

**ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A.**

**REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE**

**FOR 2017**

## **I.- Introduction**

As in the last eight financial years, the Audit Committee of ACS, ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS, S.A. has drafted this report to summarise the activities carried out in 2017. The audits carried out in the 2017 fiscal year were prepared by fundamentally following the Technical Guide created by the Spanish National Stock Market Commission.

## **II.- Composition**

The breakdown of the Committee to 31 december 2017 is as follows:

### Chairman

Mrs. Carmen Fernández Rozado - (Independent)

### Committee Members

Mr. Emilio García Gallego - (Independent)

Mr. Jose Maria Loizaga Viguri – (Other External)

Ms. Catalina Miñarro Brugarolas - (Independent)

Ms. María Soledad Pérez Rodríguez – (Proprietary)

### Secretary (with the right to speak but without the right to vote)

Mr. José Luis del Valle Pérez.

## **III. Functioning and activity**

The internal business of the Audit Committee continues to be governed by Article 21 of the Company Bylaws and by Articles 24 and 25 of the Rules of the Board of Directors (amended on 13 December 2007, 27 March 2008, 25 February 2010; 10 March 2011; 24 March 2015 and 28 July 2017), which regulate the number of meetings (at least two per annum, corresponding to the start and conclusion of the audit of the individual and consolidated financial statements), calls to meetings, quorums, adoption of resolutions, the Chairman's casting vote and the possible attendance of the Company Auditor, if especially convened for this purpose.

As indicated, the Commission is comprised of three independent directors (one of which is its President) and two external directors (one dominical and the other belongs to the category of other external directors), whose CV's appear on the company's website ([www.grupoacs.com](http://www.grupoacs.com)). After consulting them, you will notice that especially four of the five directors have ample training and experience in the matters of the Audit Commission's matters of competence. In 2017, the independent director Mr. Antonio Botella García left as spokesperson of the Commission, which then incorporated as an independent director Ms. Carmen Fernández

Rozado, who also has been named President of the Commission, replacing the independent director Mr. Emilio García Gallego, who remains as a spokesperson.

In 2017, the Audit Commission held seven sessions that were attended by all of its members with the exception of the session held 11 May, in which one spokesperson was excused from attending and delegated their representation to the President.

The external auditor has attended all of the sessions held, and has regularly reported on the development of the audits. Likewise, the company's internal auditor has also participated in the sessions to report on the work carried out in accordance with the previously approved Internal Audit Plan. Moreover, the Corporate General Director attended all of the sessions in order to present the accounts submitted for consideration by the Commission. Finally, the Director of the company's Tax Department attended the session held 23 March 2017 in order to comment on the Tax Memorandum of the 2016 fiscal year and to respond to the questions posed.

The Audit Committee considers that the Company has the proper organisation to ensure compliance with applicable regulations, including a Corporate General Department (which encompasses the Group's Internal Audit Department) and a General Secretary which, each within their own areas of competence, monitor compliance with current regulations, both internal and external. Likewise, with reference to the Board of Directors of the Company, the Rules of the Board foresee that the Secretary is to be entrusted with the legality of its actions. From a practical point of view, it is worthy of mention that no incident of any importance on this subject was detected throughout 2017.

As regards the financial figures for 2017, the following points are worthy of mention:

#### **a) Review of periodic financial information**

Following its adaptation to Act 44/2002, the Audit Committee reviews all quarterly financial information prior to its submission to the Spanish National Securities Market Commission (CNMV), and which is published via the corresponding Significant Events.

This revision, in which it has counted on the advice of the external auditors of the company, applies to information contained in the official formats of the Spanish National Securities Market Commission and to the information that the Company reports to said Commission for the publication of its quarterly results, verifying that the information expressed therein is coherent, and analysing the rationality of the criteria applied and the accuracy of its figures.

#### **b) Individual and consolidated financial statements for 2017**

At its meetings on 28 February and 22 March 2018, with the active presence of the external auditors and of the Corporate General Director, the Committee examined the individual and consolidated financial statements for 2017 and, in view of the information provided by the external auditors, issued a favourable report on such financial statements as stated by the

Committee Chairman at its meeting to approve the accounts for the second semester to be submitted to the CNMV and the Stock Exchanges, held on the same date 28 February, and on the preparation of accounts, held by the Company's Board of Directors on 22 March 2018.

**c) Appointment and independence of the external auditor**

At its last meeting on 22 March 2018, the Committee deliberated on the renewal of the appointment of the auditor (Deloitte, S.L.), whose appointment was considered to have been guided by the principles of independence and professionalism. It proposed to the Board to submit the extension of the appointment of this auditor to the General Shareholders' Meeting for another year to 2019.

Likewise, in accordance with legal provisions and internal regulations, the Audit Committee has ensured the independence of the external auditor as regards the performance of its duties and any incompatibilities or limitations that could affect its work. In this regard, it is worth mentioning that the Commission, in its session held 19 December, with a modification in its following session, approved the “Corporate Procedure of Approving External Auditing Services by the Company’s Statutory Auditor”

Accordingly, under Article 529 *quaterdecies*, section 4, letter f), in its current wording, the Committee considers the independence of the auditors to perform its duties to have been fully accredited with respect to the individual and consolidated financial statements of the ACS Group, and fully adjusted to the market conditions regarding the remuneration of the accessory benefits provided by the auditors in 2017, whose amount is as follows:

	Miles of Euros			
	2017			
	Services of Audit	Tax Services	Other Services	Total fees
<b>Principal auditor (Deloitte)</b>	<b>11,486</b>	<b>134</b>	<b>2,382</b>	<b>14,002</b>
National	2,412	-	622	3,034
International	9,074	134	1,760	10,968
<b>Other auditors</b>	<b>1,683</b>	<b>1,973</b>	<b>2,144</b>	<b>5,800</b>
<b>Total</b>	<b>13,169</b>	<b>2,107</b>	<b>4,526</b>	<b>19,802</b>

The auditor has informed the Committee in order to put on record that, in its opinion it has been fully independent when providing its services during the whole of the period covered by the financial statements and until the issuance of the report, and that it has implemented the internal procedures to identify and assess possible threats regarding its independence, including those which may represent causes of incompatibility, and that it has applied adequate safeguarding measures, leaving proof that, during the period covered by its auditors reports and up to the issuance thereof, circumstances have not been identified which, individually or as a whole, may significantly compromise its independence.

#### **d) International Financial Reporting Standards (IFRS)**

In 2017, as in the preceding years, the Audit Committee closely monitored the consequences of implementing the International Financial Reporting Standards, and was informed for this purpose both by the Corporate General Department of the Company and by the external auditors. In particular, in the session held 28 February 2018, in which it reported the financial statements from the 2017 fiscal year, it paid special attention to the application of the new IFRS 9 and 15 regulations and their effect on the consolidated accounts, especially its assets.

#### **e) Internal Audits**

In 2017, the Committee received specific information regarding the planning, conclusions and recommendations deriving from the work carried out by the Company's internal auditors in the different areas of activity into which its business is structured. This work will continue in a thorough and systematised fashion in future years. At its meeting on 22 March 2018, it received an Activities Report from the Internal Audit Department for 2017 and the Internal Audit Plan for 2018.

#### **IV. Evaluation of its functioning**

To evaluate its functioning during the 2017 fiscal year, the Commission has collaborated with KPMG, which after preparing a questionnaire that was provided to all of the members of the Commission, and after the corresponding interviews with them, evaluated the functioning of this Commission, and in general, that of the Board and all of its other commissions.

Madrid, 22 March 2018