or as a result of exercising the options they hold, for the purposes envisaged in the last paragraph of Article 146.1.a) of the Spanish Companies Law, and (iii) for reinvestment plans for dividends or similar instruments.

In order to retire treasury shares and granting the execution of this task to the Board of Directors in accordance with that indicated below, the Board resolved to reduce share capital, with a charge to profit or unrestricted reserves, for an amount equal to the total nominal value of the treasury shares which the Company directly or indirectly holds at the date of adoption of this resolution by the Board of Directors.

In accordance with Article 7 of the Company By-laws, the Board of Directors is empowered (with express powers of substitution) to execute this resolution to reduce share capital, which may be carried out once or several times within the maximum period of five years from the date of this resolution, performing such formalities, taking such steps and providing such authorisations as might be necessary or required by the Spanish Companies Law and other applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, (i) set the date or dates for the specific share capital reduction or reductions, taking into account market conditions, the share price, the Company's economic-financial position, its cash, reserves, business performance and any other matter that is reasonable to consider; (ii) specify the amount of each share capital reduction; (iii) use of the amount of the reduction, either to restricted reserves or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; (iv) amend Article 6 of the Company By-laws to the new share capital figure; (v) apply for the delisting of the retired shares; and, in general, adopt any resolutions as might be necessary to ensure the full effectiveness of the retirement of these shares and the concomitant capital reduction, designating the persons empowered to implement these resolutions.

The execution of these share capital reduction shall be subordinate to the execution of the capital reduction through the retirement of treasury shares proposed to the shareholders at the Ordinary General Shareholders' Meeting under item 7 on the Agenda, such that under no circumstances may the execution of this resolution be prevented in accordance therewith.

A.10 Indicate, as applicable, any restrictions on the transfer of securities and/or any restrictions on voting rights. In particular, indicate the existence of any type of restrictions which may make it difficult to takeover the company via the market acquisition of its shares.

Yes

No

X

A.11 Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

Yes

No

X

If so, explain the measures adopted and the situations in which the restrictions would be inoperative:

—

A.12 Indicate whether the company has issued shares that are not traded in a regulated market in the European Community.

Yes

No

X

Where appropriate, indicate the different classes of shares and, for each class of shares, the rights and obligations they confer.

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate and, if applicable, describe the differences between the minimum required under the Spanish Companies Law (LSC) and the quorum required for holding the General Shareholders' Meeting.

Yes No

X

B.2 Indicate and, if applicable, describe any differences between the rules established in the Spanish Companies Law (LSC) for adopting resolutions and the company's rules.

Yes No

X

Describe the differences with respect to the rules established in the LSC.

B.3 Indicate the rules applying to amending the Company's By-laws. In particular, indicate the majorities anticipated for modifying the by-laws, as well as, where appropriate, the rules anticipated for protecting partners' rights on modifying the by-laws.

GENERAL SHAREHOLDERS' MEETING RULES

Article 3. Ordinary General Shareholders' Meeting

Point 8. A separate vote shall be taken on each item of the Agenda. Additionally, a separate vote shall be taken on the appointments or ratifications of Board Members, which shall be voted on individually, and on proposed amendments to the Company By-laws, which shall be voted on Article by Article or by substantially independent groups of Articles.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and in the previous year:

Attendance information

Date of the General Meeting	% attending in person	% by proxy	% remote voting		Total
			Electronic voting	Other	
10/05/2013	20.19%	55.06%	0.00%	0.00%	75.25%
31/05/2012	20.05%	51.40%	0.00%	0.00%	71.45%

B.5 Indicate whether the by-laws contain any restrictions with respect to a minimum number of shares required to attend General Meetings.

	Yes	No
_____	X	

Number of shares required to attend General Meetings	100
_____	_____

B.6 Indicate whether it has been resolved that certain decisions which entail a structural modification to the company (subsidiarisation, purchase/sale of operating assets, operations equivalent to liquidating the company, etc.) need to be submitted for the approval of the General Shareholders' Meeting, even if Company Law does not expressly demand it.

	Yes	No
_____		X

B.7 Indicate the address and mode of access to the company's website to information on corporate governance and other information on the General Meetings that need to be made available to the shareholders through the Company's website.

The address is <http://www.grupoacs.com/index.php/es/c/gobiernocorporativo>

Once in the ACS Group's website, a page appears with several tabs on the edge, one of which is "CORPORATE GOVERNANCE"; if you click on this tab, the following sub-sections appear: Company By-laws, Rules of the General Meeting, Annual Corporate Governance Report, Board of Directors, Shareholders' Agreements and Rules of Conduct for Securities Markets; each sub-section contains pertinent information. If you click on "Annual Corporate Governance Report" and following a brief introduction, there is a specific instruction to click on it and download the annual reports since 2003 in PDF format.

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	21
Minimum number of Board Members	11

C.1.2 Complete the following table with the Board Members:

Name or company name of the Board Member	Representative	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
Mr. Florentino Pérez Rodríguez	--	Chairman and CEO	28/06/1989	03/12/2008	General Shareholders' Meeting Resolution
Mr. Antonio García Ferrer	--	Executive Deputy Chairman	14/10/2003	03/12/2008	General Shareholders' Meeting Resolution
Mr. Pablo Vallbona Vadell	--	Deputy Chairman	05/09/1997	03/12/2008	General Shareholders' Meeting Resolution
Ms. Sabina Fluxà Thienemann	--	Board Member	25/05/2009	25/05/2009	General Shareholders' Meeting Resolution
Mr. Manuel Delgado Solís	--	Board Member	20/05/2004	25/05/2009	General Shareholders' Meeting Resolution
Mr. Juan March de la Lastra	--	Board Member	30/07/2008	03/12/2008	General Shareholders' Meeting Resolution
Mr. Santos Martínez-Conde Gutiérrez-Barquín	--	Board Member	19/06/2002	03/12/2008	General Shareholders' Meeting Resolution
Mr. Agustín Batuecas Torrego	--	Board Member	29/06/1999	03/12/2008	General Shareholders' Meeting Resolution
Mr. Javier Monzón de Cáceres	--	Board Member	20/05/2004	25/05/2009	General Shareholders' Meeting Resolution
Mr. Miguel Roca Junyent	--	Board Member	14/10/2003	03/12/2008	General Shareholders' Meeting Resolution
Mr. Juan David Grimà Terré	--	Board Member	14/10/2003	03/12/2008	General Shareholders' Meeting Resolution
Mr. Julio Sacristán Fidalgo	--	Board Member	24/06/1998	03/12/2008	General Shareholders' Meeting Resolution
Mr. José Álvaro Cuervo García	--	Board Member	05/09/1997	03/12/2008	General Shareholders' Meeting Resolution
Mr. José María Loizaga Víguri	--	Board Member	28/06/1989	03/12/2008	General Shareholders' Meeting Resolution
Mr. Pedro José López Jiménez	--	Board Member	28/06/1989	03/12/2008	General Shareholders' Meeting Resolution
Mr. Javier Echenique Landiribar	--	Board Member	20/05/2004	25/05/2009	General Shareholders' Meeting Resolution
Mr. José Luis del Valle Pérez	--	Board Member-Secretary	28/06/1989	03/12/2008	General Shareholders' Meeting Resolution
Total number of Board Members					17

Indicate removals from the Board of Directors which occurred during the reporting period:

—

C.1.3 Complete the following tables on the Board Members and their positions:

Executive Directors

Name or company name of the Board Member	Committee which notified the appointment	Position per company organisation chart
Mr. Florentino Pérez Rodríguez	Appointments and Remuneration Committee	Chairman and CEO
Mr. Antonio García Ferrer	Appointments and Remuneration Committee	Executive Deputy Chairman
Mr. Agustín Batuecas Torrego	Appointments and Remuneration Committee	Board Member
Mr. José Luis del Valle Pérez	Appointments and Remuneration Committee	Secretary -Board Member
Total number of Executive Board Members		4
% over total Board		23.53%

External Proprietary Board Members

Name or company name of the Board Member	Committee which notified the appointment	Name or company name of significant shareholder represented or proposing appointment
Mr. Pablo Vallbona Vadell	Appointments and Remuneration Committee	Corporación Financiera Alba, S.A.
Mr. Javier Echenique Landiribar	Appointments and Remuneration Committee	Corporación Financiera Alcor, S.L.
Mr. Javier Monzón de Cáceres	Appointments and Remuneration Committee	Corporación Financiera Alcor, S.L.
Mr. Juan March de la Lastra	Appointments and Remuneration Committee	Corporación Financiera Alba, S.A.
Mr. Julio Sacristán Fidalgo	Appointments and Remuneration Committee	Inversiones Vesan, S.A.
Mr. Manuel Delgado Solís	Appointments and Remuneration Committee	Corporación Financiera Alcor, S.L.
Ms. Sabina Fluxà Thienemann	Appointments and Remuneration Committee	Sayglo Holding S.L.
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Appointments and Remuneration Committee	Corporación Financiera Alba, S.A.
Total number of Proprietary Board Members		8
% over total Board		47.06%

C. STRUCTURE OF THE COMPANY ADMINISTRATION

External Independent Board Members

Name or company name of the Board Member:	Profile
Mr. José Álvaro Cuervo García	<p>Born in 1942 in Carreña (Asturias). Professor of Business Economy at the Universidad Complutense de Madrid. Director of the Centro Universitario de Estudios Financieros (CUNEF - University Centre). Winner of the Rey Jaime I Prize in Economics (1992), the Castilla y León "Infanta Cristina" Prize in Economics (1999) and has Honoris Causa Doctorates from the Universities of Oviedo, León, Castilla - La Mancha, Las Palmas de Gran Canaria, Salamanca and Rey Juan Carlos.</p> <p>He has worked as a professor at the Universities of Valladolid, Oviedo and CIDE (Mexico), and was a visiting professor at Saloman Center (Stern School of Business) of the University of New York and at the Institute of Management, Innovation and Organization of the University of California, Berkeley.</p> <p>Vice-dean of the Schools of Economic and Business Sciences at the Complutense de Madrid and Oviedo Universities, and Dean of the latter. His lines of research focus on three areas: economy and business management, finance and the financial system and privatisation and public companies.</p> <p>He is currently a member of the Board of Directors of Bolsas y Mercados Espanoles (BME) and SONAE SGPS, S.A. (Portugal) and a member of the Spanish Government's Privatisation Advisory Council.</p>
Mr. José María Loizaga Viguri	<p>Born in Bilbao (1936). He began his career in Banco Vizcaya and has held various executive positions. In 1968, he was General Manager of Zardoya and played a role in 1972 in the merger with Schneider Otis. Up to 1980, he was the head of Otis Elevator for Southern Europe. In 1980 he founded Banco Hispano Industrial (Grupo BHA) and in 1982 he was appointed Deputy Chairman and CEO of Banco Union which merged with Banco Urquijo where he held a position until 1985.</p> <p>In 1985 he founded Mercapital, S.A. and was Chairman of this group until 2008.</p> <p>He has held positions including, inter alia, Chairman of Bodegas Barón de Ley and Bodegas Lan, as well as being a Board Member of Banque Privee Edmond de Rothschild, Suez International, Otis International, Amorim Investment, Lácteas G Baquero and Union Fenosa, Mecalux, etc.</p> <p>He is currently chairman of Cartera Industrial Rea, and Deputy Chairman of Zardoya Otis, as well as a Board Member of Otis Elevadores Portugal. He is Commandeur de l'Ordre de Leopold.</p>
Mr. Miguel Roca Junyent	<p>Born in 1940 in Cauderan (France).</p> <p>Degree in Law from Universitat de Barcelona.</p> <p>Secretary of the Board of Directors of Accesos de Madrid, Concesionaria Espanola, since January 2000. Secretary of the Board of Directors of Abertis Infraestructuras S.A. Member of the Board of Directors of Endesa S.A. Partner - Chairman of Despacho Roca Junyent.</p>
Mr. Juan David Grimà Terré	<p>Born in 1953 in Sabadell (Barcelona). He has a PhD in Economics and Business; and has studied at the Universidad Autonoma de Barcelona, Baylor University and Harvard Business School. He joined McKinsey & Company in 1982, where he was a partner.</p> <p>From 1992 to 2010 he was the general manager of Banco Santander. In January 2002 he was appointed Deputy Chairman and CEO of the Auna Group, a position he held in addition to his responsibilities at the Bank up to November 2005.</p> <p>Member of the Board of Directors of Viking Consortium Holdings Limited (UK).</p>

Total number of Independent Board Members	4
Total % of the Board	23.53%

Indicate whether any Board Member qualifying as independent receives any sum or benefit, other than remuneration as a Board Member, from the company or its group, or maintains or maintained, during the last financial year, a business relationship with the company or any company in its group, whether in his or her own name or as a significant shareholder, Board Member or senior executive of an organisation which maintains or maintained such a relationship.

There is a housing construction contract between Dragados, S.A. and the Board Member Joan David Grimà Terré, signed in 2013 for EUR 2,534 thousand, of which EUR 257 thousand were billed in 2013.

Where appropriate, include a justified statement of the Board of Directors on the reasons why it is considered that this Board Member can perform his or her functions as an Independent Board Member.

Other External Board Members

Name or company name of the Board Member	Committee which notified or proposed the appointment
Mr. Pedro José López Jiménez	Appointments and Remuneration Committee

Total number of other External Board Members	1
Total % of the Board	5.88%

Indicated the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

Name or company name of the Board Member:	Company, executive or shareholder with whom there is a relation:	Reasons
Mr. Pedro José López Jiménez	ACS, Actividades de Construcción y Servicios, S.A.	At 31 December 2013, the period of five years for an old Executive Board Member to be able to be considered as an Independent Board Member. This became the case on 4 March 2014, at which time five years had passed Mr. Pedro López Jiménez ceased to be Chairman of what was Unión Fenosa S.A. at that time.

Indicate any changes in the type of each Board Member during the period:

—

C.14 Complete the following table with information relating to the number of women Board Members during the last 4 financial years, as well as the nature of those Board Members:

	Number of women Board Members				% of total Board Members of each type			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	12.50%	12.50%	11.11%	11.11%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	1	1	5.88%	5.88%	5.56%	5.56%

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.5 Explain the measures taken, where appropriate, to attempt to include on the Board of Directors a number of women to enable a balanced presence of women and men to be achieved.

Explanation of the measures

The ACS Group promotes all those policies necessary to ensure equality of opportunities and to avoid implicit biases and any discrimination in selection processes not just of members of the Board of Directors, but rather any job post and to guarantee that the candidates meet the requirements in terms of competence, knowledge and experience to carry out the work, as explained in point 1.3.1 of ACS' Code of Conduct.

The number of women Board Members represents 5.88% of the total number of members of the Board of Directors. Although this is less than half, it must be borne in mind that the only vacancy occurring on the Board in recent years was filled by a woman.

C.1.6 Explain the measures, where appropriate, the Nominations Committee has decided to ensure that the selection processes do not suffer from implicit biases that hinder the selection of women Board Members and that the company deliberately seeks and includes women who meet the professional profile sought among the potential candidates:

Explanation of the measures

The Appointments and Remuneration Committee, in accordance with that laid down in the Rules of the Board of Directors and the Group's Code of Conduct, promotes the inclusion of women among potential candidates, ensuring that they have the appropriate professional profile and the objective criteria of merit and capacity.

When, in spite of the measures which have been adopted, where applicable, the number of women Board Members is few or zero, explain the reasons justifying this:

Explanation of the reasons

The Group has a policy on renewals on the Board of Directors which approximates to the criteria put forward by the Unified Code, coordinating the principles of representative nature with those of equality and independence. For this reason, the vacancies which have opened in the last 5 years have been used to reduce the number of male Board Members and to include women Board Members, meaning that the only inclusion has been a woman.

C.1.7 Explain the form of representation on the Board of shareholders with significant holdings.

Explanation

The External Proprietary Board Members Mr. Pablo Vallbona Vadell, Mr. Juan March de la Lastra and Mr. Santos Martínez-Conde Gutierrez-Barquín, representing Corporación Financiera Alba, S.A.

The External Proprietary Board Members Mr. Javier Echenique Landiribar, Mr. Javier Monzón de Cáceres and Mr. Manuel Delgado Solis, representing Corporación Financiera Alcor, S.A.

The Executive Director Mr. Florentino Pérez and the External Proprietary Board Member Mr. Julio Sacristán Fidalgo, representing Inversiones Vesan, S.A.

The External Proprietary Board Members Ms. Sabina Fluxà Thienemann, representing Sayglo Holding, S.L.

C.1.8 If applicable, explain the reasons for appointing Proprietary Board Members at the request of shareholders who have a holding of less than 5% of share capital.

Indicate whether any formal requests by a shareholder to have a Board Member appointed were denied although the shareholder holds the same or a higher number of shares than another shareholder at whose request Proprietary Board Members were appointed. In this case, explain the grounds for denying this request:

Yes

No

X

C.1.9 Indicate whether any Board Members resigned from office before the expiration of their term of office, whether and in what manner the Board Member explained the reasons for resignation to the Board and, in the event that resignation was tendered in writing to the Board in full, detail below the reasons given by the Board Member:

—

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

Name or company name of the Board Member:

Brief description:

Mr. Florentino Pérez Rodríguez

All powers corresponding to the board except those that cannot be transferred.

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.11 Identify, if applicable, the Board Members who hold office as Board Members or executives at other companies forming part of the listed company's group:

Name or company name of the Board Member	Company name of the group entity	Position
Mr. Antonio García Ferrer	Dragados S.A.	Board Member
	ACS Servicios, Comunicaciones y Energía S.L.	Board Member
	ACS Servicios y Concesiones S.L.	Board Member
Mr. Agustín Batuecas Torrego	Intercambiador de Transportes Avenida de América S.A.	Chairman
	Continental Rail. S.A.	Individual Representative
	Construirail. S.A.	Board Member
	Intercambiador de Transportes Príncipe Pío. S.A.	Individual Representative
	Intercambiador de Transportes Plaza de Castilla. S.A.	Individual Representative
Mr. Javier Monzón de Cáceres	ACS Servicios y Concesiones S.L.	Board Member
Mr. Manuel Delgado Solís	Dragados. S.A.	Board Member
Mr. Pedro José López Jiménez	HOCHTIEF AG	Member of the Supervisory Board
	Dragados. S.A.	Deputy Chairman
	ACS Servicios, Comunicaciones y Energía S.L.	Deputy Chairman
	ACS Servicios y Concesiones S.L.	Deputy Chairman
	Leighton Holdings Ltd	Acting Board Member
Mr. José Luis del Valle Pérez	HOCHTIEF AG	Member of the Supervisory Board
	Dragados. S.A.	Board Member/Secretary
	Clece. S.A.	Chairman
	ACS Servicios, Comunicaciones y Energía S.L.	Board Member/Secretary
	ACS Servicios y Concesiones S.L.	Board Member/Secretary
	Cobra Gestión de Infraestructuras. S.L.	Board Member/Secretary
Mr. Javier Echenique Landiribar	ACS Servicios, Comunicaciones y Energía S.L.	Board Member

C.1.12 List, if applicable, any Board Members of the company who are members of the Boards of Directors of other non-group companies that are listed on official securities markets in Spain, as disclosed to the company:

Name or company name of the Board Member	Company name of the group entity	Position
Mr. José Álvaro Cuervo García	Bolsas y Mercados Españoles. Sdad Holding de mdos y Stmas Fin. S.A.	Board Member
Mr. José María Loizaga Víguri	Zardoya Otis. S.A.	Deputy Chairman
	Cartera Industrial Rea. S.A.	Chairman
Mr. Javier Echenique Landiribar	Banco Sabadell. S.A.	Deputy Chairman
	Grupo Empresarial Ence. S.A.	Board Member
	Repsol YPF. S.A.	Board Member
Mr. Javier Monzón de Cáceres	Indra Sistemas. S.A.	Chairman
Mr. Miguel Roca Junyent	Endesa. S.A.	Board Member
Mr. Juan March de la Lastra	Corporación Financiera Alba. S.A.	Deputy Chairman
	Indra Sistemas. S.A.	Board Member
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba. S.A.	Ceo
	Acerinox. S.A.	Board Member
	Indra Sistemas. S.A.	Board Member
Mr. Miguel Roca Junyent	Endesa. S.A.	Board Member

C.1.13 Indicate, and if applicable, explain whether the Company has established any rules about the number of Boards on which its Board Members may sit:

Yes	No
X	

Explanation of the rules

Article 14 of the Rules of the Board of Directors provides that Board Members cannot, either directly or indirectly, hold positions in companies or firms that are competitors of the Company or of any of the Group companies or provide representation services on behalf of the same. Additionally, the Rules of the Board of Directors, as currently worded, limits the number of Groups which a Board Member of the Company can form part of to five, except in the case of express authorisation on a reasonable basis.

C.1.14 Indicate the Company's general policies and strategies the Board in plenary session has reserved the right to approve:

	Yes	No
Investment and financing policy	X	
Definition of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plan and the annual management and budget targets	X	
Remuneration and evaluation of Senior Executives	X	
Risk control and management policy, and the periodic monitoring of internal information and control systems	X	
Policy on dividends and on treasury shares, and the limits to apply	X	

C.1.15 Indicate the overall remuneration for the Board of Directors:

	Thousands of euros
Remuneration for the Board of Directors	10,793
Amount of overall remuneration corresponding to rights accumulated by the Board Members as regards pensions	2,070
Overall remuneration for the Board of Directors	12,863

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.16 Identify the Senior Executives who are not Executive Board Members and indicate the total remuneration paid to them during the year:

Name or company name	Position
Mr. Alfonso Aguirre Díaz-Guardamino	Head of the Legal Department of ACS Servicios Comunicaciones y Energía, S. L.
Mr. José Zornoza Soto	Finance Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. Gonzalo Gómez-Zamalloa Baraibar	CEO of Vías y Construcciones, S.A.
Mr. Gustavo Tunell Ayuso	Manager of Poland at Dragados, S.A.
Mr. Francisco Javier López Sánchez	Manager of Building at Dragados, S.A.
Mr. Raul Llamazares de la Puente	CEO of Intecsa and Makiber
Mr. José María Castillo Lacabex	General Manager of Imesapi, S.A.
Mr. Ángel Guerra Zalabardo	General Manager of Sice, Tecnología de Sistemas, S.A.
Mr. José Luis López Molinillo	Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. Eugenio Llorente Gómez	Chairman and CEO of the Industrial Services Area
Mr. José Ignacio Legorburo Escobar	European Assistant Manager of Dragados, S.A.
Mr. José María Aguirre Fernández	General Manager of Tecsa, Empresa Constructora, S.A.
Mr. Ricardo Martín de Bustamante Vega	European Manager of Dragados, S.A.
Mr. Jesús García Arias	General Manager of Sociedad Española de Montajes Industriales, S.A. (SEMI)
Mr. Cristóbal González Wiedmaier	Finance Manager of ACS Servicios Comunicaciones y Energía, S.L.
Mr. Eusebio Arnedo Fernández	Head of Human Resources of Dragados, S.A.
Ms. Marta Fernández Verdes	Finance Director of Dragados, S.A.
Mr. Manuel Álvarez Muñoz	Production Manager of Vías y Construcciones, S.A.
Mr. Carlos Abilio Pérez	General Manager of Municipal Waste Treatment, Urbaser, S.A.
Mr. Ricardo Cuesta Castiñeyra	Head of the Legal Department of Dragados, S.A.
Mr. José Reis Costa	Chairman of Procme LTD
Mr. Ángel Manuel García Altozano	Corporate General Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. Manuel Andrés Martínez	General Manager of Urban Services at Urbaser, S.A.
Mr. Adolfo Valderas Martínez	General Manager of Iridium, Concesiones de Infraestructuras, S.A.
Mr. José Luis Celorrio García	General Manager of Maessa Telecomunicaciones, S.A. (Maetel)
Mr. José Alfonso Nebrera García	General Manager of ACS Servicios Comunicaciones y Energía, S.L.
Mr. José Antonio Fernández García	General Manager of the ETRA GROUP
Ms. Cristina Aldámiz-Echevarría González de Durana	Director of Investments and Management Control of ACS, Actividades de Construcción y Servicios, S.A.
Mr. Salvador Myro Cuenco	Development Manager of Iridium, Concesiones de Infraestructuras, S.A.
Mr. Ricardo Franco Barbera	Eastern US Manager of Dragados, S.A.
Mr. Francisco Javier Gómez García	General Manager of Initec Energía, S.A.
Mr. José María López Piñol	Chairman of Urbaser, S.A.
Mr. Pedro Ascorbe Trián	General Manager of Dragados Off Shore, S.A.
Mr. Alejandro Canga Bottegheiz	Western US Manager of Dragados, S.A.
Mr. Bernardo de la Fuente Elvira	General Manager of Control y Montajes Industriales, S.A.
Mr. Alejandro Mata Arbide	Administration Manager of ACS, Actividades de Construcción y Servicios, S.A.
Mr. Carlos Gerez Pascual	Director of Machinery of Dragados, S.A.
Mr. Luis Nogueira Miguelsanz	General Secretary of the Construction, Concessions and Environment Areas
Mr. Juan Mata Arbide	General Manager of Geotecnia y Cimientos, S.A. (Geocisa)
Mr. Epiñano Lozano Pueyo	Corporate General Manager of ACS, Servicios Comunicaciones y Energía, S. L.
Mr. Román Garrido Sánchez	North American Manager of Dragados, S.A.
Mr. Ramón Jiménez Serrano	General Manager of Integrated Projects, Cobra Gestión de Infraestructuras, S.A.
Mr. José Antonio Pérez Pérez	General Manager of Mantenimientos y Ayuda a la Explotación, S.A. (Maessa)
Mr. Andres Sanz Carro	Secretary General of Sociedad Española de Montajes Industriales, S.A. (SEMI)
Mr. Juan José Fanjul Pastrana	General Manager of Cobra Instalaciones y Servicios, S.A.
Mr. Ignacio Segura Suriñach	CEO of Dragados, S.A.
Mr. Enrique Pérez Rodríguez	CEO of Cogesa, S.A.
Mr. Diego Miguel Zumaquero García	Director, Spain, of Dragados, S.A.
Mr. Eloy Domínguez-Adame Bozzano	Director of Affiliates of Dragados, S.A.
Mr. Francisco Reinoso Torres	Director de Administration and Finances, ACS Servicios y Concesiones, S.L.
Mr. Santiago García Salvador	Operations Manager of Iridium, Concesiones de Infraestructuras, S.A.
Mr. Juan Santamaría Casas	Sole Administrator, Iridium, Concesiones de Infraestructuras, S.A.
Total Senior Executive remuneration (thousand euros)	24,638

C.1.17 Where applicable, indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies that hold significant shareholdings in the listed company and/or entities in the group:

Name or company name of the Board Member	Company name of the significant shareholder	Position
Mr. Florentino Pérez Rodríguez	Inversiones Vesan, S.A.	Sole Administrator
Ms. Sabina Fluxà Thienemann	Iberostar Hoteles y Apartamentos, S.L.	Board Member
Mr. Juan March de la Lastra	Corporación Financiera Alba, S.A.	Board Member
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	Board Member

List, as appropriate, any material relationships, other than those envisaged under the preceding heading, of the members of the Board of Directors with significant shareholders and/or at group companies:

Name or company name of the related Board Member:	Name or company name of the related significant shareholder:	Description of relationship:
Mr. Pablo Vallbona Vadell	Corporación Financiera Alba, S.A.	Deputy Chairman of Banca March, S.A., Main Shareholder of Corporación Financiera Alba, S.A.
Mr. Manuel Delgado Solís	D. Alberto Cortina Alcocer	Lawyer of Percacer, S.L
Mr. Manuel Delgado Solís	D. Alberto Alcocer Torra	Lawyer of Invernelin Patrimonio, S.L.
Mr. Juan March de la Lastra	Corporación Financiera Alba, S.A.	Deputy Chairman of Banca March, S.A., Main Shareholder of Corporación Financiera Alba, S.A.
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	Board Member of Banca March, S.A., Main Shareholder of Corporación Financiera Alba, S.A.
Mr. Julio Sacristán Fidalgo	Inversiones Vesan, S.A.	Brother In Law of Mr. Florentino Pérez, Administrator Of Inversiones Vesan, S.A.

C.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the year:

Yes	No
	X

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.19 Indicate the procedures for selection, appointment, re-election, evaluation and removal of Board Members. List the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The appointment of Board Members is regulated in the Rules of the Board of Directors:

- Composition and appointment in Article 3.
- Duties in Article 4.
- Period of appointment in Article 11.
- The Chairman in Article 17.
- The Vice Chairmen in Article 18.
- The Chief Executive Officer in Article 19.
- The Secretary in Article 20.
- The Appointments and Remuneration Committee in Article 24.

The wording of the Rules of the Board of Directors mentioned above is detailed in section H of this report.

- Re-election of Board Members.

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of his or her shares by any means.

- Removal of Board Members.

The removal of Board Members is regulated in the following articles of the Rules of the Board of Directors, which are worded as follows:

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated: Accepting the resignation of Board Members.

Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.

Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

C.1.20 Indicate whether or not the Board of Directors has carried out an assessment of its activity during the year:

	Yes	No
	X	

Where applicable, explain to what extent the self-assessment led to significant changes to its internal organisation and to the procedures applicable to its activities.

Description of amendments

The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or of its Delegated Committees.

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.21 Indicate the cases in which the Board Members must resign.

In accordance with Article 11 of the Rules of the Board of Directors, the Proprietary Board Members shall resign from the Board of Directors when the shareholder they represent fully disposes of its shares by any means.

C.1.22 State whether the function of the Chief Executive Officer of the Company rests with the Chairman of the Board. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person:

	Yes	No
	X	

Measures to limit risks

The Chairman of the Board, Mr. Florentino Pérez Rodríguez, is also CEO and has been delegated all the powers of the Board, except those that cannot be delegated. Therefore, in accordance with the Rules of the Board of Directors, the Chairman shall undertake the duties that befit the status of the Chief Executive Officer of the Company, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee. His duties are not only delimited by this scope of powers that cannot be delegated, but also by the duties that he carries out as the Chairman of the Executive Committee.

Also noteworthy is that any resolution of special relevance to the Company shall be submitted to the approval of the Board of Directors, and an absolute majority shall be required, in which case neither the Chairman nor the corresponding Committee shall have a casting vote.

Indicate and, if applicable, explain whether rules have been established to enable one of the Independent Board Members to convene a Board meeting or add items to the agenda, to coordinate and give voice to the concerns of External Board Members and lead the Board's evaluation of the Chairman.

	Yes	No
	X	

Explanation of the rules

In accordance with the Rules of the Board of Directors, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.23 Are qualified majorities, other than statutory majorities, required for any type of decision?

Yes

No

X

Where applicable, describe the differences.

C.1.24 State whether there are specific requirements, other than those related to Board Members, to be nominated as Chairman.

Yes

No

X

C.1.25 Indicate if the chairman has a casting vote:

Yes

No

X

C.1.26 Indicate whether the By-laws or the Rules of the Board of Directors set any age limit for Board Members:

Yes

No

X

C.1.27 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for Independent Board Members, differing from that laid down in the regulations:

Yes

No

X

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1.28 Indicate whether the Company By-laws or the Rules of the Board of Directors establish specific rules for delegating votes on the Board of Directors, the form of doing so and, in particular, the maximum number of delegations that a Board Member can hold, as well as whether it has been made mandatory to delegate to a Board Member of the same type. Where applicable, give a brief description of these rules.

Without prejudice to attendance obligations, Board Members who are unable to attend a meeting in person may be represented and cast a vote through another Board Member. This delegation must be in writing to the Chairman and must be in the form of a letter, telegram, telex or fax or any other written means that acknowledges receipt by the addressee.

C.1.29 Indicate the number of meetings that the Board of Directors held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable: In this calculation, Board Members who have granted proxies without specific instructions shall be considered to present:

Number of Board meetings	7
Number of Board meetings without chairman's attendance	0

Indicate the number of meetings held during the year by the different board committees:

Commission	N° Of Meetings
Executive or Delegated Committee	9
Audit Committee	6
Appointments and Remuneration Committee	2

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with all members present. In this calculation, Board Members who have granted proxies without specific instructions shall be considered to be present:

Attendance of Board Members	7
Number of attendances as a % of the total votes during the year	92.44%

C.1.31 Indicate whether the individual and consolidated financial statements are certified before being presented to the Board of Directors for approval:

	Yes	No
	X	

Identify, if applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the Board:

Name	Position
Mr. Ángel Manuel García Altozano	Corporate General Manager

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 presented at the General Shareholders' Meeting without a qualified auditors' report.

In this respect, routine meetings are held between the accounts auditor and the Audit Committee to analyse with sufficient notice any differences between the accounting criteria of the Company and its Group and the auditors' interpretation of the accounts. The foregoing is in accordance with Article 20 bis of the Company By-laws. It is considered that the 2013 auditors' reports on both ACS, Actividades de Construcción y Servicios, S.A. and the ACS Group will be favourable.

C.1.33 Is the Secretary of the Board a Board Member?

	Yes	No
	X	

C.1.34 Explain the procedure for appointing and removing the secretary of the Board and indicate whether the appointment and removal are subject to a report of the Appointments Committee and are approved by the Board in plenary session.

Procedure for appointment and dismissal

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member, and who must be a practising lawyer. In addition to the duties laid down by current legislation, the Company By-laws and these Rules, the Secretary of the Board of Directors must also oversee the legality of the acts issued by the company bodies of which he or she forms part, providing the due warnings and recording them in the Minutes. The appointment of the Secretary was not reported by the Appointments and Remuneration Committee since he was appointed years prior to the formation of this Committee.

	Yes	No
Does the Appointments Committee report the appointment?	X	
Does the Appointments Committee report the dismissal?	X	
Does the Board in plenary session approve the appointment?	X	
Does the Board in plenary session approve the removal?	X	

C. STRUCTURE OF THE COMPANY ADMINISTRATION

Is the secretary of the Board particularly entrusted with ensuring compliance with good governance recommendations?

Yes

No

X

Comments

—

C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the external auditors, of financial analysts, investment banks and of rating agencies.

In regard to the auditor, Article 23 of the Rules of the Board of Directors provides that the duties of the Audit Committee shall be as follows:

- Monitoring the effectiveness of the company's internal control, internal auditing and, if applicable, risk management systems and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- Overseeing the preparation and presentation of the regulated financial information.
- Proposing to the Company's Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit firms in accordance with applicable law.
- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards. In any case, auditors and audit firms shall annually furnish the committee with written confirmation of their independence from the company or directly and indirectly related companies, in addition to reporting any additional services of any type presented to these companies by the aforementioned auditors or firms, or related individuals or companies, in accordance with the provisions of current Spanish legislation.
- Annually and prior to the issuance of the auditors' report, issuing a report expressing an opinion on the independence of the auditors or audit firms. In any case, this report shall give an opinion on the provision of the additional services mentioned above.
- Reviewing and reporting on the estimates made by Company management and of those companies comprised within its Group of companies with respect to possible significant tax and legal contingencies.
- Ascertaining the results of inspections conducted by official entities.

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

Yes	No
	X

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

—

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group and, if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes	No
X	

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	664	1,401	2,065
Amount of other non-audit work/total amount billed by audit firm (as a %)	76.43%	11.48%	15.80%

C.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications. If so, indicate the reasons given by the chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes	No
	X

C.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm represents of the total number of years which the financial statements have been audited:

	Company	Group
Number of uninterrupted years	12	12
Number of years audited by current auditing firm /Number of years that the company has been audited in %	50.00%	50.00%

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.140 Indicate whether there is a procedure for Board Members to be able to receive outside advisory services, and if so, give details:

	Yes	No
	X	

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board and, under special circumstances, may consist of external advice at the Company's expense.

C.141 Indicate whether there is a procedure for the Board Members to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance and, if so, give details:

	Yes	No
	X	

Detail of procedure

Article 15 of the Rules expressly provides that Board Members have the right to request and obtain information and advice required to carry out their duties. This information may be requested through the Chairman or Secretary of the Board.

C.142 Indicate, whether the company has established rules obliging Board Members to report and, if applicable, resign, in situations which could harm the company's good name and reputation and if so, give details:

	Yes	No
	X	

Explanation of the rules

Article 13 of the Board Rules expressly states that in regard to the duty of loyalty, Board Members shall avoid conflicts of interest among themselves, or their closest relatives and the Company. Should any conflict of interest exist and be unavoidable, it must be reported to the Board of Directors and recorded in the minutes of the first Board meeting that takes place. Furthermore, they must notify the Company, in the shortest possible term and in all cases within the five following days, of the shares, stock options or derivatives referring to the share value which may be held, directly or indirectly, either by the Board Members themselves or their closest relatives.

Board Members must notify the Company of the most significant changes that take place in their professional circumstances and especially those affecting the qualities taken into account for appointing them as such. Furthermore, they shall notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.

The Board Members shall abstain from intervening in the deliberations and casting their vote on those matters in which they have a particular interest, which will be expressly registered in the Minutes.

C.143 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit had been filed against him or her for any of the crimes set forth in Article 213 of the Spanish Companies Law:

Yes

No

X

Indicate whether the Board of Directors has analysed the case. If the answer is yes, provide a reasoned explanation of the decision taken on whether or not the Board Member should continue in his or her post or, where applicable, explain the actions taken by the Board of Directors before the date of this report or which it plans to take.

—

C.144 Detail the significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control over the Company resulting from a takeover bid, and the effects thereof.

In the case of a change in control over the Company, the early redemption will occur of bonds convertible to Iberdrola shares, issued by ACS Actividades Finance BV on 22 October 2013 for a face value of EUR 721,100,000.

A “change in control” will occur if one or more individuals or legal entities, acting individually or jointly, acquire control of ACS, Actividades de Construcción y Servicios, S.A. For these purposes, “control” means (i) the acquisition or control of over 50% of the voting rights or (ii) the right to appoint and/or remove all or the majority of the board of directors or other governing body, whether obtained directly or indirectly and if they obtain ownership of the share capital, possession of the voting rights, contract or other type and “controlled” will be interpreted in consequence. To avoid any doubt, any agreement or concerted action by two or more existing ACS, Actividades de Construcción y Servicios, S.A. shareholders which does not lead to a mandatory takeover bid under Spanish legislation may not be considered a change of control except when these parties have previously launched a takeover bid, but when doing so have acquired (combining their existing holdings) less than 50% of the voting rights.

C.145 Identify, in aggregated form, and indicate, in detail, the agreements between the Company and its executive and management posts or employees who have termination benefits, guarantee or golden parachute clauses, when they resign or are dismissed unfairly or the contractual relationship ends due to a takeover bid or other type of operation.

Number of beneficiaries:	Type of beneficiary:	Description of agreement:
6	Members of senior management, including Executive Board Members.	The contracts consider the cases stipulated under this point with maximum benefits of 5 years in remunerations.

C. STRUCTURE OF THE COMPANY ADMINISTRATION

Indicate whether these contracts have to be disclosed to and/or approved by the bodies of the Company or of its Group:

	Board of Directors	General Meeting
Body authorising the clauses	Yes	No

	Yes	No
Is the General Meeting informed about the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 Detail all the Committees of the Board of Directors, their members and the proportion of Proprietary and Independent Board Members on them:

Executive Or Delegated Committee

Name	Position	Type
Mr. Florentino Pérez Rodríguez	Chairman	Executive
Mr. José María Loizaga Viguri	Deputy Chairman	Independent
Mr. Antonio García Ferrer	Member	Executive
Mr. Javier Echenique Landiribar	Member	Proprietary
Mr. Juan March De La Lastra	Member	Proprietary
Mr. Pablo Vallbona Vadell	Member	Proprietary
Mr. Pedro José López Jiménez	Member	Other External

% Executive Board Members	28.57%
% Proprietary Board Members	42.86%
% Independent Board Members	14.29%
% Other External Members	14.29%

Audit Committee

Name	Position	Type
Mr. José María Loizaga Viguri	Chairman	Independent
Mr. José Álvaro Cuervo García	Member	Independent
Mr. Julio Sacristán Fidalgo	Member	Proprietary
Mr. Manuel Delgado Solís	Member	Proprietary
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Member	Proprietary

% Executive Board Members	0.00%
% Proprietary Board Members	60.00%
% Independent Board Members	40.00%
% Other External Members	0.00%

Appointments and Remuneration Committee

Name	Position	Type
Mr. José María Loizaga Viguri	Chairman	Independent
Mr. Javier Echenique Landiribar	Member	Proprietary
Mr. Julio Sacristán Fidalgo	Member	Proprietary
Mr. Miguel Roca Junyent	Member	Independent
Mr. Pablo Vallbona Vadell	Member	Proprietary

% Executive Board Members	0.00%
% Proprietary Board Members	60.00%
% Independent Board Members	40.00%
% Other External Members	0.00%

C.2.2 Complete the following table with information relating to the number of women Board Members on the Committees of the Board of Directors during the last four financial years.

Number of women Board Members

	2013		2012		2011		2010	
	Number	%	Number	%	Number	%	Number	%
Executive Or Delegated Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Appointments And Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Indicate whether the Audit Committee is charged with the following duties:

	Yes	No
Supervising the preparation and integrity of the financial information of the Company and, if applicable, of the group, and checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting standards.	X	
Reviewing internal control and risk management systems on a regular basis, so that the main risks are properly identified, managed and disclosed.	X	
Overseeing the independence and effectiveness of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; proposing the resources to be assigned to the internal audit function; receiving regular reports back on its activities; and verifying that senior management is acting on the conclusions and recommendations of its reports	X	
Establishing and monitor a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.	X	
Proposing to the Board the selection, appointment, re-election and replacement of the external auditors, as well as the terms and conditions of the engagement.	X	
Receiving regular information from the external auditor on the progress and findings of the audit plan and checking that senior management are acting on its recommendations	X	
Ensuring the independence of the external auditor	X	

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.2.4 Describe the rules relating to the organisation and functioning of the Board committees, as well as the responsibilities attributed to each of them.

Committee name	Brief description
Executive or Delegated Committee	<p>The Executive Committee shall be made up of the Chairman of the Board of Directors, who shall act as its Chairman, and by the Deputy Chairman or both Deputy Chairmen, in the event that these positions had been appointed, of Board Members appointed by the Board of Directors for such purpose, and of the Secretary to the Board, with the right to speak but not to vote, who shall act as its Secretary.</p> <p>The Executive Committee shall meet as often as it is convened by its Chairman, on his or her own initiative or at the request of, at least, two of its members. It shall be deemed to be set up when the majority of its members attend, present or represented, and unless the legislation in force, the Company By-laws or the Rules of the Board of Directors provide otherwise, it shall adopt its agreements by majority vote of those attending, present or represented.</p> <p>The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Company By-laws. Nevertheless, the Board of Directors may pass on knowledge of and the decision upon any matter of its competence, and in turn, the Executive Committee may subject the decision on any matter to the Board of Directors, which even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.</p> <p>Insofar as deemed necessary, and with the natural adaptations, the operation of the Executive Committee shall be governed by the provisions of the company By-laws or the Board Rules regarding the operation of the Board of Directors.</p>
Audit Committee	<p>In accordance with the provisions of Article 20 bis of the Company By-laws, there shall be an Audit Committee made up of a minimum of three and a maximum of five members who shall be appointed and discharged, from among its members, by the Board of Directors. Under no circumstances may such appointment fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature in the Company during the three immediately preceding years. At least one of the members of the Audit Committee shall be independent and shall be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. The appointment of the Chairman, also to be carried out by the Board of Directors, shall necessarily fall to one of the Company's External Board Members, who may not remain in such position for a period in excess of four years, although he or she may, nevertheless, be re-elected after the term of one year has elapsed from the moment of termination. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.</p> <p>The meeting shall only be deemed to be convened when the majority of its members attend and it shall adopt its agreements by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year, coinciding with the initial and final stages of the audit of the Company's financial statements and of the Group's consolidated financial statements and always prior to issuing the corresponding audit reports. The Company's Auditor may attend these meetings, whenever especially convened, for the purpose of explaining the most significant aspects of the audits performed.</p> <p>Insofar as deemed necessary, and with the natural adaptations, the operation of the Audit Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.</p>
Appointments And Remuneration Committee	<p>Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their functions indefinitely or during the term for which they were elected. The appointment of the Chairman must fall on one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.</p> <p>The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.</p> <p>Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.</p>

C.2.5 Indicate, if applicable, if there are Rules of the Board Committees, where they can be consulted and amendments made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

Committee name	Brief description
Executive or Delegated Committee	<p>The Board Committees are governed by Articles 19, 20 and 20 bis of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.</p> <p>The specific rules relating to the Executive Committee are set forth in Article 22 of the Rules of the Board of Directors.</p>
Audit Committee	<p>The Board Committees are governed by Articles 19, 20 and 20 bis of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com. The specific rules relating to the Executive Committee are set forth in Article 23 of the Rules of the Board of Directors</p>
Appointments And Remuneration Committee	<p>The Board Committees are governed by Articles 19, 20 and 20 bis of the Company By-laws and Articles 21 to 24 of the Rules of the Board of Directors. Both documents are available on the corporate website, www.grupoacs.com.</p> <p>The Appointments and Remuneration Committee is governed in accordance with Article 24 of the Rules of the Board of Directors.</p>

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation of the various Board Members on the Board according to their status:

	Yes	No
	X	

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and, where applicable, explain the procedure for approving transactions with related parties and within the group.

Body responsible for approving related party transactions

Board of Directors

Procedure for approving related party transactions

As established by the Rules of the Board of Directors, related party transactions shall be approved by the Board of Directors or, where appropriate, by the Executive Committee with subsequent ratification by the Board of Directors, with prior report by the Audit Committee, except where these meet the following three conditions

- a) They are performed in accordance with standard contract conditions;
- b) They are performed at the general prices or rates set by the supplier for the merchandise or service at issue; and
- c) The sum involved does not exceed 1% of the company's annual income.

Explain whether approval for transactions with related parties has been delegated, indicating, where applicable, the body or persons to whom it has been delegated.

When this involves transactions in the normal course of business and meets the conditions stated in the previous sections, authorisation falls to the people responsible for each business, without prejudice to notifying the Audit Committee for review and subsequent notification to the Board of Directors.

D.2 List those transactions, which are significant due to their magnitude or relevant due to their subject, carried out between the company or group companies and the company's significant shareholders:

—

D.3 List any material transactions entailing a transfer of funds or obligations between the company or group companies and the company's administrators or executives:

—

D.4 Report any significant transactions by the company with other entities in the same group, where such transactions are not eliminated in the process of preparing the consolidated financial statements and from the standpoint of their subject-matter or terms and conditions are not part of the company's ordinary business:

—

In any case, report any intragroup transaction carried out with entities established in countries or territories considered to be tax havens:

Corporate name of its group entity:	Brief description of the transaction:	Amount (thousands of euros):
Cobra Gibraltar Limited	Work on Gibraltar Airport terminal	2,600

D.5 Indicate the value of the transactions carried out with other related parties. (In thousand of euros).

—

D.6 List the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group and its Board Members, executives or significant shareholders.

The Rules of the Board of Directors specifically regulate conflicts of interest, stating that, in the interests of the corresponding duty of loyalty, Board Members must:

- I. Avoid conflicts of interest between themselves or the closest members of their family and the Company and, in the case that such conflict cannot be avoided, must notify the Board of Directors of all cases of such conflicts.
- II. Notify the Company as soon as possible of the shares, share options or derivatives based on share values which they themselves or their closest family members hold, directly or indirectly, as well as the most significant changes that occur in their professional situation and, especially, those affecting the attributes considered for their appointment as Board Members.
- III. Notify the Company of any legal or administrative proceedings which, on account of their importance, may seriously affect the Company's reputation.
- IV. Abstain from intervening in deliberations and casting their vote on those matters in which they have a particular interest.
- V. Avoid being on more than five management bodies of companies other than those in the Group of companies in which the Company is the parent, without previous express authorisation from the Board provided with justification.
- VI. Not directly or indirectly hold positions in or represent companies or organisations that are in competition with the Company or with any company of its Group.
- VII. Not use in any manner for private purposes any non-public information of which they have become aware in carrying out their duties as Board Member.
- VIII. Not use the commercial transactions of which he or she has become aware while carrying out the duties of his or her post to his or her own benefit nor make use of the Company's assets nor take advantage of his or her post to obtain economic benefit without rendering the just consideration.

Additionally, there are Rules of Conduct in the Securities Markets that include a set of rules designed to detect and regulate any possible conflicts of interest between the Company and/or its Group, its Board Members, Directors or significant shareholders. In general, the Rules apply to the members of the Board of Directors, members of the Group's Management Committee and to those Company representatives and personnel who carry out activities that may have an essential bearing on the price of the Company's shares. They also apply to Company representatives or personnel and to external advisers who, with respect to a specific transaction, are aware of privileged or reserved information regarding the Company's securities.

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

Yes No

X

Identify the subsidiaries listed in Spain:

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Management Systems.

The ACS Group's risk control system is based on a range of strategic and operational actions designed to mitigate risks and fulfil the objectives established by the Board of Directors. The diversity and complexity of the sectors in which the Group carries out its activities implies a variety of risks; the Corporate Unit is responsible for defining basic guidelines in order to homogenise performance criteria in each of the divisions to guarantee an adequate level of internal control. The Group's companies and divisions are responsible for developing the required and appropriate internal regulation to govern the implementation of any necessary internal controls, which, in turn, shall guarantee optimum performance of such internal control in accordance with the special circumstances of their activities.

In order to respond to the need for global and homogeneous risk management, the Corporate Unit has established a risk management model which includes the identification, evaluation, classification, valuation, processing and follow-up of risks at the Group and operational business line levels. When these risks have been identified, a risk map is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved.

The risk control systems adopt the Group's decentralised nature, enabling each business unit to exercise its own risk control and evaluation policies under certain basic principles. These principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with the characteristics and expected return of the same, and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that the risk policies of each business area are consistent with the Group's overall risk strategy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management information required for decisions with the monitoring of the appropriate indicators.

Hochtief, the German listed company which has been fully consolidated by the ACS Group since 2011, has defined its risk control policy to be consistent with its business activity and in line with the ACS Group's policies. The detail of these policies and systems is included in the 2013 Annual Report on pages 119 to 127 inclusive, available on the website www.hochtief.com

E.2 Identify the Company bodies responsible for preparing and executing the Risk Management System.

The ACS Group's Management Committee defines the Group's global risk policy and, if appropriate, sets up the appropriate management mechanisms to ensure that the risks are kept within the approved levels.

The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective generic supervision of compliance with the established risk levels for each business activity.

The Board of Directors approves the global risk policy and the system for control and management.

E.3 Indicate the main risks that may affect the achievement of the business objectives.

The ACS Group's Risk Management System identifies and evaluates various risk scenarios grouped into two categories: corporate risks and business risks.

Corporate risks affect the Group as a whole and the listed Company in particular and can be summarised as:

- Regulatory Risks, deriving from the reliability of the published Financial Information, the Company's disputes, Stock Market regulatory rules, data protection law, possible changes in national and international financial regulations and civil liability on equity integrity
- Financial Risks, including the level of indebtedness, liquidity risk, risks resulting from fluctuations in exchange rates, risks from the use of derivative financial instruments, risks from investments and exposure to risk from variable yields from investments made in listed companies.
- Information Risks, both to reputation affecting the Group's image and those to transparency and its relationship with analysts and investors.

Business risks are those specifically affecting each of the businesses. These vary according to the characteristics of each activity and are grouped in turn into:

- Operational Risks, including risks relating to contracting and tendering for works and projects, to planning and control of execution of the various works and projects, to client and credit risks, to product quality, environmental, purchasing and subcontracting risks.
- Non-Operational Risks, including risks relating to risk prevention and health and safety at work, with Human Resources, compliance with the specific legislation and tax regulations applicable to the business, the reliability of accounting and financial information and the management of financial resources and indebtedness.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.4 Identify whether the entity has a level of risk tolerance.

The ACS Group's Management Committee has defined a framework for action in order to homogenise the identification, classification, evaluation, management and tracking of the risks of the different divisions. Once the risks have been identified and their magnitude and probability have been evaluated, as well as the indicators for measuring them, these form the basis for preparing the Risk Map, in which all the heads of each of the Divisions or business units are involved, determining the level of tolerance for each variable.

Periodic updating of the Risk Map, both at corporate level and in each of the businesses, is carried out by each of the Heads of the different divisions by tracking the indicators measuring exposure to risk.

E.5 Indicate what risks have arisen during the financial year.

The main risks which arose during the year were:

- In relation to Escal UGS, S.L.'s participation in the Castor underground gas storage facility in late 2013, certain events occurred in relation to its progress which led to the Ministry of Industry, Energy and Tourism suspending plant gas injection and extraction activity, so preventing the plant from entering commercial operation and being connected to the gas system. The ACS Group understands that, after the completion of the appropriate technical studies and the corresponding technical and accounting audits, these problems will be resolved satisfactorily. In any case, the ACS Group understands that Escal UGS, S.L. has the right to return the concession at any time, with the right to collect its total value and, as such, considers that the value of its investment can be recovered.
- The substantial increase in costs relating to the Leighton Gorgon Jetty & Marine STR project led to the corresponding client claims, which are currently being negotiated. These claims have been included as outstanding amounts receivable for work carried out in the consolidated financial statements, as is the case for other projects in Iraq related to the oil industry. It is expected that both claims will be recovered, hence no provision has been made in this respect.
- The Radial 3 and Radial 5 (R3 and R5) toll motorway concession companies have suffered significant losses since they began operating, with the resulting alteration in the economic/financial balance anticipated in the concession and problems in covering the financial liabilities, leading to the two entering a creditors' insolvency process. By virtue of the shareholders' agreements signed at the time, the "non-construction partners" have a potential right to sell their shares over the "construction partners", which include ACS. Given the differences in interpretation between the parties, arbitration proceedings are under way, which will decide on the validity of the options to sell. The Group and its legal advisers believe that they have complied with the contractually anticipated grounds so that the aforementioned options are no longer be valid.

E.6 Explain the plans for responding to and supervising the entity's main risks.

The ACS Group's geographic and business diversification, together with the high level of operating decentralisation that characterises the organisation, makes it necessary for it to have a dual system for risk control and supervision. Added to the corporate risk management system is the system belonging to each business unit or listed company, in which each management level is responsible for complying with the standards and the applicable internal procedures.

Their effectiveness is evaluated and verified periodically by the production units' internal audits and by Corporate Internal Audit, which also contributes to the management of the general risks the Group faces in achieving its objectives. The alerts, recommendations and conclusions generated are reported both to Group Management and to the heads of the business areas and companies assessed.

To carry out their duties, the Business and Corporate Internal Audit departments have qualified, expert personnel who are independent of the lines of production.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

Describe the mechanisms which make up the risk control and management systems in relation to the process of issuing financial information (ICFRS) for the entity.

F.1 Company's control environment

Indicating their main characteristics, detail at least the following:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

The Internal Control over Financial Reporting System (hereinafter ICFRS) is part of the ACS Group's overall internal control system and is set up to provide reasonable assurance regarding the reliability of the financial information published. As stipulated in the Rules of the ACS Group Board of Directors, the Board of Directors is responsible for this system and has delegated the supervisory function thereof to the Audit Committee in accordance with its rules.

In accordance with Article 4 of its Rules, the Board of Directors is empowered to approve "the financial information to be periodically made public by the Company given that it is listed on the stock exchange". In accordance with this article, the functions of the Board that cannot be delegated include "preparing the individual and consolidated financial statements and management reports and submitting them for approval at the General Shareholders' Meeting" and approving the "risk management and control policy and the periodic monitoring of the internal reporting and control systems".

The ACS Group's General Corporate Management is responsible for the Group's ICFRS. This entails defining, updating and monitoring the system to ensure that it operates correctly.

The head of each business area is responsible for designing, reviewing and updating the system in accordance with its own needs and characteristics. General Corporate Management validates these designs and their operation to guarantee compliance with the objectives set to assure the reliability of the financial information reported.

In relation to the above, in accordance with Article 23 of the Rules of the Board of Directors, the Audit Committee is responsible, inter alia, for the following:

- Monitoring the effectiveness of the company's internal control, internal auditing and, if applicable, risk management systems, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- "Overseeing the preparation and presentation of the regulated financial information".

On the other hand, Hochtief, which has formed part of the ACS Group as an investee since June 2011, lists its shares on the German stock market and, in turn, has majority ownership interest in Leighton, which in turn lists its shares on the Australian stock market. Both companies have implemented their own risk management and internal control over financial reporting systems in accordance with applicable legislation. Additional information on these systems can be found in their 2013 annual reports and is available on www.hochtief.com and www.leighton.com.au.

F1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **Departments and/or mechanisms responsible for: (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) implementing procedures so this structure is communicated effectively throughout the company.**

In accordance with the Rules of the Board of Directors, the Appointments and Remuneration Committee under this Board is responsible, inter alia, for nominating Senior Executives, particularly those who are to be a member of the Group's Management Committee, and for proposing the basic conditions of their contract.

Corporate General Management, in the case of ACS, Actividades de Construcción y Servicios, S.A., and the CEO or Chairman, in the case of the various business areas, are responsible for determining the organisational structure in their area of activity and communicating this to the interested parties through the anticipated channels in each case.

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

The ACS Group has a General Code of Conduct which was approved by the Board of Directors on 15 March 2007. This was last updated by agreement of the Executive Committee of the Board of Directors on 30 August 2011. This Code has been disseminated and is accessible to all employees via the Group's website.

Both the Hochtief Group's parent company, Hochtief AG, and the parent company of its Leighton subgroup, Leighton Holdings Limited, are companies listed on the German and Sydney stock exchanges, respectively, hence they are subject to their own regulatory bodies' rules and have both their own Codes of Conduct and their own internal channels for complaints and control, under similar terms to those of the ACS Group. For this reason, the ACS Group's General Code of Conduct does not apply directly to investee companies belonging to the Hochtief Group and the Leighton Group.

Paragraph 4.2.5 of the General Code of Conduct emphasises the principle of transparency. The Code stipulates that "specifically, it will ensure the reliability and completeness of the financial information which, in accordance with applicable law, is publicly supplied to the market. In particular, the accounting policies, control systems and monitoring mechanisms defined by the ACS Group in order to identify relevant information shall be identified, prepared and communicated in due time and form".

"Additionally, the Board of Directors and other governing bodies shall periodically ensure the effectiveness of the internal control system over financial information reported to the markets".

To ensure compliance with the General Code of Conduct, resolve incidents or concerns about its interpretation and take the measures required to ensure the best compliance, the above Code provides for the creation of a General Code of Conduct Monitoring Committee to be composed of three members appointed by the ACS Group's Board of Directors following their nomination by the Appointments and Remuneration Committee.

This Monitoring Committee has been assigned the following functions:

- Promoting the dissemination, knowledge of and compliance with the code in each and every Group company.
- Establishing the appropriate communications channels to ensure that any employee can seek or provide information regarding compliance with this code, ensuring the confidentiality of complaints processed at all times.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

- Interpreting the regulations derived from the Code and supervising their implementation.
- Ensuring the accuracy and fairness of any proceedings commenced, as well as the rights of persons allegedly involved in possible breaches.
- Defining the cases in which the scope of the Code should be extended to third parties that are to have business or trade relations or with the ACS Group.
- Gathering data on levels of compliance with the Code and disclosing the specific related indicators.
- Preparing an annual report on its actions, making the recommendations it deems appropriate to the Board of Directors through the Audit Committee.

The Annual Report on Actions and Recommendations of the General Code of Conduct Monitoring Committee for 2013 will be submitted by the Audit Committee in March 2014.

- **Whistle-blowing channel, for reporting to the Audit Committee 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.**

In accordance with the foregoing, the General Code of Conduct has established an Ethics Channel, allowing any person to report irregularities observed in any of the ACS Group companies, or behaviour that fails to comply with the rules provided in the General Code of Conduct.

For this purpose, there are two channels of communication:

- An e-mail address: canaletico@grupoacs.com
- A postal address: Ethics Channel

ACS Group
Avenida de Pío XII, No. 102
28036 Madrid, Spain

In any case, the General Code of Conduct ensures the confidentiality of all complaints received by the Monitoring Committee through these channels.

A total of 27 communications were received in 2013, which due to defects in form, the Code of Conduct Monitoring Committee not being the competent body or other reasons for inadmissibility did not lead to the opening of any cases. In all of the communications, the means used was the digital channel.

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

In regard to training and refresher courses, the ACS Group believes that continuous training for its employees and managers both at the corporate level and at the Group company level is important. Relevant and up-to-date training on regulations that affect financial reporting and internal control is considered to be necessary to ensure that the information reported to the markets is reliable and in accordance with the regulations in force.

Therefore, within the Group's scope of consolidation, a group of approximately 1,150 employees working in the economic-financial area received approximately 21,500 hours of training in finance, accounting rules, consolidation, auditing, internal control and risk management in 2013.

F.2 Risk assessment in financial reporting

Detail at least the following:

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 ACS Group has established a risk management system that supports a range of actions in order to comply with the objectives established by the Board of Directors. The Corporate Risk Map is updated annually and summarises the Group's situation in relation to its main risks, except for those with regard to Hochtief since it has its own risk control systems.

The Risk Map includes the identification, assessment, classification, valuation, management and monitoring of risks at both the Group level and that of the operating divisions. In light of the above, the risks identified are as follows:

- Corporate Risks: affecting the Group as a whole and, in particular, the listed Company.
- Business Risks: specifically affecting each of the business areas and varying based on the unique characteristics of each business.

These risks were basically measured qualitatively in order to establish both their importance and probability of occurrence. However an objective or quantitative risk indicator was established where possible.

Accordingly, the risks are classified as follows:

- Operational risks
- Non-operational risks

This system is explained in section E of the ACGR in the description of the ACS Group's general risk policy.

- **The process covers all financial reporting objectives, (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.**

In addition to financial risks (liquidity, exchange rate, interest rate, credit and equity), non-operational risks also include those risks relating to the reliability of the financial information.

As part of ICFRS management, the ACS Group has a procedure that allows its scope to be identified and maintained by identifying all relevant subgroups and divisions, as well as the significant operating and support processes of each of the subgroups or divisions. This identification was carried out based on the materiality and risks factors that are inherent to each business.

The materiality criteria are established, on one hand, from the quantitative point of view in accordance with the most recent consolidated financial statements based on the various parameters, such as revenue, volume of assets or profit before tax and, on the other hand, from the qualitative point of view in accordance with various criteria, such as the complexity of the information systems, the risk of fraud or accounting based on estimates or bases that may have a subjective component. In practice, this means being able to determine which of the accounting headings of the financial statements are material, as well as other relevant financial information. In addition, the processes or business cycles in which this information is generated are identified.

The ACS Group's Corporate General Management is responsible for updating the scope of the Internal Control over Financial Reporting System and informing the various business areas and the auditor.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

For each process or business cycle included within the scope, the Group has identified the risks that can specifically affect financial reporting taking into account all of the financial reporting objectives (existence and occurrence; integrity; valuation; rights and obligations; and presentation and disclosure), and taking into account the different risk categories contained in section E of the ACGR to the extent that they could significantly affect financial reporting.

- **A specific process is in place for identifying the scope of consolidation, taking into account the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

This assessment is performed on an annual basis and based on which companies are included in or excluded from the Group's scope of consolidation.

- **The process takes into account the effects of other types of risks (operational, technological, financial, legal, risks to reputation, environmental, etc.) to the extent that they affect the financial statements.**

The ACS Group's Risk Management System considers risks of the operational, technological, legal or any other type which, if they arise, could have a significant impact on the Group's financial statements.

- **Which of the company's governing bodies monitors the process.**

The Board of Directors has the power to approve the risk management and control policy and the periodic monitoring of the information and control systems, while the Audit Committee has the power to oversee the internal risk management and control systems.

F.3 Control activities

Indicating their main characteristics, detail at least the following:

F.3.1 Procedures for reviewing and authorising the financial information and description of the ICFRS to be disclosed to the markets, indicating who is responsible in each case, as well as documentation and flow charts for 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 specific review of the relevant judgements, estimates, evaluations and projections.

Prior to their approval by the Board of Directors and to their publication, General Corporate Management must submit both the annual and half-yearly condensed financial statements as well as any other periodic public information supplied to the markets to the Audit Committee, taking into consideration the most relevant effects and those matters whose contents or components are based more on accounting opinions or assumptions for the purpose of calculating estimates and provisions.

Prior to the publication of the financial statements, those responsible for each line of business are required to review the information reported for the purposes of consolidation in their respective areas of responsibility.

This report with the description of the ICFRS is prepared by Corporate General Management based on the information supplied by all affected departments and business areas and is submitted for review and approval by the Audit Committee.

All business areas which are relevant for the purpose of financial reporting have different controls to ensure the reliability of the financial information. These controls are identified for the significant business cycles based on the internal procedures used, as well as the reporting systems which are used as the basis for preparing the financial information of each business area.

The Group documents the significant processes, risks and control activities implemented in the business areas in a systematic and homogeneous manner, with the exceptions described for the listed investee companies. This documentation is based on the following:

- Identification of the companies and processes or business cycles that may significantly affect the financial information. Each significant process has a flow chart and a description of key activities.
- Identification of the risks and controls established to mitigate the financial reporting risks and those responsible for this control, under a common methodology.

The processes considered within the scope include the operating business cycles and the accounting close, communication of information and consolidation. The possible risks of fraud and the specific review of relevant judgements, estimates, evaluations and projections are taken into account in each of the business cycles.

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

Following a policy of decentralisation and independence of each of its business areas, the ACS Group does not centrally manage its information systems, but rather each business area manages these resources based on the particular features of each business. This is not an obstacle hindering each of the business areas from defining its policies, standards and procedures for internal control over the reporting systems and security management. In this regard, the Information Systems Coordinator was created in 2012 to provide support to the ACS Group's General Corporate Management in implementing the application of the information systems policies approved in each of the Group's divisions.

Access to the information systems is managed in accordance with tasks assigned to each job position, and each company defines its users' profiles for accessing, modifying, validating or consulting information following a criterion of segregation of duties defined by each area. Management of access, changes in the applications and the flows of approval are defined in the procedures of each business area, as are the responsibilities of those responsible for monitoring and control.

The control mechanisms for the recovery of information and information systems are defined in the corresponding continuity plans. Each of the business areas has storage and backup processes at different locations that provide for contingencies if necessary. Each Group company also establishes the required security measures against leakage or loss of physical and logical information, depending on the level of confidentiality.

The main information systems have protection against viruses and Trojans and have elements that are periodically updated to prevent intrusions to the information systems.

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.

The ACS Group does not usually subcontract work to third parties that could materially affect the financial statements.

In any case, when the ACS Group outsources work to third parties, it ensures the technical training, independence and skills of the subcontractor. In the case independent experts are used, the person responsible for contracting these experts must validate the conclusions reached from their work.

In the specific case of valuations made by independent experts, the criteria and results thereof are revised by Group management or by management of the business areas affected, requesting comparison valuations when necessary.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

F.4 Information and communication

Indicating their main characteristics, detail at least the following:

F4.1 A specific function in charge of defining accounting policies, keeping them up to date (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations, as well as a manual of accounting policies regularly updated and communicated to all the company's operating units.

Corporate General Management, through the Corporate Administration Department, is responsible for defining and updating the accounting policies and responding to queries and doubts arising from the implementation of the applicable accounting regulations. This can be done in writing and replies to queries are made as quickly as possible depending on their complexity.

The Group has an accounting policies manual that is in line with the International Financial Reporting Standards (IFRS) as these are adopted by the European Union. This manual, updated in January 2013, is applicable to all companies included in the Group's scope of consolidation and to its joint ventures and associates.

In cases where the ACS Group does not have control but does have a significant influence, the required adjustments and reclassifications are made to the associate's financial statements in order to ensure that the accounting criteria are uniform with those of the Group.

Group companies may have their own manual as long as it does not contradict that indicated in the Group's manual, so as to be able to ensure the uniformity of the accounting policies of ACS.

F4.2 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 the ICFRS.

Reporting to the ACS Group's Corporate General Management is carried out in accordance with the following guidelines:

1) Frequency of information reporting

Once the meeting schedule of the Executive Committee and the Board of Directors has been set, the reporting dates and type of information to be reported are sent to the various heads of the divisions or Group companies on an annual basis.

2) Type of information reporting

The information to be reported varies and is detailed based on the reporting period (monthly / quarterly / half-yearly / annually).

3) Financial reporting format

The information to be sent to the Administration Department (Corporate General Management) by the various business areas is reported using the Cognos Consolidator consolidation program (mainly for the balance sheet and income statement), and various Excel templates parameterised and automated for the aggregation and elaboration of various items of information, usually of an off-balance sheet and management nature.

For the preparation of the consolidated statements, all business areas must report any changes in the scope of consolidation of their business area prior to the end of the month. As this information is sent from the 3rd to the 6th of each month, the reporting file includes the parameterisation of the consolidation system, which specifically includes the scope of consolidation affecting the entire ACS Group.

4) Model for reporting internal control information

The ACS Group has defined a reporting system for the most significant controls included within the framework of the Internal Control over Financial Reporting System, in which each person responsible for its implementation and monitoring must send the Group's General Corporate Management a report detailing its operations during the period.

This reporting took place in 2013 on a half-yearly basis, at the same time as the publication of the ACS Group's interim half-yearly financial statements.

F.5 Supervision of system operation

Indicating their main characteristics, detail at least the following:

F.5.1 The ICFRS supervision activities carried out by the Audit Committee, as well as whether the company has an internal audit function which includes support to the Committee in its work on supervising the internal control system, including the ICFRS, among its duties. Furthermore, indicate the scope of the assessment of the ICFRS carried out in the financial year and of the procedure by means of which the person responsible communicates the results, whether the entity has an action plan that details possible corrective actions and whether its impact on the financial information has been considered.

The ACS Group's Internal Audit Department is set up as an independent service, the function of which is to provide support to the Group's Board of Directors and senior management in the examination, evaluation and supervision of the internal control and risk management systems both of the Parent and the other companies forming part of the Group.

The ACS Group's Internal Corporate Audit functions are carried out by the Internal Audit Department, which coordinated the auditing of the Group's various business areas.

The Corporate Internal Audit Department is included in the organisational structure as a body reporting hierarchically to the Corporate General Management and functionally to the Audit Committee of the Board of Directors. It has no hierarchical or functional link to the business areas. Therefore, the appointment/dismissal of the person responsible is at the suggestion of the Audit Committee. In this regard, Hochtief and Leighton, as noted in point F.1, have their own control systems and the internal audits for these companies report to their Audit Committees.

In turn, the internal audit departments of the Parents of the Group's business areas report hierarchically to the Chairman and/or CEO of these areas and functionally to the Corporate Internal Audit Department. The functions assigned to the Internal Audit Department are as follows:

- Reviewing the implementation of policies, procedures and standards established in the Group's business areas, as well as the operations and transactions they perform.
- Identifying faults or errors in the systems and procedures, indicating their causes, issuing suggestions for improvement in the internal controls established and monitoring recommendations adopted by the management of the various business areas.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFRS)

- Reviewing and assessing, in the performance of their work, the internal controls established, included among which are those which make up the risks associated with the financial information for the audited units.
- Reporting any anomalies or irregularities identified, recommending the best corrective actions and following up on the measures taken by the management of the different business areas.

The Corporate Internal Audit Department submits the Annual Audit Plan each year for approval by the Audit Committee. This Audit Plan consolidates the internal audits of the Group companies, except for Hochtief and Leighton.

The Corporate Internal Audit Manager periodically submits to the Audit Committee a summary of the reports already drafted and the status of the internal audits of the various business areas.

The Corporate Internal Audit Department submitted the 2013 Activities Report and the 2014 Audit Plan to the Audit Committee in February 2014. The audits carried out are of the following type:

- Audits of specific projects
- Audits of branches or geographic areas within a company
- Audits of processes or specific areas
- Audits of companies or groups of companies

In 2013 the various internal audit departments of the business areas carried out 130 audits.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the Internal Audit Department 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 administrators. Also report any action plan in place to correct or mitigate weaknesses observed.

In accordance with the Rules of the Board of Directors, the Audit Committee has the following functions:

- Monitoring the effectiveness of the company's internal control, internal audit, and if applicable, risk management systems, and discussing any significant weaknesses in the internal control system identified during the performance of the audit with the auditors or audit firms.
- Establishing the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter which may compromise their independence and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in Spanish legislation regarding auditing accounts and technical auditing standards.

As a result of this work, the internal audit departments of the Group companies issue a written report which summarises the work carried out, the situations identified, the action plan including, where applicable, the timetable and persons responsible for correcting the situations identified, and opportunities for improvement. These reports are sent to the head of the business area and to Corporate General Management.

As mentioned above, the Corporate Internal Audit Manager submits an Activities Report to the Audit Committee which contains a summary of the activities carried out and the reports drawn up during the year, as well as the main significant aspects and recommendations contained in the various reports.

The Audit Committee holds meetings with the external auditor on a regular basis and, in any case, whenever there is a review of the interim financial statements for the first and second half of the year prior to their approval, and prior to the meeting held by the Board of Directors to prepare the full annual individual financial statements of the parent, and the consolidated statements of the ACS Group. Additionally, it holds formal meetings to plan the work of external auditors for the current year, as well as to report the results that have been obtained in the preliminary review prior to the end of the financial year.

In 2013, the internal and external auditors attended six Audit Committee meetings.

F.6 Other relevant information

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F.7 External auditor's report

Indicate:

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

The information relating to the ICFRS issued to the markets for 2013 was reviewed by the external auditor.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations of the Unified Code on good corporate governance.

If any recommendations are not followed or are only partially followed, a detail explanation of the reasons for this must be included so that the shareholders, investors and the market in general have sufficient information to assess the company's conduct. Explanations of a general nature will not be acceptable.

1. **The By-laws of listed companies may not limit the number of votes held by a single shareholder or impose other restrictions on the company's takeover via the market acquisition of its shares.**
See sections: A.10, B.1, B.2, C.1.23 and C.1.24.

	Complies	Explain
	X	

2. **In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:**
 - a) The type of activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;
 - b) The mechanisms in place to resolve possible conflicts of interest.
 See sections: D.4 and D.7

	Complies	Partially complies	Explain	Not applicable
				X

3. **Even if not expressly required under Company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:**
 - 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.

	Complies	Partially complies	Not applicable
	X		

4. That the proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in Recommendation 27, be made public on the date on which the call of the meeting is published.

Complies	Partially complies	Explain
X		

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

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

Complies	Partially complies	Explain
X		

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

Complies	Partially complies	Explain
X		

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the Company's best interest, to be understood as maximizing the Company's 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 industries and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies	Partially complies	Explain
X		

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

8. The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in plenary session should reserve the right to approve:

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

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

b) The following decisions:

- i) At the proposal of the company's Chief Executive, the appointment and removal of Senior Executives and provisions relating to termination benefits.
- ii) The remuneration of the Board Members and, if applicable, extra remuneration for executive and other functions that the contracts should respect.
- iii) The financial information to be periodically disclosed by the Company given that it is listed on the securities market.
- iv) Investments or transactions of all kinds which, because of the elevated amounts involved or their special characteristics, are of a strategic nature, unless their approval corresponds to the General Shareholders' Meeting;
- v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Transactions which the company conducts with Board Members, significant shareholders, shareholders with Board representation or other persons related thereto ("related party transactions").

However, Board authorisation shall not be required for related party transactions that simultaneously meet the following three conditions:

- 1° They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
- 2° They are performed at the general prices or rates set by the supplier of the merchandise or service at issue;
- 3° The transaction amount does not exceed 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 charged with the same function; and that the Board Members involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c), which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

See sections: D.1 and D.6

Complies

Partially complies

Explain

X

9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

See section: C.1.2.

Complies

Explain

X

There are currently 17 Board Members, which is a number comprised within the 11 to 21 member limit provided in Article 13 of the Company By-laws and is in accordance with the Spanish Limited Liability Companies Law. To date, this was considered to be most appropriate number in accordance with the company's needs and characteristics with regard to shareholder structure.

10. A broad majority of the Board shall be External Proprietary and Independent Board Members and the number of Executive Board Members should be the minimum necessary, taking into account the complexity of the group of companies as well as each Executive Board Members' holding in the share capital of the company.

See sections: A.3 and C.1.3.

Complies

Partially complies

Explain

X

11. Among External Board Members, the relation between Proprietary Board Members and Independent Board Members should reflect the proportion between the capital represented on the Board and the remainder of the Company's capital.

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

1° In large cap companies where few or no ownership interests attain the legal threshold for significant shareholdings, despite the existence of shareholders with considerable investments in absolute terms.

2° In companies with multiple shareholders represented on the Board but not otherwise related.

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

Complies

Explain

X

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

12. The number of Independent Board Members shall represent at least a third of all Board Members.
See section: C.1.3.

	Complies	Explain
		X

It is to our understanding that the distribution of the different types of Board Members (Executive, Proprietary and Independent) is appropriate based on the Company's characteristics, i.e., a large cap company with four significant shareholders holding different ownership (percentages ranging from 18% to 5%).

13. The nature of each Board Member must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointments Committee. This report shall also explain the reasons for having appointed Proprietary Board Members at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request Proprietary Board Members were appointed.
See sections: C.1.3 and C.1.8.

	Complies	Partially complies	Explain
	X		

14. When the number of women Board Members is few or zero, the Appointments Committee ensures that when vacancies occur:

- a) Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;
- 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.

	Complies	Partially complies	Explain	Not applicable
	X			

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that Board Members 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.

	Complies	Partially complies	Explain
	X		

- 16. When the Chairman and Chief Executive of the Company, one of the Company's Independent Board Members shall be empowered to request the calling of Board meetings or the inclusion of new business on the Agenda, in order to coordinate and voice the concerns of External Board Members and will take charge of the Chairman's evaluation.**

See section: C.1.22.

Complies	Partially complies	Explain	Not applicable
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X

- 17. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:**

- Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- Comply with the Company By-laws and the Rules of the General Meeting, the Board of Directors and others;
- Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.

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

See section: C.1.34.

Complies	Partially complies	Explain
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X

- 18. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the Agenda of these meetings.**

See section: C.1.29.

Complies	Partially complies	Explain
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X

- 19. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When Board Members 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.

Complies	Partially complies	Explain
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X

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

20. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the Company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the Minutes.

Complies	Partially complies	Explain	Not applicable
X			

21. The full Board shall evaluate the following points on a yearly basis:

- a) The quality and efficiency of the Board's operation;
- b) Based on the report issued by the Appointments Committee, how well the Chairman and Chief Executive Officer have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by them.
See sections: C.1.19 and C.1.20.

Complies	Partially complies	Explain
X		

22. All Board Members shall be entitled to receive any additional information they require on matters within the Board's competence. Unless the By-laws or Board Rules indicate otherwise, such requests should be addressed to the Chairman or Secretary.
See section: C.1.41.

Complies	Explain
X	

23. All Board Members shall be entitled to call on the Company for the advice 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.

Complies	Explain
X	

24. Companies shall organise induction courses for new Board Members to supply them rapidly with the information they need on the Company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Complies

Partially complies

Explain

X

25. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively.

a) Board Members should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of Board Memberships their Board Members can hold.

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

Complies

Partially complies

Explain

X

26. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholders' Meeting, as well as provisional appointments through co-opting, shall be approved by the Board:

a) On the proposal of the Appointments Committee, in the case of Independent Board Members;

b) Subject to a report from the Appointments Committee in all other cases.

See section: C.1.3.

Complies

Partially complies

Explain

X

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

27. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Board Memberships held at other companies, listed or otherwise;
- c) An indication of the Board Member’s classification as Executive, Proprietary or Independent; in the case of Proprietary Board Members, stating the shareholder they represent or have links with;
- d) The date of their first and subsequent appointments as a company Board Member; and
- e) Shares held in the company and any options thereon.

	Complies	Partially complies	Explain
	X		

28. Proprietary Board Members shall resign when the shareholders they represent dispose of the shares owned in their entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to Proprietary Board Members, the latter’s number should be reduced accordingly. See sections: A.2, A.3 and C.1.2.

	Complies	Partially complies	Explain
	X		

29. The Board of Directors may not propose the removal of Independent Board Members before the expiry of the statutory term for which they were appointed, as mandated by the By-laws, except where just cause is found by the Board based on a report of the Appointments Committee. In particular, just cause will be presumed when a Board Member is in breach of the duties inherent to his position or comes under one of the grounds leading to their disqualification as independent, in accordance with that laid down in Ministerial Order ECC/461/2013.

The removal of Independent Board Members 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.

	Complies	Partially complies	Explain
	X		

30. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

When a Board Member is sued or tried for any of the offences stated in Article 213 of the Companies Law the Board should examine the matter and, in view of the particular circumstances, 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.

Complies

Partially complies

Explain

X

31. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, Independents and other Board Members unaffected by potential conflicts 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 Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members 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; Board Member or otherwise.

Complies

Partially complies

Explain

Not applicable

X

32. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Irrespective of whether such resignation is filed as a significant event, the motive for it must be explained in the Annual Corporate Governance Report.

See section: C.1.9.

Complies

Partially complies

Explain

Not applicable

X

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

33. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the Company's performance or membership of pension schemes shall be confined to Executive Board Members.

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

Complies	Partially complies	Explain	Not applicable
X			

34. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardise their independence.

Complies	Explain	Not applicable
X		

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

Complies	Explain	Not applicable
X		

36. In the case of variable pay, 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.

Complies	Explain	Not applicable
X		

37. When the company has a Delegate or Executive Committee (hereafter "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself.
See sections: C.2.1 and C.2.6.

Complies	Partially complies	Explain	Not applicable
X			

38. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board Members will receive a copy of the Committee's minutes.

Complies	Explain	Not applicable
X		

39. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate Committees, of Appointments and Remuneration.

The rules governing the composition and operation of the Audit Committee and the Appointments and Remuneration committee or committees should be set forth in the Rules of the Board of Directors and include the following:

- a) The Board of Directors should appoint the members of such Committees having regard to the knowledge, aptitudes and experience of its Board Members and the remit of each Committee and shall discuss their proposals and reports. The Committees should report the business transacted and account for the work performed at the first plenary session of the Board following each Committee meeting.
- b) These Committees should be formed exclusively of External Board Members and have a minimum of three members. Executive Board Members or Senior Executives may also attend meetings at the Committee's invitation, when the committee members so agree expressly.
- c) Their chairmen shall be Independent Board Members.
- d) They may engage external advisers when they feel this is necessary for the discharge of their duties.
- e) Meetings should be recorded in Minutes and a copy sent to all Board Members.

See sections: C.2.1 and C.2.4

Complies	Partially complies	Explain
X		

40. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4.

Complies	Explain
X	

41. All members of the Audit Committee, particularly its Chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Complies	Explain
X	

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

See section: C.2.3.

	Complies	Partially complies	Explain
	X		

43. The head of internal audit shall 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.

	Complies	Partially complies	Explain
	X		

44. The control and risk management policy shall specify at least:

- a) The different types of risk (operational, technological, financial, legal, risk to reputation, etc.) 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 identified risks, 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

	Complies	Partially complies	Explain
	X		

45. The Audit Committee's role will be as follows:

1° In relation to internal control and reporting systems:

- a) Ensuring that the main risks identified as a result of supervising the effectiveness of the company's internal control and internal auditing, where applicable, are managed and reported appropriately.
- b) Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, re-appointment and removal of the head of internal audit; proposing the internal audit department's budget; receiving regular reports on its activities; and verifying that senior management acts on the findings and recommendations of its reports.
- c) Establishing and monitoring a mechanism whereby employees can report, in a confidential or, if appropriate, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2° In relation to the external auditor:

a) Receiving regular information from the external auditors on the progress and findings of the audit plan, and checking that senior management is acting on its recommendations.

b) Ensuring the independence of the external auditors, to which end:

i) The company should notify any change of auditors to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditors and the reasons for the same.

ii) The Committee should investigate the issues giving rise to the resignation of any external auditors.
See sections: C.1.36, C.2.3, C.2.4 and E.2.

Complies

Partially complies

Explain

X

46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any other senior manager.

Complies

Explain

X

47. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:

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 auditors to conduct a limited review.

b) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Related-party transactions, unless this responsibility has been assumed by another supervision and control Committee.

See sections: C.2.3 and C.2.4.

Complies

Partially complies

Explain

X

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

48. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee chairman and the auditors will give a clear account to shareholders of their scope and content.

See section: C.1.38.

Complies	Partially complies	Explain
X		

49. The majority of the members of the Appointments Committee or of the Appointments and Remuneration Committee, in the case that there is only one, are Independent Board Members.

See section: C.2.1.

Complies	Explain	Not applicable
	X	

The Appointments and Remuneration Committee is composed of two Independent Board Members and one Non-Executive Proprietary Board Member for each reference shareholder with a significant holding.

50. The Appointments Committee shall have the following functions in addition to those stated in earlier Recommendations:

- a) Evaluating the skills, knowledge and experience required of the Board; defining the roles and capabilities required of the candidates to fill each vacancy; and deciding the time and dedication necessary for them to properly perform their duties.
- b) Examining or organising, as the Committee deems fit, the succession of the Chairman and the Chief Executive and, if applicable, submitting proposals to the Board in order to ensure a smooth and well-planned handover.
- c) Reporting on the senior executive appointments and removals which the Chief Executive proposes to the Board.
- d) Reporting to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: C.2.4.

Complies	Partially complies	Explain	Not applicable
X			

51. The Appointments Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Any Board Member may suggest Board Membership candidates to the Appointments Committee for its consideration.

Complies	Partially complies	Explain	Not applicable
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X			
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52. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

a) Make proposals to the Board of Directors regarding the following:

- i) The remuneration policy for Board Members and Senior Executives;
- ii) The individual remuneration of Board Members and other contract conditions.
- iii) The basic conditions of the contracts of Senior Executives.

b) Overseeing compliance with the remuneration policy set by the company.

See section: C.2.4.

Complies	Partially complies	Explain	Not applicable
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X			
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53. The Remuneration Committee will consult with the Chairman or Chief Executive Officer, especially on issues involving Executive Board Members and Senior Executives.

Complies	Explain	Not applicable
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X		
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H. OTHER INFORMATION OF INTEREST

1. If there are any relevant aspects relating to corporate governance in the company or group entities which have not been reflected in the other sections of this report, but which need to be included to give more complete and reasoned information on the structure and governance practices in the company or its group, detail them briefly.
2. This section can also include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

In particular, indicate whether the company is subject to any legislation other than the Spanish legislation on corporate governance and, if so, include the information that it is required to furnish, where such information differs from that required in this report.

3. The company may also indicate whether it has adhered voluntarily to other codes on ethical principles or good practices, whether international or applying to the sector or other scope. Where applicable, identify the code in question and the date of adherence.

C.1.19. Literal content of the applicable articles of the Rules of the Board of Directors.

Article 3. Composition and appointments

Within the limits stipulated in Article 13 of the Company by-laws in force and notwithstanding the powers of proposal which, under the legislation in force, may correspond to the shareholders, the Board of Directors shall be responsible for proposing to the General Shareholders' Meeting the number of Board Members and individuals or legal entities to be appointed. The appointment proposal must specify whether the Board Member is an Executive, Proprietary, Independent or External Board Member.

Furthermore, should any vacancies arise, the Board of Directors may provisionally fill them among the shareholders until the next General Shareholders' Meeting where a definitive appointment shall take place.

Article 4. Functions (...) Particularly, the Board of Directors shall have the following responsibilities, which cannot be delegated:

- Accepting the resignation of Board Members.
- Appointing, removing and accepting the resignation for the positions of Chairman, Deputy Chairman and Secretary to the Board.
- Appointing, removing and accepting the resignation of Board Members who need to be members of the Commissions and Committees envisaged in these Rules.
- Delegating to any of its members, in full or in part, the powers corresponding to the Board, except those which cannot be delegated.
- Preparing the individual and consolidated financial statements and management reports and submitting them for approval by the General Shareholders' Meeting. Also drawing up an annual report on the Board Member's remuneration policy, which shall be submitted to an advisory vote at the Company's General Shareholders' Meeting as a separate item on the agenda.
- Drawing up reports, including the Annual Corporate Governance Report, and the proposals which, in accordance with the legislation in force and the Company By-laws, the Board of Directors is responsible for adopting.
- Approving the yearly budget.
- Approving the merger, acquisition, spin-off or business operations involving the Group's main subsidiaries of which the Company is the Parent.

- Approving the block issue of debentures, promissory notes, bonds or similar securities by the Group's main subsidiaries of which the Company is the Parent.
- Approving the transfer of rights regarding the brand name, trademarks and other intellectual and industrial property rights that belong to the Company or the companies of its Group, whenever they are of financial relevance.
- Assessing, yearly, the quality and efficiency of its operation; the Chairman and, if appropriate, CEO's performance of their duties, following the issuance of a report by the Appointments and Remuneration Committee; and the operation of the Board of Director's Committees, following the issuance of a report by these Committees.
- Amending these Rules.
- Carrying out, in general, all functions for which it is responsible by law, by regulation or in accordance with these Rules, and performing any other functions which have been delegated thereto by the General Shareholders' Meeting. The Board may, in turn, only delegate those that are expressly permitted in the resolution on delegation of the General Shareholders' Meeting.

Article 11. Term of appointment for Board Members

Board Members shall hold their positions during the six-year term for which they were elected. They may be re-elected one or more times for terms of the same maximum duration.

Should a vacancy exist for any reason, the Board may provisionally fill it from among the shareholders until the next General Shareholders' Meeting, where a definitive appointment shall take place.

The appointment of the Board Members shall expire when the term has ended and the next General Meeting has been held, or following the legal period within which the Meeting is to be held to resolve on whether or not to approve the financial statements for the previous year.

Notwithstanding the above, Proprietary Board Members must resign when the shareholder they represent fully disposes of its shares by any means.

Article 17. The Chairman

The Board shall elect a Chairman from among its members, who, in addition to the functions that may correspond in accordance with the legislation in force, the Company By-laws and these Rules, shall perform the tasks corresponding to his or her condition as the Company's maximum executive, within the guidelines laid down by the General Shareholders' Meeting, the Board of Directors and the Executive Committee.

The Chairman shall enjoy the broadest powers for performing his or her tasks and, unless otherwise stipulated by law, may fully or partially delegate such powers to other Board Members and the Company's management personnel and, in general, whoever he or she deems advisable or necessary.

Article 18. The Deputy Chairmen

The Board may also elect from among its Board Members one or two Deputy Chairmen who shall act as the Chairman in cases of delegation, absence or illness and, in general, perform all the tasks that may be entrusted to them by the Chairman, the Executive Committee and the Board of Directors.

Substitution of the Chairman shall take place by chronological order of the Deputy Chairmen's appointment, in the absence of such order, by order of seniority and, lastly by order of greater to lesser age.

H. OTHER INFORMATION OF INTEREST

Article 19. The Chief Executive Officer

The Board may appoint a Chief Executive Officer, delegating him the powers deemed expedient except those which, by law or Company By-laws, cannot be delegated.

Article 20. The Secretary

Following the issuance of a report by the Appointments and Remuneration Committee, the Board of Directors shall appoint a Secretary, who may be a non-Board Member and who must be a practising lawyer. Apart from the duties laid down by the legislation in force, the Company By-laws and these Rules, the Secretary to the Board of Directors is responsible for ensuring that actions arising from the Company bodies he forms part of comply with the requirements of the law, issuing warnings in this respect and registering them in the Minutes; and ensuring that the Board of Directors bears in mind in its actions the recommendations of the Unified Code of Good Corporate Governance in force.

Article 24. The Appointments and Remuneration Committee

Likewise, the Board of Directors shall set up an Appointments and Remuneration Committee to be made up of a Chairman and a minimum of two Members who shall be freely elected and removed, from among its members, by the Board of Directors, and who shall perform their duties indefinitely or during the term for which they were elected. The appointment of the Chairman must fall to one of the Independent Board Members. The Secretary to the Board of Directors shall attend the Committee's meetings, shall act as its Secretary, with entitlement to participate but not to vote, and shall write up the Minutes of the meeting, which shall be forwarded to all members of the Board of Directors following their approval.

The meeting shall only be deemed to be convened when the majority of its members attend and agreements shall be adopted by majority vote of those attending, with the Chairman having the casting vote in the event of a tie. The Committee shall meet, when convened by the Chairman, at least twice a year.

The Appointments and Remuneration Committee has the following duties:

- 1.- Report on the remuneration system for the Chairman of the Board of Directors and other Senior Executives in the Company. Where appropriate, make the pertinent recommendations to the Board so that the succession of the Chairman and, if applicable, Chief Executive Officer, proceeds in a planned and orderly manner. Consult with the Chairman, and if appropriate, the Chief Executive Officer, on any matters within its competence affecting the Company's executive Board Members and other Senior Executives.
- 2.- Report on the distribution among the members of the Board of Directors of the overall remuneration agreed upon by the General Shareholders' Meeting and, if applicable, the establishment of supplementary remuneration and other payments corresponding to executive Board Members in relation to their duties.
- 3.- Report on the remuneration of Board Members.
- 4.- Report on multi-annual plans that may be set up according to share value such as share option plans.
- 5.- Propose the appointment or re-election of Independent Board Members and report on the proposals for the appointment of other Board Members and the Secretary to the Board of Directors. For these purposes, the skills, knowledge, experience and dedication to the good performance of their duties of those proposed as Board Members should be assessed. The Committee shall also report on the proposed early resignation of any Independent Board Members.

6.- Proposed appointment of Senior Executives, especially those who will form part of the Group's Management Committee, and the basic conditions of their contracts

7.- Issues relating to gender diversity on the Board of Directors.

8.- Any other matters under its competence, pursuant to these Rules, which may be especially entrusted to it by the Board of Directors.

Insofar as it were deemed necessary, and with the natural adaptations, the operation of the Appointments and Remuneration Committee shall be governed by the provisions of these Rules regarding the operation of the Board of Directors.

C.1.22 (2). In accordance with the Rules of the Board of Directors, amended on 25 February 2010, an Independent Board Member shall have this power, and for these purposes, Mr. Miguel Roca Junyent has been appointed.

C.1.30. The percentage of votes in the Board are not calculated by the number of meetings at which all the Board Members were present with respect to the total number held, but rather by the number of votes (110) with respect to the total theoretical number (nine meetings by 17 Board Members).

D.2. and D.3. In relation to this section, list any relevant transactions entailing a transfer of funds or obligations between the company or group companies and companies related to the company's significant shareholders. In relation to this section, the only transactions between executives and administrators are those remunerations already detailed in those sections:

Management or collaboration agreements:	Terratest Técnicas Especiales, S.A., amounting to EUR 1,046 thousand
Leases:	Fidalsar, S.L., amounting to EUR 177 thousand
Services received:	Fidalsar, S.L., amounting to EUR 125 thousand Terratest Técnicas Especiales, S.A., amounting to EUR 1,046 thousand Indra, amounting to EUR 1,678 thousand Zardoya Otis, S.A., amounting to EUR 1,496 thousand
Other expenses:	March Unipisa, JLT, S.A., amounting to EUR 38,110 thousands
Services rendered:	Rosan Inversiones, S.L., amounting to EUR 384 thousand Grupo Iberostar, amounting to EUR 553 thousand Indra, amounting to EUR 2,362 thousand
Financing agreements: loans and capital contributions:	Banca March, amounting to EUR 52,630 thousand Banco Sabadell, amounting to EUR 750,534 thousand
Guarantees given:	Banca March, amounting to EUR 30,820 thousand
Dividends and other distributed profit:	Lynx Capital, S.A., amounting to EUR 326 thousand. Fidalsar, S.L., amounting to EUR 679 thousand
Other transactions:	Banca March, amounting to EUR 23,813 thousand

H. OTHER INFORMATION OF INTEREST

Banca March is considered to be a significant shareholder given that it is a shareholder of Corporación Financiera Alba, S.A., the main direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. Banca March has performed typical transactions relating to its ordinary course of business, such as granting loans, providing guarantees for bid offers and/or the execution of works, reverse factoring and non-recourse factoring to several ACS Group companies.

The Iberostar Group is disclosed due to its tie as a direct shareholder of ACS, Actividades de Construcción y Servicios, S.A. As a tourism and travel agency, this Group has provided services to ACS Group companies as part of its business transactions. The ACS Group has also carried out air-conditioning activities in main hotels owned by Iberostar.

Included under Administrators and Executives is a housing construction contract between Dragados, S.A. and the Board Member Joan David Grimà Terré, signed in 2013 for EUR 2,534 thousand, of which EUR 257 thousand were billed in 2013.

Rosán Inversiones, S.L. is itemised due to its links with the Company's Chairman and CEO, who has a significant holding through Inversiones Vesán, S.A., as services were rendered by various Group entities in 2012 and 2013.

The transactions with other related parties are listed due to the relationship of certain Board Members of ACS, Actividades de Construcción y Servicios, S.A. with companies in which they are either shareholders or senior managers. In this regard, the transactions with Fidalsar, S.L., Terratest Tecnicas Especiales, S.A., Fidwei Inversiones, S.L. and Lynx Capital, S.A. are listed due to the relationship of the Board Member, Pedro Lopez Jimenez, with these companies. Transactions with Indra are listed due to its relationship with the director Javier Monzón. The transactions performed with the Zardoya Otis, S.A. are indicated due to its relationship with the director José María Loizaga. The transactions with Banco Sabadell are listed due the bank's relationship with the Board Member Javier Echenique. The transactions with the insurance broker, March-JLT, S.A., are listed due to the company's relationship with Banca March, although in this case the figures listed are intermediate premiums paid by ACS Group companies, rather than considerations for insurance brokerage services.

"Other transactions" includes all transactions not related to the specific sections included in the periodic public information reported in accordance with the regulations published by the CNMV. In 2013 "Other transactions" related exclusively to Banca March, since it is the main shareholder of Corporación Financiera Alba, S.A., which is a direct shareholder of the ACS Group. Banca March, as a financial institution, provides various financial services to ACS Group companies in the ordinary course of business amounting to a total EUR 23,813 thousand (EUR 30,645 thousand in 2012), and in this case they relate to the reverse factoring lines of credit for suppliers.

All these commercial transactions were carried out on an arm's length basis in the ordinary course of business and relate to the normal operations of the Group companies.

The transactions performed between ACS consolidated Group companies were eliminated in the consolidation process and form part of the normal business activities of the companies in terms of their company object and conditions. The transactions were carried out on an arm's length basis and they do not have to be disclosed to present fairly the equity, financial position and results of the Group's operations

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

With regard to Recommendation 37 of Section G, the following structure of ownership interest of the various categories of Board Members on the Board of Directors and Executive Committee is noteworthy:

Executive Board Members on the Board of Directors:	23.53%
Executive Board Members on the Executive Committee:	28.57%
External Proprietary Board Members on the Board of Directors:	47.05%
External Proprietary Board Members on the Executive Committee:	42.86%
External Independent Board Members on the Board of Directors:	23.53%
External Independent Board Members on the Executive Committee:	14.29%
Other External Board Members on the Board of Directors:	5.88%
Other External Board Members on the Executive Committee:	14.29%

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at its meeting held on 26/03/2014.

Indicate whether any Board Members voted against or abstained in relation to the approval of this Report.

Yes

No

X

AUDITOR'S REPORT

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Emisión de un informe en español en formato. En el caso de discrepancias, el español siempre prevalecerá.

REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. (2013)

To the Directors of
ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.

As requested by the Board of Directors of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. ("the Entity") and in accordance with our proposal dated of 14 October 2013, we have applied certain procedures to the information relating to the ICFR system included in the accompanying Annual Corporate Governance Report (section F) of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. for 2013, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

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

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

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performance for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, in its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2013 described in the information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR). Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

Deloitte S.L. is a member firm of the Deloitte network of independent member firms affiliated with the Deloitte network of member firms, each of which is a separate legal entity. Deloitte S.L. is a member firm of the Deloitte network of member firms, each of which is a separate legal entity.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' reports and assessment of whether this information addresses all the information required in accordance with the minimum content described in section 7), relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the system of ICFR. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Executive Committee and the Audit Committee in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

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

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by CNMV Circular no. 5/2013, of 12 June 2013, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE S.L.



Ignacio A. Utrera Elizacua
27 March 2014



Project Director and Editor
ACS Group

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Photos
ACS Group Archives