

A wide-angle, high-angle photograph of a large, modern concert hall. The seating is arranged in multiple tiers, with dark-colored seats. The stage is visible in the lower-left foreground, featuring a podium and a microphone stand. The ceiling is high and features a complex, illuminated structure. The overall atmosphere is bright and modern.

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# CORPORATE GOVERNANCE

# 8.1 CORPORATE GOVERNANCE IN THE ACS GROUP

In accordance with the most recent recommendations of reference entities, such as the Spanish National Securities Market Commission, and best practices in corporate governance, the ACS Group adopted a governance model that consists of the following bodies.

## Annual General Meeting

The General Meeting is the supreme body for expressing the Company's intent, and its decisions, taken in accordance with the provisions of the Bylaws, are binding for all shareholders. It is responsible for approving the financial statements, distributing profit or allocating loss, and approving the conduct of the company's business. It also appoints and removes directors, and carries out any other functions that may be attributed thereto by law or the Bylaws.

## Board of Directors

The Board is granted the broadest of powers to represent and govern the company as the body supervising and controlling its activity, but also to directly assume the responsibilities and decision-making powers on the management of the businesses. Its management is subject to approval at the Annual General Meeting.

### Audit Committee

A delegated committee of the Board of Directors that is responsible for the functions of accounting control and risk management, including oversight of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy.

### Executive Committee

A delegated committee of the Board of Directors may exercise all powers of the Board of Directors except those that cannot be delegated or that the Board reserves as its competence.

### Appointments and Remuneration Committee

A delegated committee of the Board of Directors that is responsible for controlling the remuneration and performance of directors and senior executives, proposals for the appointment thereof and matters relating to gender diversity on the Board of Directors.

The ACS Group's good governance model, as well as the composition, operations and functions of the governing bodies, are detailed in the Group's internal regulations.

The Group also has regulations on the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or the group, and its directors, executives or significant shareholders.

#### Regulations relating to good governance of the ACS Group:



[Company bylaws](#)



[General Shareholders' Meeting Regulations](#)



[Rules of conduct in the stock market](#)



[Rules of the board of directors](#)



## 8.2 GENERAL MEETING

ACS, Actividades de Construction y Services, S.A. (ACS), the ACS Group's parent company, is a Spanish public limited liability company, the share capital of which totalled €157,332,297 at 31 December 2016, represented by 314,664,594 fully subscribed and paid shares, with a par value of €0.50 each, all of which are of the same class and carry the same rights.

The General Meeting is the supreme body for expressing the Company's intent, and its decisions, taken in accordance with the provisions of the Bylaws and the General Shareholders' Meeting Regulations, are binding for all shareholders, even those that are absent, dissenting and abstained.

The General Meeting comprises all shareholders that hold at least one hundred shares, either in person or by proxy. Owners or holders of less than one hundred shares may group themselves together in order to reach this number and may be represented either by one of the group or by another shareholder that possesses enough shares to form part of the General Meeting.

The call notice for the General Shareholders' Meeting will be published simultaneously in the Official Mercantile Registry Gazette, the Company's website and on the website of the Spanish National Securities Market Commission, and will place on record all regulations governing the following matters:

- Supplement to the call notice and the submission of new proposed resolutions
- Attendance and voting rights and shareholder registration
- Voluntary representation
- Appointment or revocation proxies and notices sent to the company in writing and by electronic means
- Conflicts of interest with the representative
- Public request for representation and exercise of voting rights by directors in the event of a public request for representation.
- Early voting by remote means
- Special instruments of disclosure: corporate website and electronic shareholders forum

From the day on which the call notice for the general meeting is published up until the fifth day prior, inclusive, to the date set for the general meeting at first call, shareholders may request in writing information or clarifications they deem necessary or make any written enquiries deemed relevant regarding the matters included on the agenda and in relation to the information available to the public that has been supplied by the company to the Spanish National Securities Market Commission since the last general meeting was held or to the auditors' report on the company. The Board of Directors as

required to provide this information in writing until the date set for holding the meeting.

These requests for information may be submitted by delivering the request to the registered offices or by sending it to the company by post or by electronic or telematic means. Valid requests for information, clarifications or queries made in writing and the replies sent in writing by the Board of Directors will be included on the Company's website.

In addition to the written requests for information, during the General Meeting, the Company's shareholders may verbally request such information or clarifications as they deem appropriate regarding the business included on the agenda, or information available to the public that was provided by the Company to the Spanish National Securities Market Commission since the last General Meeting or the auditors' report on the Company. If it not be possible to comply with the right of the shareholder at that time, the Board of Directors shall be obliged to provide this information in writing within seven days following the conclusion of the meeting.

From the publication of the call notice until the date on which the general meeting is held, the Company will publish for an uninterrupted period of time on its website ([www.grupoacs.com](http://www.grupoacs.com)) the following information that any shareholder may also examine

	2012	2013	2014	2015	2016
Total quorum	71.45%	75.25%	70.20%	73.23%	70.00%
Quorum of shareholders present	20.05%	20.19%	7.31%	7.52%	6.85%
Quorum of shareholders represented	51.40%	55.06%	62.89%	65.71%	63.15%

# 8.3 BOARD OF DIRECTORS

at its registered offices or obtain immediately and free of charge:

- All documents or agreements that are subject to a vote or consideration at the meeting and, in particular, the directors, audit and independent expert reports.
- The system and forms for issuing votes by proxy, the forms for delegating votes and the means that must be used in order for the Company to accept a notice sent by electronic means from the proxies granted.
- The procedures and forms established for issuing votes by remote means.

The measures adopted by the Group to encourage attendance at the Meeting are reflected in their attendance percentages.

The composition of the Board of Directors is based on a principle of proportionality, whereby the interests of all groups of ACS shareholders are represented on the Board.

The mission of independent and non-executive directors is to represent the interests of the free-float capital on the Board of Directors. The Chairman of the Board of Directors, Florentino Pérez, is also the Chief Executive Officer of ACS.

The General Meeting, at the proposal of the Board of Directors, is responsible for setting the exact number of Board members and, within these limits, appointing those persons to occupy these posts. At 31 December 2016, ACS's Board of Directors was made up of 16 members. The Company considers that the composition of the Board of Directors is adequate to represent the interests of both majority and minority shareholders. In this regard, it should also be taken into account that a significant portion (three out of four) of the other non-executive directors are directors that, although they cannot be considered independent as they have exceeded the maximum period of 12 years stipulated by law, are considered to carry out their functions, based on their personal and professional qualifications, without being influenced by relationships with the Company or its Group, significant shareholders or executives.

The complete list of non-delegable functions can be found in Article 5 of the Regulations of the Board of Directors

## FUNCTIONS

The Board assumes the functions of representing and managing the Company as the highest body supervising and controlling its activities. The following, among others, are included in the functions that may not be delegated:

- The investment and financing policy
- The definition of the Group structure
- The corporate governance policy
- The corporate social responsibility policy
- Approval of financial information
- The strategic or business plan, the management targets and annual budgets
- The remuneration policy and evaluation of the performance of senior executives
- The risk control and management policy, including tax risks, and the monitoring of internal information and control systems
- The dividend policy, and treasury shares policy
- Related-party transactions, except in those cases envisaged by Regulations
- The determination of the Company's tax strategy.

The principles governing the composition and functioning of the Board may be reviewed in the Annual Corporate Governance Report prepared by the ACS Group.



**For further information:**  
**Composition of the ACS Board of Directors**  
**1. Management Bodies**



**Annual Corporate Governance Report**

## 8.3.1 DELEGATED COMMITTEES

### Executive Committee



#### 9 meetings

- The Executive Committee shall exercise all duties delegated thereto by the Board of Directors, except those that cannot be delegated by law or the Bylaws. Nevertheless, the Board of Directors may hear and rule on any matter within its competence and, accordingly, the Executive Committee may refer any matter to the Board of Directors for a decision that, even though a matter of its competence, it deems necessary or expedient for the Board to decide upon.

### Audit Committee



#### 6 meetings

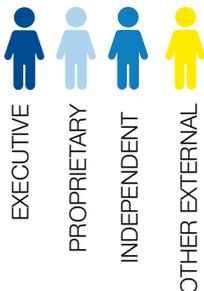
- Oversee internal control, internal audit and the risk management systems
- Oversee the Internal Audit function
- Oversee the process of preparing and submitting the required financial information
- Submit proposals for selecting, appointing, re-electing and replacing the external auditor
- Interact with the external auditor to continuously improve internal control and financial information
- Oversee compliance with internal codes of conduct and corporate governance rules
- Review, monitor and oversee the corporate social responsibility policy
- Coordinate the reporting of non-financial information

### Appointments and Remuneration Committee



#### 4 meetings

- Evaluate and determine the competencies, knowledge and experience required for the Board of Directors
- Submit proposals for the appointment of directors to the Board of Directors
- Oversee the diversity of gender on the Board
- Review and organise the succession of the Chairman of the Board of Directors and the Company's Chief Executive Officer
- Propose and review the directors' remuneration policy on a regular basis
- Oversee and verify the information on the remuneration of directors and senior executives



## 8.3.2 REMUNERATION OF THE BOARD OF DIRECTORS

The Board members' remuneration is defined by a general policy approved by the Board at the plenary session, in accordance with the recommendations of the Appointments and Remuneration Committee. In 2016 the remuneration was distributed as follows:

	2016
Remuneration for the Board of Directors (thousands of euros)	13,643
Contribution to the savings scheme in the year (thousands of euros)	2,019
Value of the pension rights accumulated by current directors (thousands of euros)	52,366
Value of the pension rights accumulated by former directors (thousands of euros)	0
Total remuneration of senior executives (61 executives, thousands of euros)	28,135

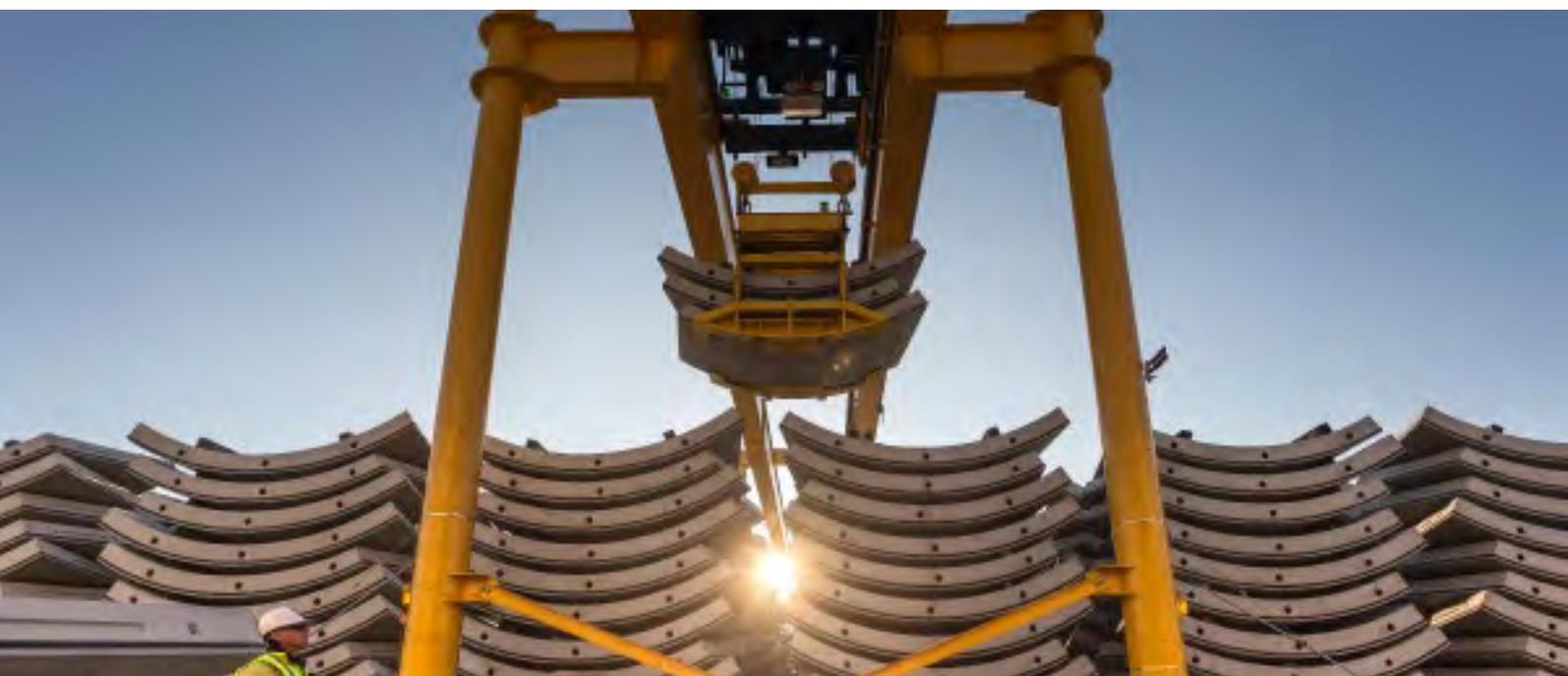
Details on the remuneration received by the Board of Directors, and the criteria for determining this remuneration, are published in the Annual Remuneration Report.

	N°	%
Votes cast	220,260,547	69.99%
Opposing votes	58,945,928	26.76%
Votes in favour	159,168,611	72.26%
Abstentions	2,146,008	0.97%

At the 2016 Annual General Meeting, the Board's remuneration was approved with 72.26% votes in favour out of the votes issued.



Annual report on the directors' remuneration



## 8.3.3 GOOD GOVERNANCE

In 2016 the Parent of the ACS Group continued to work on adapting its internal regulations to the new developments introduced in 2015 in the legal regime applicable to public listed companies, through Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law in order to improve corporate governance, and the new Code of Good Governance of Listed Companies, approved by the CNMV on 24 February 2015.

Among the new developments introduced in 2015, the amendments to the Company bylaws, the General Shareholders' Meeting Regulations and the Board Regulations are noteworthy of mention.

In the second half of 2016, the internal rules and procedures approved with regard to market abuse and the risk management and control policy are especially relevant:

### NEW REGIME FOR MARKET ABUSE

Following the approval by the European Parliament and the Council of the new regime for market abuse (Directive 2014/57/EU, of 16 April 2014, and Regulation 596/2014), the Parents of the ACS Group reviewed its internal procedures and action protocols from the perspective of market operations and regulatory compliance, through an amendment to the Securities Market Code of Conduct, approved by the Board of Directors on 14 November 2016, and the implementation of a system for ongoing communication with and reporting to the ACS Group's senior executives and persons closely related thereto, as well as

Group employees that regularly or temporarily handle confidential information.

This system was developed within a digital platform that enables the Company to maintain a list of those persons generally or temporarily subject thereto as well as a list of closely related individuals updated and available for the authorities supervising the securities markets. Those individuals that are included on the List of Insiders also have individual and encrypted access to the platform for managing the information to be transferred to the issuer.

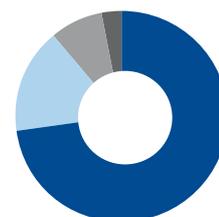
### RISK MANAGEMENT AND CONTROL POLICY

The Parent's Board of Directors, at its meeting held on 29 July, approved a new internal regulation, the purpose of which was to define the General Risk Management and Control Policy for ACS and its investees, to determine the position that risk management and control would have in the Group's corporate governance structure and to define the competencies, functions and responsibilities of the Group's various members that participate in risk management and control.

All actions aimed at controlling and mitigating risks will be based on the following basic principles:

- a) Integrate the risk vision in the Group's management by defining a risk strategy and appetite.
- b) Maintain a strict separation of functions between the areas that assume risk and the areas responsible for its analysis, control

### Compliance with the recommendations of the Good Governance Code



Complies	77%
Partially complies	14%
Explain	6%
Not applicable	3%

and supervision, providing an adequate level of independence.

- c) Ensure the use of appropriate instruments to mitigate the impact of the risks in accordance with that required under applicable legislation.
- d) Report in a transparent manner on the risks of the Group and its operating units as well as the functioning of the systems developed to control such risks to regulators and the main external agents.
- e) Guarantee adequate compliance with corporate governance regulations established by the Group, maintain these regulations up to date and ensure their ongoing improvement.
- f) Act, at all times, in accordance with the law and the values and standards of conduct reflected in the Code of Conduct and the principles and good practices reflected in the corporate tax policy, under the zero-tolerance principle

with regard to committing illegal acts and fraud.

A series of significant measurements have been established in order to identify potential risks and, therefore, develop corrective actions as soon as possible:

- Solvency: In terms of solvency, the ACS Group's management is aimed at always maintaining sufficient capital to correctly carry out its various business activities, even in difficult economic and financial situations.
- Return and recurrence: The Group's objective is to generate recurring profit, even in poor economic conditions, to guarantee reasonable return for shareholders.
- Liquidity: The ACS Group as a whole and all its subsidiaries aim to maintain a solid position based on stable and diversified financing, even in difficult times for financial markets.



