



Activity Report of the Audit Committee

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Activity Report of the Audit Committee

1. REGULATIONS.

The revised text of the Spanish Corporate Enterprises Act ("*LSC*" - *Ley de Sociedades de Capital*) establishes in its article 529l that publicly traded companies must establish an Audit Committee, regulating article 529m of the *LSC*, in regards to its composition, operation and powers.

Actividades de Construcción y Servicios, S.A. (hereinafter, "**ACS**" or the "**Company**") has an Audit Committee for which the standards of operation, composition, powers and privileges are regulated in article 21l of the Corporate Bylaws, having been elaborated on, through articles 24 and 25 of the Rules of the Board of Directors.

This activity report corresponding to the 2018 period of the ACS Audit Committee has been prepared in accordance with Recommendation 6 of the Good Governance Code ("*CBG*" *Código de Buen Gobierno*), and in accordance with the indications of the Technical Guide 3/2017 on audit committees of entities of public interest ("**Technical Guide 3/2017**") of the CNMV, while also taking into account the best corporate governance practices. The report will be published on the corporate website in advance of the holding of the Ordinary General Shareholders' Meeting by the Company.

2. COMPOSITION.

In accordance with the provisions of the Corporate Bylaws and the Rules of the Board of Directors of ACS, the Audit Committee of the Company will be made up exclusively of non-executive board members, with a minimum of 3 and a maximum of 5 members. The majority of the members of the Audit Committee shall be independent Board Members, and one of them shall be appointed taking into account his/her knowledge and expertise in accounting or audit matters, or both.

In any case, the number of components of the Committee will be determined by the Board directly by establishing the respective number by express agreement or indirectly upon filling the vacant positions or the appointment of new members within the established maximum.

During the 2018 period, the composition of the Audit Committee was as follows:

Name	Position	Category	Seniority	
			Date of first appointment on the Board	Date of first appointment on the Committee
MRS. CARMEN FERNÁNDEZ ROZADO	CHAIRPERSON	Independent	28-Feb-17	28-Feb-17
MR. EMILIO GARCÍA GALLEGO	BOARD MEMBER	Independent	11/13/2014	11/13/2014
MR. JOSÉ MARÍA LOIZAGA VIGURI	BOARD MEMBER	Other External Member	6/28/1989	10/23/2010
MRS. CATALINA MIÑARRO BRUGAROLAS	BOARD MEMBER	Independent	4/28/2015	4/28/2015
MARÍA SOLEDAD PÉREZ RODRÍGUEZ	BOARD MEMBER	Shareholder-Appointed Member	11/13/2014	11/13/2014
MR. JOSÉ LUIS DEL VALLE	NON-MEMBER SECRETARY		6/28/1989	2/13/2003

CARMEN FERNÁNDEZ ROZADO (Chairperson). She holds a Degree in Business and Economic Sciences and in Political and Sociology Sciences from the Universidad Complutense de Madrid, as well as a PhD from the aforementioned university. She has completed the Senior Management Program (PADE) at the IESE Business School (Universidad de Navarra). Government Tax Inspector and Auditor.

As a Government Tax Inspector, she began working for the Ministry of Economy and Finance (Ministerio de Economía y Hacienda) in 1984, where she held various positions, including Chief Inspector in the Directorate General of Insurance, Delegate in the Paris Club for the refinancing of the foreign debt and she was the Chief Inspector, among other positions, in the Special Delegation of Madrid for the Spanish Tax Agency.

In 1999, she was appointed as a member of the Board of Directors of the National Energy Commission (Comisión Nacional de la Energía), a position she held until 2011. Since then, she has been an international consultant for the development and execution of Business Plans in Energy and Infrastructure in a variety of countries of Latin America and Asia.

During 2012 and 2013 she was a member of the Advisory Board of EY. Since April 2015, she has been an advisor and board member of the Audit Committee

of EDP (Energías de Portugal) in Lisbon and a member of the Advisory Board of Beragua Capital Advisory.

She is a professor at several universities and business schools in Spain and abroad in programs in the areas of Tax, Finance, Financial Auditing, Renewable Energy and Carbon Markets, as well as the author of articles and publications on these subject-areas.

EMILIO GARCÍA GALLEGO (Board Member). Qualified as a civil engineer (Madrid 1971), he holds a Law Degree (Barcelona 1982) and has taken doctorate studies at the Universidad Politécnica de Catalunya. His teaching activity has included the position of professor in charge of the “Soil Mechanics and Special Foundations“ course at the Barcelona School of Architecture (1974-1982) and professor in charge of the doctorate course entitled “Consolidation of soft and weak ground” at the Barcelona School of Architecture (1979-1980).

He has been an engineer for the River Policing Authority of the Eastern Pyrenees, engineer for Fomento de Obras y Construcciones, representative in the Catalonia region for the company “Grandes Redes Eléctricas, S.A.”, Head of the Ports Service of the Regional Government of Catalonia, Secretary of the Ports Commission of Catalonia and Co-director of the Plan de Puertos de Catalunya, as well as the Director-General for Infrastructure and Transportation of the Xunta de Galicia. Director-General of Transport of the Government of Catalonia, Deputy Director of the Sanitation Board and Deputy Director of the Water Board of the Regional Government, Director-General of Public Works of the Regional Government of Galicia and Chairman of the Water Board of Galicia, Chairman of the Entity Managing Railway Infrastructures, under the mandate of the Ministry of Development and was in charge of executing the entire High Speed railway infrastructure. He has also been the Chairman of the Port Authority of Galicia (Puertos de Galicia).

JOSE MARIA LOIZAGA VIGURI (Board Member) He started his career at Banco Vizcaya with a series of different executive positions. In 1968, he took on the General Manager position at Zardoya and in 1972 he led the merger with Schneider Otis. Until 1980, he was the head of Otis Elevator for Southern Europe. In 1980 he founded Banco Hispano Industrial (BHA Group) and in 1982 he was appointed Vice President and Chief Executive Officer of Banco Unión which merged with Banco Urquijo where he remained until 1985. At this time, he founded Mercapital, SA, a group which he chaired until 2008.

Among others, he has held positions such as Chairman of Bodegas Lan and Bodegas Barón de Ley, Board Member of Banque Privée Edmond de Rothschild, Suez International, Otis International, Amorim Investment, Lácteos G^a Baquero, Unión Fenosa, Mecalux, etc. Currently, he is a Board Member of Cartera Industrial Rea and Vice Chairman of the Board of Zardoya Otis.

CATALINA MIÑARRO BRUGAROLAS (Board Member). She holds a degree in Law awarded in 1986 by the Universidad Complutense de Madrid, and she passed the examination to become a State Counsel in 1989.

As State Counsel, she has served on the Legal Service of the Spanish Government in the National Court [Division of Supreme Court of Spain] and on the Court of Auditors, in the Directorate General of the Treasury and Finance Policy, as Secretary to the Madrid Regional Financial and Administrative Court, for the Legal Service of the Spanish Government before the Ministry of Health and Consumer Affairs, and for the Legal Service of the Spanish Government before the Superior Court of Justice of Madrid. She has also served as Technical General Secretary to the Office of the Presidency of the Autonomous Community of Madrid, Chief Legal Officer of the State holding company Sociedad Estatal de Participaciones Estatales, Secretary to the Board of Sociedad Estatal de Transición al Euro, Secretary of the Board of Directors of Saeta Yield and a Director of Autoestradas de Galicia, S.A.. Currently, she is an independent Board Member and 2nd Vice Chair of MAPFRE, S.A.

MARÍA SOLEDAD PÉREZ RODRÍGUEZ (Board Member). She holds a Degree in Chemistry and a Degree in Pharmacy from the Universidad Complutense de Madrid.

She has been a professor in colleges in Madrid and a technical advisor for GEBLASA, SA (chemical products import and export company) as well as an associate pharmacist in the Pharmacy Office of Madrid (Oficina de Farmacia de Madrid). She is currently a Board Member for, in addition to ACS Actividades de Construcción y Servicios, SA, its subsidiaries ACS Servicios Comunicaciones y Energía, SL and DRAGADOS, S.A.

The members of the Audit Committee, as a whole, bring together the relevant technical knowledge in relation to the respective business sector in which the Company operates, both in terms of their knowledge and academic training, as well as their professional experience. Likewise, all of them bring together, as a whole, knowledge in the areas of management, economics, finance, business, accounting, financial auditing, internal controls and risk and business management. On the corporate website of the Company, detailed information on the members of the Committee and their professional career is available to shareholders, investors and other interested parties.

3. DUTIES.

The duties of the Audit Committee are set out in article 24 of the Rules of the Board of Directors, which was amended pursuant to the agreement of the Board of Directors at its meeting held on February 27, 2019 with the objective being to adapt its wording to the amendment of the Spanish Corporate Enterprises Act enacted by the Law of November

28, 2018 and the Technical Guide 3/2017 on audit committees of public interest entities of the CNMV. In this regard, the aforementioned article 24 attributes the following duties to the Committee:

In relation to the oversight of the financial information:

a) To report to the General Shareholders' Meeting on all matters arising within the mandate of the Committee and, in particular, on the result of the audit, explaining how the audit contributed to the integrity of the financial information and the role that the Committee played in that process.

b) To oversee the preparation and presentation of the financial information of the company and where applicable, that of the Group, while reviewing the compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and the appropriate application of accounting criteria, and in particular knowing, understanding and overseeing the efficiency of the internal financial information control system (IFICS). The Committee may present recommendations or proposals to the Board of Directors to safeguard the integrity of the financial information.

c) To report to the Board of Directors, in advance, on the financial information that the Company must periodically make public.

d) To ensure that the Board of Directors seeks to present the financial statements to the General Shareholders' Meeting without limitations or reservations [qualifications] in the audit report and that, in exceptional cases where there are reservations, for both the Chairperson of the Committee and the auditors, to explain clearly to the shareholders the content and scope of said limitations or reservations.

In relation to the oversight of internal controls and internal audits:

e) To oversee the effectiveness of the Company's internal controls and that of the internal audit, while discussing any significant weaknesses in the internal control system identified during the performance of the audit with the statutory auditor, all of which must be done without compromising its independence, while providing its conclusion on the level of its trust in and reliability of the system. To this end, as the case may be, it may make recommendations or proposals to the Board of Directors and define the corresponding time-frame allowed for follow-up.

f) To oversee the independence of the department that undertakes the internal audit; propose the selection, appointment, re-election and removal of the head of the internal audit department; propose the budget for the service; approve its guidance and work plans, while ensuring that the activities are directed principally towards key risks for the company; receive regular information on internal

activities; ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration; and annually assess the performance of the internal audit department, as well as the performance of the duties by the respective individual in charge of it.

g) To establish and oversee a whistle-blowing mechanism that provides employees with the confidentiality to report any potentially significant violations, especially of a financial or accounting nature, which they may observe in the company, by receiving periodic reports on its performance, while having the power to suggest timely actions for improvement and to reduce the risk of such violations occurring in the future.

In relation to overseeing risk management and controls:

h) To oversee the effectiveness of the risk management systems.

i) To re-assess, at least annually, the list of the most significant financial and non-financial risks and assess the respective level of risk tolerance, while proposing, where appropriate, the corresponding adjustment to the Board of Directors. For these purposes, the Committee will hold, at least annually, a meeting with the heads of the business units in which they will explain the business trends and associated risks.

j) To directly oversee the performance of the internal controls and risk management functions carried out by any unit or department of the Company.

In relation to the external auditor:

k) To make proposals to the Board of Directors with regard to the selection, appointment, re-selection or replacement of the external auditor, while undertaking the selection process, as well as the conditions of the respective contracting, for which purpose it must: 1. define the procedure for selecting the auditor; and 2. issue a justified proposal that will contain at least two alternatives for the selection of the auditor, except in the case of the re-appointment thereof.

l) Obtain regular information from the external auditor on the audit plan, its execution and any other issues related to the financial auditing process, in particular any discrepancies that may arise between the statutory auditor and the Company's management, in addition to preserving its independence while performing its functions.

m) To establish the appropriate relationships with the external auditor for the purpose of receiving information on any matter which may jeopardize the respective independence, for the examination of the Committee, and any other matter relating to the development process of the financial auditing, and when applicable authorize the services other than those which are prohibited, under the

terms provided for in the applicable regulations, in addition to any other notification provided for under Spanish laws regarding financial auditing and technical auditing standards.

In any event, the Audit Committee shall obtain from the external auditor, its annual statement of independence in relation to the company and other entities directly or indirectly related to it, as well as information on any additional services of any kind provided and the fees received by the external auditor or by any persons or entities related with it, in accordance with the prevailing laws governing financial auditing.

n) To issue a report on an annual basis, in advance of the issuance of the audit report, expressing an opinion on whether the independence of the statutory auditor has been maintained. This report shall in any case address the justified assessment of each and all of the services referred to in the preceding paragraph, considered both individually and as a whole, and the system in place to assure auditor independence and compliance with prevailing audit regulations.

ñ) To examine the circumstances and reasons in the event of resignation of the external auditor.

o) To ensure that the remuneration of the external auditor's work does not compromise quality or independence, in addition to establishing a guideline cap on the fees that the auditor may receive annually for services other than auditing.

p) To oversee reporting by the company of any change of auditor to the CNMV, and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and the content thereof.

q) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.

r) To ensure that the Company and the external auditor respect prevailing regulations governing providing services unrelated to auditing, the limits on the concentration of the auditor's business and the terms of the regulations governing auditor independence in general.

s) To perform a final assessment of the auditor's actions and to what extent contributions were made to the quality of the audit and the integrity of the financial information.

Other duties:

t) To report to the Board of Directors on all matters where so required by Law, the Corporate By-Laws and the Rules of the Board of Directors, in particular with regard to:

1. the financial conditions, accounting impact and, as the case may be, on such transactions concerning transactions involving structural and corporate changes which the Company plans to carry out.

2. the creation or acquisition of investments in special purpose vehicles registered in countries or territories listed as tax havens; and

3. the transactions with related-parties.

On the other hand, article 25 of the Rules of the Board of Directors attributes the following duties to the Committee in terms of governance and corporate social responsibility:

a) To oversee compliance with internal codes of conduct and with the Company's corporate governance rules.

b) To oversee the strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.

Regular evaluation of the adequacy of the Company's system of corporate governance to ensure that it fulfills its mission of promoting the social interest and takes into account in an appropriate manner the legitimate interests of the remaining stakeholders.

d) To review the Company's corporate responsibility policy, ensuring that it is oriented toward the creation of value;

e) To monitor the corporate social responsibility strategy and practices, and to assess the level of compliance.

f) To oversee and evaluate processes affecting different stakeholder groups.

g) To assess all matters in relation to the non-financial risks of the company – including those that are operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process for the reporting of non-financial information and on diversity pursuant to the applicable regulations and international benchmark standards.

4. COMPLIANCE OF THE DUTIES

4.1. MEETINGS HELD AND NUMBER OF ATTENDEES. IN PARTICULAR, THE NUMBER OF MEETINGS HELD WITH THE INTERNAL AUDITOR AND WITH THE EXTERNAL AUDITOR.

In accordance with Article 24 of the Rules of the Board of Directors, the ACS Audit Committee:

- Will meet as often as it may be convened by the Chairperson, and it shall in any event meet at the beginning and end of the audit of the Company's financial statements and that of the Consolidated Group, and before the issuance of the pertinent audit reports. The Committee shall also meet on the occasion of the preparation of the financial information which the Company is required to publish.
- Will be deemed duly convened when the majority of its members are present, and it shall adopt resolutions by majority vote of the attendees, with the Chairperson having the deciding vote in the event of a tie.
- The Company's Auditor may attend meetings of the Audit Committee where specifically invited to explain key issues arising from the audit procedures carried out. Likewise, when this is expressly agreed upon by the members of the Committee and at the invitation of the Chairperson, other board members - including the executives - senior executives and any employee of the Company may attend.

In the period between January 1, 2018 and December 31, 2018, **the Audit Committee has held a total of 7 meetings**, with all the members of the Committee having attended, by either being present or represented, at 6 of the meetings. Only at the meeting on July 25, 2018 was the attendance of Mrs. María Soledad Pérez Rodríguez excused.

The **Corporate General Manager of the Company** attended all the meetings of the Committee held during the 2018 period, at the invitation of the Chairperson, to inform about matters within the scope of the respective competences.

Likewise, **the Chief Executive Officer of the Company has attended** the meetings of the Committee for which he has been requested to attend and at the invitation of the Chairperson, in order to also report on matters within the scope of his competences related to certain items on the agenda of the session. Specifically, he attended those held on February 28, March 22, May 9, July 25 and November 14, 2018.

On the other hand, the **Internal Auditor of ACS** has attended, at the invitation of the Chairperson, a total of 5 meetings during the 2018 period, specifically those held on February 28, March 22, May 9, July 25 and November 14.

On the part of the **External Auditors**, upon the invitation of the Chairperson, they have attended a total of 6 meetings during the 2018 period, specifically those held on February 28, March 22, July 25, November 14, December 13 and December 19, for the purposes

of reporting on the development of its activities and, in particular, in relation to the financial information presented to the Committee. .

4.2. SIGNIFICANT ACTIVITIES PERFORMED DURING THE 2018 PERIOD.

The Audit Committee has performed the following significant activities during the 2018 period:

a) In relation to financial and non-financial information and the associated mechanisms of internal controls.

In relation to the periodic financial information, the Audit Committee reviews all quarterly financial information prior to its submission to the Spanish National Securities Market Commission (“CNMV”), and that which is published via the corresponding Material Events, as well as the submission of the IPP using the CIFRADO service.

This review applies to information contained in the official formats of the CNMV and to the information that the Company reports to the CNMV for the publication of its quarterly results, which serves to verify that the information stated therein is coherent, while analyzing the rationality of the criteria applied and the accuracy of its figures.

In particular, in the framework of this function, the Audit Committee, at its meetings on February 28 and March 22, 2018, with the active presence of the external auditors and that of the Corporate General Manager, examined the individual and consolidated financial statements for 2017 and, considering the information provided by the external auditors, issued a favorable report on the said financial statements.

Also, in regards to the **individual and consolidated interim financial statements for the first half of 2018 and the first three quarters of 2018**, the Audit Committee in its meetings held on July 25 and November 14, with the presence of the external auditors and the Corporate General Manager, proceeded to examine the respective statements and reported favorably.

In relation to the **internal financial information control system (IFICS)**, which the Company’s Internal Auditor is responsible for, in the session on November 14, an introduction on its respective revisions was presented to the members of the Audit Committee.

b) In relation to transactions with related parties.

During the 2018 fiscal year, the Audit Committee, in accordance with the provisions of articles 5.2.t) and 34.3.g) of the Rules of the Board of Directors and following the recommendations of Technical Guide 3/2017, has continuously worked to improve the information processing with the respective corporate bodies of the Company and its shareholders, with respect to the informational instruments regarding the significant activities in relation to transactions with related parties.

Both in the corresponding Annual Corporate Governance Report (*IAGC*) for 2017

(Section D) and in the corresponding section of the consolidated annual financial statements for 2017, which were examined and reported on favorably by the Audit Committee, at its meetings held on February 28 and March 22, 2018, reference is made to the Transactions executed and balances held with related parties.

c) In relation to risk management and controls.

In order to respond to the need for global and homogeneous risk management, the Company has established a risk management model which includes the identification, assessment, classification, evaluation, processing and monitoring of risks at the Group level and that of the operational Divisions. When these risks have been identified, a risk schedule is prepared which is updated regularly based on the different variables involved and the types of activities in which the Group is involved, assessing them on the basis of the respective impact and the probability of occurrence.

To this end, the effectiveness of the risk control systems are assessed and verified periodically by the internal audits of the production units and by the Corporate Internal Audit of ACS, which 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 segments and companies assessed.

Based on the foregoing, during the 2018 period, **The Audit Committee has overseen the effectiveness of the internal controls of the Company, of the Internal Audit and the risk management systems.**

In particular, the Audit Committee at its meeting on March 22 **approved the Tax Memorandum for the 2017** period presented by the Director of the Company's Tax Department, which makes reference, in terms of the risk management in the Group, to the internal controls of the ACS Group, containing a general framework of control and standards of detail, adapted to the respective business segments, as approved by the boards of directors of the three Spanish head companies of the business segments.

Likewise, at the meeting held on November 14, 2018, the Committee unanimously approved the **Fiscal Transparency Report for the year 2017** which was presented by the Director of the Tax Department.

d) In relation to the Internal Audit.

The ACS Group's Internal Corporate Audit functions are carried out by the Company's Internal Audit Department, which coordinates the internal auditing of the Group's various business segments. The Corporate Internal Audit Department is included in the organizational structure as a body reporting hierarchically to the Corporate General Management and functionally to the Audit Committee of the Board of Directors of ACS.

As a result of its work, the internal audit departments of the Group companies issue a written report which summarizes the work carried out, the situations identified, and the action plan including, where applicable, the timetable and persons responsible for

correcting the situations identified, along with opportunities for improvement. These reports are sent to the head of the Business Area and to the Corporate Internal Audit Department.

Annually, the Corporate Internal Audit Department submits an Activities Report to the Audit Committee which contains a summary of the activities carried out and the reports prepared during the year, as well as an update on the main significant aspects and recommendations contained in the various reports.

In the meeting of the Audit Committee held on March 22, 2018, the Corporate Internal Audit Department, within the framework of its functions, submitted the 2017 Activities Report and the Audit Plan for the 2018 period to the Audit Committee, which included among other aspects a substantial increase in the review of the operations involving the control procedures and operations included in the internal financial information control system (IFICS).

Likewise, during the 2018 period the Corporate Internal Audit Department presented at the meetings held on February 28, March 22, May 9, July 25 and November 14 to the Audit Committee, a **summary of the reports prepared and the status of the internal audits of the respective business areas**. Likewise, the reports submitted to the Committee have included the conclusions of all the internal audits and, in particular, those related to the IFICS and the internal tax control standards.

e) In relation to the External Auditor.

In relation to the External Auditor, at the Committee's session on March 22, the Audit Committee deliberated on the **reelection of the appointment as auditor of the Parent Company and that of the consolidated ACS Group as a whole to Deloitte, S.L.**, the performance of which was considered to have been guided by the principles of independence and professionalism, while proposing to the Board that it submit to the General Shareholders' Meeting the extension of its appointment for one more year, being the 2019 year, in accordance with the legal provisions and the internal regulations.

On the other hand, and in the session on December 19, the Audit Committee approved the procedure for the selection of the External Auditor.

Likewise, during the 2018 period ACS has relied on KMPG S.A. as the **External Auditor of non-financial information**, which at all times has acted in conformity with the principles of independence and professionalism.

In compliance with the functions that have been respectively attributed to it, 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 Company, as well as the consolidated statements of the ACS Group.

At the session on March 22, the external auditors informed the Commission through the Additional Report to the Audit Committee and the Notification to the Audit Committee - Updated, on the 2017 audit conclusions, regarding the work performed in relation to the internal controls of ACS, indicating that no aspects subject to notification were identified.

On the other hand, since the 2012 period, the external auditors have issued the "Auditor's Report on Information regarding the Internal Financial Information Control System (IFICS) of ACS, Actividades de Construcción y Servicios, SA", prepared in accordance with the 'Practical guide and template for the auditor's report in reference to the information related to the internal financial information control system of listed companies' ("*Guía de actuación y modelo de informe del auditor referidos a la información relativa al sistema de control interno sobre la información financiera de las entidades cotizadas*", published on the CNMV website. The report corresponding to the 2017 period was issued on March 22, 2018, the full content of which was sent to the CNMV on the same day.

On the other hand, in the session on November 14, the external auditor **presented the Planning Phases of the Audit for the 2018 period**; and finally, at the December 19 session, the External Auditor presented the Report on the 2018 Audit Plan to the Committee.

f) In relation to overseeing the corporate governance rules

Within the framework of the duties assigned to it for the oversight of the compliance with corporate governance rules, the Audit Committee at the March 22 session reviewed and unanimously agreed to report favorably on the **Annual Corporate Governance Report and the Report on the Remuneration** of the board members for the 2018 period.

g) Regarding the oversight of the compliance with internal codes and the corporate social responsibility policy.

In the first semester of the 2018 period, under the supervision of the Audit Committee, the company proceeded to contract the consulting firm KPMG to analyze its situation in order to implement its own compliance management system. As a result of this analysis, on July 25, 2018, the Board of Directors adopted the following agreements:

- 1) The formalization of its organizational and management model for the prevention of crimes, exclusively in reference to the activities carried out directly by ACS, Actividades de Construcción y Servicios, S.A.
- 2) The creation of a Compliance Committee, which will report directly to the Audit Committee and will be responsible for overseeing its organizational and management model for the prevention of crimes, while having direct and unrestricted access to any associate of the company as well as to all documents and information required for the proper performance of the respective functions.

Since July 26, the Compliance Committee met on seven occasions in order to develop, implement, audit and certify the Criminal and Anti-bribery Compliance Management

System, for which it achieved all of the objectives set for 2018. The implementation of the system ended on December 14, 2018 with the approval by the Board of Directors of the final portion of the Compliance Policies and Procedures.

Between November 6th and the 22nd, the internal audit took place, for which Prysm Consulting was contracted, as well as phases I and II of the AENOR external audit for the System certification. Likewise, compliance with the obligations to review the criminal compliance management system (sections 9.3, 9.4 and 9.5 of UNE 19601) was duly fulfilled with the following schedule:

- On November 13, 2018 the Compliance Committee issued its first quarterly operational compliance report, in reference to the period 07/25/2018 to 11/13/2018.
- On November 14, the Director and Secretary-General acknowledged receipt of the quarterly operational compliance report dated November 13 and submitted it to the Board of Directors on November 14, 2018.
- On November 19, the Corporate General Management issued its review report on the quarterly operational compliance report dated November 13.

The adequacy and effectiveness of the system have been certified by AENOR, which issued its audit report on November 22, without qualifications, which resulted in the parent company of the ACS Group obtaining, on December 11, 2018, the following certificates:

- ASO-2018/0018, in recognition and as evidence of the compliance of its management system with the UNE ISO 37001:2017 standard.
- GCP-2018/0044, in recognition and as evidence of the compliance of its management system with the UNE 19601:2017 standard.

The certificates are granted for a period of 3 years with 2 interim audits consisting of a single Phase. It is expected that AENOR will initiate the first of these interim audits in October 2019.

Likewise, the Committee, within the framework of the function of oversight of the compliance with internal codes and the corporate social responsibility policy, approved the Corporate Social Responsibility Monitoring Report in the session on November 14 and reported favorably on the Environmental Policy and the Code of Conduct for Business Partners.

h) In relation to the monitoring of the action plans of the Committee itself.

Article 9 of the Rules of the Board of Directors establishes that the Board of Directors must perform an annual evaluation of the functioning of its Committees based on the reports they submit to the Board of Directors; and to this end in the session on March 22

the Chairperson of the Committee submitted the **Report on its activities during the 2017 period**, for consideration.

i) In relation to the nature and scope of the notifications, where appropriate, with regulators.

The Company received a notice from the CNMV dated September 5, 2018 in relation to the fulfillment of the obligations deriving from the third additional provision of Law 22/2015, of July 20, concerning the Auditing of Financial Statements, to which it provided a response in due time and form without having received any additional notices or requests for information from the regulator.

j) In relation to other functions of the Committee.

At the meeting on December 13, the Corporate General Manager presented to the Committee the **report on the economic progress of the Company**.

In addition, at the aforementioned meeting the Audit Committee unanimously agreed to report favorably on the proposal to agree to, under the authorization approved by the Shareholders' Meeting on May 8, 2018, **delegate the distribution of an interim dividend for a maximum amount of € 0.45** per share, using the formula that is referred to as the flexible dividend.

5. EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE AUDIT COMMITTEE.

In compliance with the obligation to evaluate the functioning of the Board of Directors and its Committees, as established by Article 4 of the Rules of the Board of Directors, which, in turn, develops the provisions of article 529h of Law 31/2014, of December 3, which amends the Spanish Corporate Enterprises Act for the improvement of corporate governance, and in the Recommendation 36 of the Good Governance Code for Listed Companies of the CNMV, the Audit Committee has initiated the process of self-evaluation of its operations and performance during the 2018 period, the conclusion of which is still pending.

6. OPINION OF THE AUDIT COMMITTEE REGARDING THE INDEPENDENCE OF THE STATUTORY AUDITOR.

In compliance with the exercise of its functions, during the 2018 period, **The Audit Committee has ensured the independence of the External Auditor in the performance of its duties**, having established the appropriate relations with it in order to ensure that they have not incurred cases of incompatibility or abstention, as well as prohibitions, and that any threat to its independence was adequately identified and evaluated, applying, where appropriate, the adequate measures to safeguard against such an occurrence.

Within the framework of the provisions of article 24 of the Rules of the Board of Directors at the meeting of the Audit Committee on March 22, the external auditor of the Company informed the Audit Committee of its statement of independence, which contained:

- a) Confirmation that the engagement team and the audit firm, with the applicable extensions, have been independent in accordance with the applicable laws.
- b) The breakdown of fees, showing fees for audit services in the amount of € 11,486 thousand and for non-audit services amounting to € 2,516 thousand.
- c) Confirmation that procedures have been designed and implemented to identify and assess threats, despite no significant occurrences having been identified, either individually or as a whole.

In this regard, the Audit Committee has not been aware, either through its internal procedures or through the communications from its auditor, of any aspect that has posed a significant threat to the auditor's independence.

On the other hand, the auditors of ACS and the companies of its Group have received the following remunerations during the 2018 period, both for the auditing services and for other permitted services:

	Thousands of Euros	
	2018	2017
Audit service fees	13,022	13,169
Main auditor	11,561	11,486
Other auditors	1,461	1,683
Other verification services	226	-
Main auditor	226	-
Fees for tax services	5,483	2,107
Main auditor	233	134
Other auditors	5,250	1,973
Other services	2,379	4,526
Main auditor	719	2,382
Other auditors	1,660	2,144
Total	21,110	19,802

In view of the foregoing and the information received from the external auditor, the ACS Audit Committee considers that there are no objective reasons to question the independence of the External Auditor.

7. PRACTICAL GUIDES THAT ARE BEING FOLLOWED

As indicated above, on February 27, 2019, the Board of Directors has agreed on the amendment of the Rules of the Board of Directors, essentially for the purpose of adapting it to the amendment of the Spanish Corporate Enterprises Act enacted through the Law of November 28, 2018 and the Technical Guide of the CNMV.

In this regard, the Audit Committee, in the exercise of its functions, follows both the provisions of the **Good Governance Code** of the Listed Companies approved by the CNMV in February 2015, as well as the guidelines and recommendations of the **Technical Guide 3/2017, of the CNMV**, on Audit Committees of entities of public interest, published on June 27, 2017, while also addressing the best corporate governance practices.

8. CONCLUSIONS.

The ACS Audit Committee is composed of five board members, all of whom are non-executive board members, with three of them being Independent Board Members, including its Chairperson, by which the composition requirements set forth in article 529m of the *LSC* are met.

One of the members of the Audit Committee has been appointed taking into account his knowledge and experience in accounting matters and, as a whole, the members of the Committee gather the relevant technical knowledge in the business sector to which the ACS Group belongs.

Likewise, the Audit Committee has met as often as necessary under the terms established in article 24 of the Rules of the Board of Directors and whenever necessary, taking into account its respective powers.

Of the 7 meetings of the Committee, 6 of them were attended by all its members, by being present or duly represented. Only in one session did one of the members of the Committee not attend, with the said attendance being excused.

The members of the Committee have had at their disposal, prior to the meetings, the necessary information in relation to the respective items on the Agenda.

Regarding the duties and powers assigned to the Committee, which, in addition to those legally provided for, also include those included in the Good Governance Code and the Technical Guide 3/2017, the Committee considers that it has deliberated and adopted agreements on the main matters under its mandate.

In conclusion, the ACS Audit Committee assesses the activities carried out during the 2018 period as being very positive.

8. DATE OF FORMULATION BY THE AUDIT COMMITTEE OF THE REPORT AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS.

The present report of the ACS Audit Committee for the 2018 period was formulated by the Committee on March 28, 2019, having been unanimously approved by the Board of Directors of the Company, at its meeting held on March 28, 2019.