General Risk Control and Management Policy

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ANNEX I.- DEFINITIONS AND RISK FACTORS
The Board of Directors of ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A. (hereinafter referred to as "ACS" or the "Organization") is responsible for establishing the General Risk Control and Management Policy as a framework document, which serves to identify the main risks of the Organization and that of the other investee companies with autonomous management (hereinafter the "ACS Group"), while maintaining the appropriate internal control system and carrying out periodic monitoring of the respective systems.

The ACS Group’s geographic and business diversification, together with the high degree of decentralized operations and autonomous management that characterizes the ACS Group companies, makes it necessary for it to have a dual system for risk control and supervision. What each business unit or listed company is capable of developing is included in the present corporate framework for risk Control and Management, which is consistent with the respective guidelines. Each management level is ultimately responsible for compliance with the rules and internal procedures applicable to them, both in the Organization and in each of its investee companies.

1. PURPOSE

The purpose of this document is to define, as a regulatory framework, the General Risk Management and Control Policy for the Organization and for the investee companies that comprise the ACS Group. In addition, it defines the positioning of Risk Management and Control within the Corporate Governance structure and includes the definition of the competencies, roles and responsibilities of the different members of the Organization that participate in Risk Management and Control.

2. SCOPE

The General Risk Management and Control Policy is applicable to all the companies that comprise the ACS Group, over which the Organization has effective control.

Excluded from its scope of application are the listed investee companies and their respective subsidiaries that, as a consequence of their special situation, are subject to the regulations of the regulatory bodies that are applicable to them and, consequently, adhere to their own risk policies approved by the competent bodies. In any case, the said risk policies must be in accordance with the principles set forth in this General Risk Control and Management Policy.
In those investee companies that do not belong to the ACS Group, the Organization will seek to ensure that the principles, guidelines and risk thresholds are coherent with those established through this General Risk Control and Management Policy.

In the case of Hochtief, A. G., it is a company listed on the German stock market which in its turn has a majority ownership interest in CIMIC, which is itself publicly traded on the Australian stock market. Both companies have implemented their own risk management and internal controls in accordance with the applicable regulations. These groups in turn have their own Audit Committees, with duties similar to those of the ACS Group. Therefore, the General Risk Management and Control Policy of the ACS Group affects those activities carried out by Hochtief or Cimic, only to the extent that they are already covered by their own risk control systems to which this document refers.

The General Risk Management and Control Policy affects, as a regulatory framework, all areas of the ACS Group. The risk management and control system will cover all types of risk that may threaten the attainment of the objectives of the Organization and of the ACS Group companies.

Through this policy, the Organization and the ACS Group companies undertake to develop all their capacities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled.

3. GUIDELINES

The ACS Group is subject to various risks inherent to the respective countries, activities and markets in which it operates, and to the activities it carries out, which may impede or even prevent it from achieving its goals and executing its strategies successfully.

The Board of Directors of the Organization, aware of the importance of this issue, is committed to developing all its abilities so that the relevant corporate risks of all the Group’s activities and businesses are adequately identified, evaluated, managed and controlled, while establishing, through the General Risk Control and Management Policy, the mechanisms and guidelines for an adequate management of them with a level of risk that allows for:

a) Attaining the strategic objectives established by the group with controlled volatility;
b) Providing the highest possible level of guarantees to shareholders;
c) Protecting the results and the reputation of the Group;
d) Defending the interests of shareholders, customers and other stakeholder groups, while making progress on behalf of the Organization and society in general;
e) Ensuring business stability and financial strength in a sustained manner over time.
For the development of the commitment expressed, the Board of Directors relies on the collaboration of the Audit Committee that supervises and reports on the adequacy of the evaluation and internal control system of the relevant risks in coordination with the Internal Audit department and the Management of the heads of the respective divisions of the Group that have been assigned the function of specifying the application of the specific risk policies for the different businesses of the Group; while taking into account the characteristics and uniqueness of both the business itself and the country in which it operates, based on the principles indicated in this document.

Any action aimed at controlling and mitigating risks will meet the following guidelines:

- Integration of the approach to risk within the management of the Organisation through the definition of risk strategy and appetite.
- Preservation of strict segregation of duties between the areas that take on risk and the areas responsible for its analysis, control and supervision, providing an adequate level of independence.
- Ensuring the use of appropriate instruments to mitigate the impact of risks in accordance with the requirements of applicable legislation.
- Providing of information to the regulators and principal external agents on Group risks and those of its operating units in a transparent manner, as well as on the operation of the systems developed for their control.
- Ensuring proper compliance with corporate governance rules established by the Group, with permanent updating and improvement of such rules.
- Acting at all times in accordance with the law and the values and standards of behavior as reflected on the Code of Conduct and the principles of sound practice indicated in corporate fiscal policy, adopting “zero tolerance” attitude to illicit acts and fraud.

4. POLICY

The Board of Directors of ACS is aware of the importance of an adequate management of the risks that affect the achievement of its objectives, and for this reason it is not adverse to risk. It firmly believes that risks must be managed properly and not eliminated. Therefore, it believes that an adequate and effective risk management will allow it to:

- Reach its goals and objectives
- Create value for shareholders
- Build trust among investors, suppliers and customers
- Protect the reputation of the ACS brand and that of all the different brands under which the investee companies operate.
- Ensure compliance with the laws and recommendations regarding Corporate Governance.
Likewise, the Board of Directors considers that for an adequate Management and Control of Risks, it is essential to maintain the maximum level of transparency in the information provided, both inside and outside the organization.

In this regard, all staff must take into account that the information provided regarding Risk Management and Control must meet the following requirements:

- Complete, ensuring that all relevant information is transmitted for proper Risk Management and Control.
- Correct and truthful, ensuring that the information transmitted does not contain errors.
- Create value, by encouraging the development of a culture of risk control and management.
- Be transmitted in an equitable and symmetric manner, that is, that all the recipients of the respective information receive the same information in the same time horizon.
- Be transmitted in a timely manner, that is, once it is known and is relevant for proper Risk Management and Control.

For these purposes, the Board of Directors is responsible for identifying and supervising the management of the main risks, as well as the implementation and monitoring of an internal control system and the appropriate information that allows for the adequate management of the said risks.

The risk policy of the ACS Group is aimed at achieving a moderate risk profile, through prudent management; a group business model dedicated to infrastructures and services with a universal vocation, diversified by geographical areas, asset types, portfolios and customers, with a high international presence, both in emerging markets and developed countries, while maintaining a medium/low risk profile in each of them and seeking sustainable growth over time.

To this end, a series of relevant measurements are established, which are in principal related to solvency, liquidity and the recurrence of results that, depending on the circumstances that occur in each case, determine the Group's risk management and allow for the achievement of the desired objective. The analysis of these elements is performed both in a timely and prospective manner by making budgets to identify potential risks and therefore developing corrective actions as far in advance as possible, in regards to:

- Solvency: In terms of solvency, the management of the ACS Group is mandated to maintain the required capital for the proper operation of the respective businesses, even in situations which provide a difficult economic and financial environment.
- Profitability and Recurrence: The Group aims to generate recurring profits even under a deteriorated economic situation in order to guarantee a reasonable return for shareholders.

- Liquidity: The ACS Group as a whole and all its subsidiaries aim to maintain a solid position supported by a stable and diversified funding base, even when confronted with difficult times in the financial markets.

The ACS Group’s Management Committee defines the Group’s risk management procedures and, if appropriate, establishes the appropriate management mechanisms to ensure that the risks are kept within the levels approved by the Board of Directors.

The Board of Directors entrusts the Audit Committee with the task of monitoring compliance with the established procedures and effective general 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. The different areas concerned also include the management of tax risks.

Their effectiveness is evaluated and verified periodically by the internal audits of the respective business departments and divisions and by the Corporate Internal Audit, which also contributes to the supervision 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 must have qualified, expert personnel who are independent of the lines of production.

5. **RISK MAP**

The Risk Map is a tool that aims to graphically show the diagnosis of the risk assessment process on a given date. It is determined by the interaction of probability and the impact of the risks on the respective processes, activities or functions of a business. Simultaneously, it contributes to a review or diagnosis of the internal control that exists to mitigate the risks.

The Audit Committee must review the Group’s risk map with the frequency necessary to adequately monitor the risks. 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.
The ACS Group, as a result of the diversity of its businesses and its high level of operational decentralization, has assigned to the heads of each division and subgroup, the development of the risk control systems appropriate to them and the necessary internal regulations to ensure its implementation and operation. This implementation is carried out in "cascade" to the last level or legal entity within the Group.

The Corporate Senior Management is responsible for preparing the ACS Group’s framework for action in order to standardize the identification, classification, evaluation, management and tracking of the risks of the different divisions. Additionally, it assumes the management of the risks that are deemed to be Corporate when affecting the Group as a whole.

Once the risks have been identified and their magnitude and probability have been evaluated, as well as the indicators for measuring them, it prepares the Risk Map, in which all the heads of each of the Divisions or business units are involved.

Each person in charge of monitoring the different indicators or risks assesses the situation and proposes the implementation of corrective or preventive measures, which may be, depending on the respective importance or scope of action, carried out at the same level of responsibility or proposed as an action at the superior level. In this case, the highest level of operational decision for the implementation of measures is the ACS Group’s Management Committee. Subsequently, the effectiveness of the measures implemented with the monitoring of the risk indicators is examined.

In general, all those risks that have been identified as being High are examined by the Group’s Management Committee, during its respective meetings. In addition, both the Executive Board as well as the Board of Directors examines the information reported, on a monthly or quarterly basis as the case may be, with the different quantitative indicators in order to analyze the situation and the risks faced by the Group.

The risks are classified into two areas:

- Corporate Risks: That which affects the Group as a whole and, in particular the Organization or the listed Company.
- Business Risks: Those that affect each of the business areas and vary based on the unique characteristics of each business.

The evaluation of these risks is essentially performed in a qualitative manner, in order to establish both the respective importance (in terms of the impact) and its probability of occurrence. However, an objective or quantitative risk indicator is established where possible.

- Low level risks can be accepted and an additional action plan is not necessary.
The medium level risks should be carefully analyzed in order to determine whether they are acceptable or not.

High level risks will require proper administration and management as well as the preparation of a formal action plan.

In the case of Hochtief, AG as well as its investee CIMIC, as they are listed companies, they have their own risk management and internal control systems in accordance with the regulations that apply to them. These groups in turn have their own Audit Committees, with duties similar to those of the ACS Group. Therefore, the ACS Risk Map does not directly evaluate those activities carried out by Hochtief or Cimic, to the extent that they are already covered by their own risk control systems to which this map refers.

6. STRUCTURE OF THE GROUP’S RISK POLICIES

The structure of the group’s risk policies is summarized in the following documents:

- Code of Conduct
- General Risk Control and Management Policy
- Criminal and Anti-bribery Compliance Policy
- Human Rights Policy
- Diversity Policy
- Policy and Procedure for gifts and hospitality
- Policy and Procedure of relations with public officials and equivalents
- Corporate Social Responsibility Policy
- Policy on communication and contact with shareholders, institutional investors and voting advisors.
- Treasury Stock Policy
- Corporate Tax Policy
- Internal Control over Financial Reporting System (ICFRS)
- Rules of Conduct in Securities Markets
- Reference document of the Compliance Management System

7. APPROVAL AND DISSEMINATION

The Board of Directors and those responsible for the respective operating departments or divisions of the Group will adopt the necessary measures for the dissemination, training and compliance with this policy throughout the ACS Group, while assigning the necessary resources.
This General Risk Control and Management Policy was approved by the Board of Directors on July 25, 2018, entering into force as of that date.
APPENDIX I

DEFINITIONS AND RISK FACTORS

**Potential Occurrence**: Event or occurrence likely to materialize. Any potential occurrence may result in negative, positive or mixed consequences.

**Risk**: Any potential occurrence that may negatively affect the successful achievement of the strategic objectives of the organization.

**Opportunity**: Any potential occurrence that may positively affect the achievement of the strategic objectives of the organization.

**Risk Management and Control**: Process determined by the Board of Directors that is designed to identify the risks that may threaten the achievement of the objectives of the Organization, establish the acceptable risk level and measures to maintain the risks within the limits considered to be acceptable.

**Risk Appetite**: Level of risk considered to be acceptable or assumable by the Board of Directors.

**Risk classification scale**: Evaluation method used to determine the magnitude of the identified risks, which provides the basis for determining whether they should be considered to be High, Medium or Low. The scale will be based on 2 variables:

- Probability of occurrence of the identified risk.
- Importance of the impact in the event of its occurrence.

**Risk Category**: Criteria used for the grouping of risks according to their nature.

**Risk Map**: Graphical representation of the risks ordered according to the assigned valuation in terms of probability of occurrence and importance of the impact.

**Control**: Any action and / or measure implemented to prevent or detect a risk and, therefore, increase the probability that the established objectives and goals will be achieved. A control can be classified as:

- **Good**: it provides a level of high certainty that the established objectives will be achieved.
- **Sufficient**: provides reasonable assurance that the stated objectives will be achieved.
- **Insufficient**: It does not provide an acceptable level of certainty that the established objectives will be achieved.
The risk factors which the Group is subjected to are, in general terms, those listed below grouped into: corporate risks and business risks.

1) Corporate Risks: Are the risks that affect the Group as a whole and the Organization and publicly traded Company in particular, which can be summarized as:

   a) Strategic Risks, are risks which may arise as a result of opting for a certain strategy, which could directly or indirectly influence, in a significant manner, the achievement of the ACS Group’s long-term objectives.

   b) Regulatory Compliance Risks: are those risks derived from the Corporate Governance (which included among others, the reliability of the published Financial Information), the litigation of the company, the regulatory regulations of the Securities Market, the data protection law, the possible changes in national and international tax regulations and in terms of civil liability regarding the integrity of the assets. This risk includes risks involving tax matters (a Corporate Tax Policy has been approved), which may exist in two forms:

      (1) On the one hand, there is the risk of changes in tax legislation which either could not be foreseen at the time when investment decisions involving a relevant tax factor were taken, impacting the attainment of objectives, or which affect the effective application of tax credits carried forward, in turn affecting forecasts of future taxes payable.

      (2) On the other, tax regulations are frequently subject to differing interpretations, which can result in additional appraisals by the tax authorities, even though the corporate tax policy established by ACS prioritizes prudence in the tax practices followed.

   c) Financial Risks, are those which include the level of indebtedness, liquidity risk, credit risk, risks resulting from fluctuations in exchange rates, that which is derived from the fluctuation of interest rates, risks from the use of derivative financial instruments, market risks from investments and exposure to risk from variable yields from investments made in listed companies.

   d) Reputational Risks, are those with a potential negative impact that may affect the Group's image, such as that of transparency and relations with analysts, investors and the respective stakeholders with expectations regarding the behavior of the Company and the Group.
2) **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:

a) **Operational Risks**: are those related to the key processes of the business, which include the risks related to the contracting and bidding processes for works and projects, the planning and control of the execution of the various works and projects, the relationship with the client and the credit granted to it, the quality of the product, as well as the environmental, purchasing and subcontracting risks.

b) **Non-Operational Risks**, are those which correspond to the risks associated with the processes that support the business, 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.

The risk control systems use the decentralized model characteristic of the Group, which allows each business unit to exercise its policies of control and assessment of risks under certain basic principles. These basic principles are as follows:

- Definition of the risk appetite and the maximum risk thresholds that are acceptable for each business according to its expected characteristics and profitability, which are considered from the origin of the operations.
- Establishment of identification, approval, analysis, control and information procedures for the respective risks of each business area.
- Coordination and communication so that the policies and procedures for the risks of the areas of business activity are consistent with the Group's global risk policy.