

4. CORPORATE GOVERNANCE IN THE ACS GROUP

4.1. SHAREHOLDER STRUCTURE

ACS, Actividades de Construcción y Servicios, S.A. (ACS), the ACS Group's parent company, is a Spanish listed limited company, the share capital of which totalled €157,332,297 at 31 December 2015, represented by 314,664,594 shares, with a face value of €0.50 per share, fully subscribed and paid up, all of a single class and with the same rights.

ACS's shares are represented by means of book entries and admitted to trading

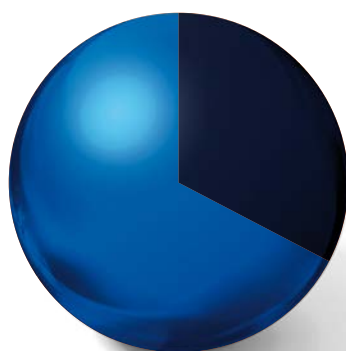
in all Spain's Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia). You can access the main data relating to the company's ownership structure in real time through the company's corporate website, www.grupoacs.com, and that of the Spanish Stock Market Commission (C.N.M.V), www.cnmv.es, as reflected in the following table as at 31 December 2015:

Shareholder's name or corporate name	Number of shares	Percentage of the total number of shares
Mr. Florentino Pérez Rodríguez	39,397,625	12.52%
Corporación Financiera Alba, S.A.	36,779,286	11.69%
Iberostar Hoteles y Apartamentos, S.L.	17,741,012	5.64%
Mr. Alberto Cortina Alcocer	10,272,467	3.27%
Mr. Alberto Alcocer Torra	9,549,983	3.03%

The information obtained from IBERCLEAR, the Spanish Central Securities Depository, for the call to the company's most recent General Shareholders' Meeting, held on 28 April 2015, showed a total of 49,960 shareholders. There were 41,625 resident minority shareholders, who held 16.0% of the share capital. There were 8,335 non-resident shareholders and domestic institutional shareholders with a remaining stake of 84.0%.

According to the stated data and bearing in mind those shareholders who, with a share of over 3% of the capital, also have representation on the board of directors, the distribution of capital ownership is as follows:

CAPITAL OWNERSHIP DISTRIBUTION



● MAJOR SHAREHOLDERS* 36%

● FREE FLOAT 64%

* Representation on the Board.

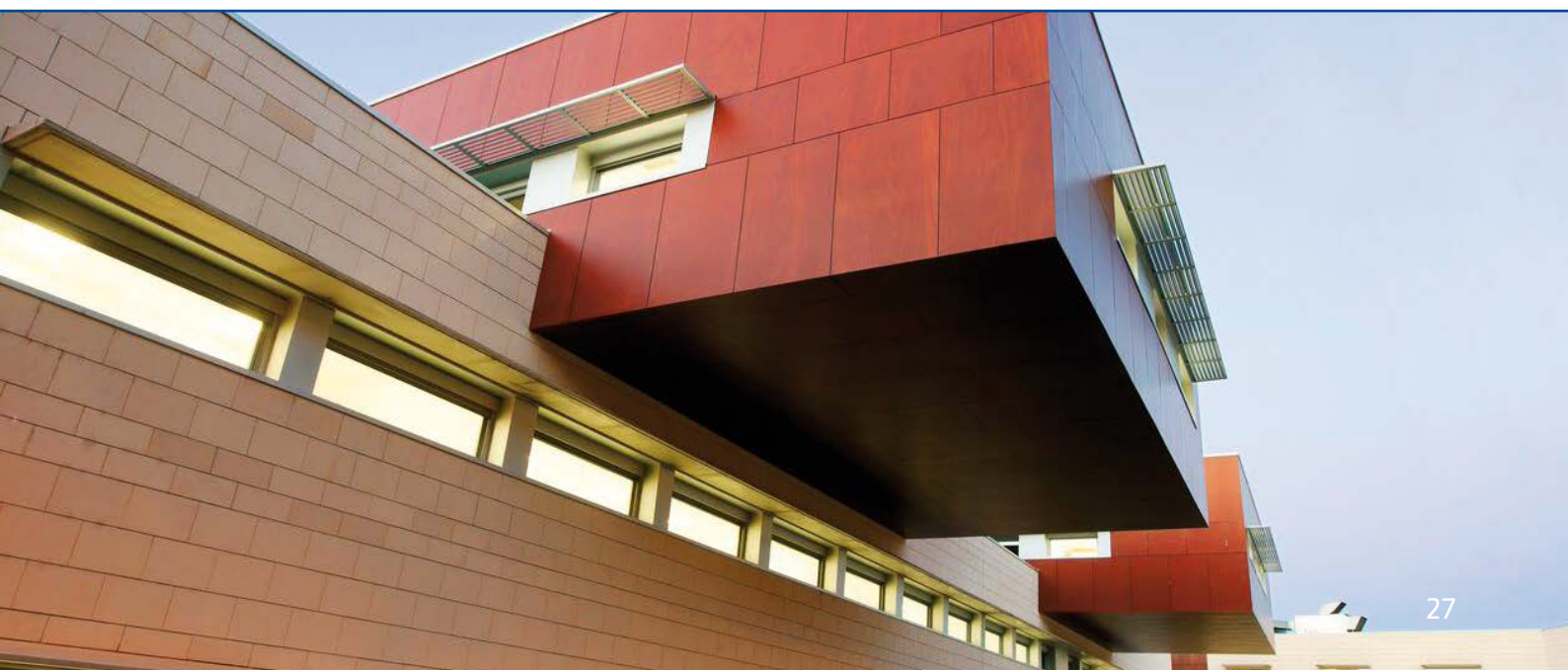
The share capital of the ACS Group is represented by 314,664,594 shares, with a face value of €0.50 per share.

ACS STOCK

	2013	2014	2015
Closing Price	€25.02	€28.97	€27.02
<i>Appreciation of ACS shares</i>	<i>31.41%</i>	<i>15.79%</i>	<i>-6.75%</i>
<i>Appreciation of the IBEX35</i>	<i>21.42%</i>	<i>3.66%</i>	<i>-7.15%</i>
Maximum closing price	€25.02	€34.39	€34.06
Minimum closing price	€16.76	€24.97	€25.49
Average price over the period	€21.11	€28.95	€28.57
Total volume (thousands)	201,945	252,332	238,296
<i>Average daily volume of shares (thousands)</i>	<i>792</i>	<i>990</i>	<i>931</i>
Turnover (€ million)	4,248	7,383	7,158
<i>Average daily turnover (€ million)</i>	<i>16.66</i>	<i>28.95</i>	<i>27.96</i>
<i>Number of shares (mn)</i>	<i>314.66</i>	<i>314.66</i>	<i>314.66</i>
Capitalisation at the end of the period (million)	7,873	9,116	8,501

ACS is a company committed to generating value for its shareholders, both from the point of view of dividend distribution and share price appreciation. In terms of total shareholder return, an investor who bought one share in ACS on 31 December 1996, just before the creation of ACS in its current form, would have obtained, at the end of 2015, an annual return of 24.47%. If he or she had

invested €100 on that day, at the end of 2015 he or she would have had €6,401, meaning that the investment would have multiplied by 64.01. Total shareholder return includes stock market appreciation and the dividends paid by the ACS Group.



4. CORPORATE GOVERNANCE IN THE ACS GROUP

4.2. STRUCTURE AND COMPOSITION OF THE GOVERNING BODIES OF THE ACS GROUP

It is laid down in the Company's By-laws and the Rules of the Board of Directors that ACS will be governed by a Board of Directors made up of a minimum of eleven (11) and a maximum of twenty-one (21) members. ACS's Board Members are named according to a procedure to assess their competences, knowledge, experience and dedication to proper fulfilment of their task, carried out by the Board of Directors' Appointments and Remuneration Committee.

As ACS's decision-making body, it falls to the Shareholders' Meeting, at the proposal of the Board of Directors, both to set the exact number of members of the Board, within these limits, and to name the people to occupy these posts.

The composition of the Board of Directors is based on a proportional principle, by means of which the interests of all ACS's groups of shareholders are represented on the Board. At 31 December 2015, ACS's Board of Directors was made up of 18 Board Members: 4 executive members, 7 proprietary Board Members, 5 independent members and 2 external members.

The ACS Group promotes all the policies necessary to ensure equality of opportunities and to avoid implicit bias and any discrimination in selection processes not just for members of the Board of Directors, but also for any work position and to guarantee that the applicants meet the competence, knowledge and experience requirements to carry out their work, as stated in point 1.3.1 of the ACS Code of Conduct. At 31 December

2015, the Board of Directors of the ACS Group includes three women Board members out of a total of 18, accounting for 16.7% of the total.

The mission of these independent and external board members 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 CEO of ACS.

Board member	Year of birth
Florentino Pérez Rodríguez	1947
Antonio García Ferrer	1945
Pablo Vallbona Vadell	1942
Agustín Batuecas Torrego	1949
Manuel Delgado Solís	1948
Javier Echenique Landiribar	1951
(Iberostar Hoteles y Apartamentos, S.L.) Sabina Fluxá Thienemann	1980
Joan-David Grimà i Terré	1953
Pedro López Jiménez	1942
José María Loizaga Viguri	1936
Emilio García Gallego	1947
Santos Martínez-Conde Gutiérrez-Barquín	1955
Javier Monzón de Cáceres	1956
Miquel Roca i Junyent	1940
María Soledad Pérez Rodríguez	1943
José Luis del Valle Pérez	1950
Catalina Miñarro Brugarolas	1963
Antonio Botella García	1947

4.2.1. GOVERNANCE PROCEDURES IN ACS

As regards the function of the Board of Directors, this acts jointly and is granted the broadest of powers to represent and govern the company as the body supervising and controlling its activity, but also with the capacity to assume the responsibilities and decision-making powers directly on the management of the businesses.

In particular, the Board of Directors in plenary session will not be entitled to delegate, under any circumstances, the powers described in article 5 of the Board of Directors'¹⁰ Regulation, which includes the approval of the following general policies and strategies:

- Investment and financing policy.
- Definition of the corporate group structure.
- Corporate governance policy.
- Corporate social responsibility policy.
- Approval of financial information.
- Strategic or business plan, as well as management targets and annual budgets.
- Senior executive remuneration and performance assessment policy.

Risk control and management policy, including fiscal risks, and overview of internal reporting and control systems.

- The dividend policy, and share and Treasury Shares policy
- Related-party transactions, except in those cases anticipated by the Regulations.
- Establishing the Company's fiscal strategy, and approving the creation of acquisition of shareholdings of companies in countries or territories which may be considered to be tax havens, and other transactions or operations which are so complex that they could detract from the transparency of the Company and its group.

For greater efficiency in its functions, a set of Committees are constituted within the Board of Directors, the task of which consists of controlling and monitoring those areas of greatest importance for good governance of the company. The Board of Directors currently has three such committees: The Executive Committee, Audit Committee and the Appointments and Remuneration Committee, whose functions are set out in the Board of Directors' Regulation.

The Executive Committee is a delegated committee which can exercise all the Board of Directors' powers except those which cannot be delegated or which the Board reserves as its competence.

¹⁰ For more information on functions of the Board of Directors which cannot be delegated, please refer to: http://www.grupoacs.com/index.php/en/c/corporategovernance_boardofdirectors_rulesoftheboardofdirector

4. CORPORATE GOVERNANCE IN THE ACS GROUP

The Audit Committee has the main functions described in Article 24 of the Rules of the Board of Directors, including the functions of accounting control and risk management, inter alia. According to that stated in Article 25 of the Rules of the Board of Directors, the Audit Committee is responsible for supervising compliance with the rules for corporate governance, the internal codes of conduct and the corporate social responsibility policy. Furthermore, among the functions attributed to the Audit Committee is the reviewing of the Company's Corporate Social Responsibility Policy to ensure that this is aimed at creating value. Similarly, the Audit Committee is responsible for monitoring corporate social responsibility strategy and practices, as well as evaluating the degree of compliance with them. The Audit Committee will also be responsible for supervising and evaluating the processes in the relationships with the various stakeholders and evaluating all matters relating to the company's non-financial risks, including operational, technological, legal, social, environmental and political risks and risks to its reputation.

Lastly, the Appointments and Remuneration Committee has the main functions detailed in Article 26 of the Rules of the Board of Directors, including the control of board member and senior management remuneration and performance, proposals for their appointments and matters relating to gender diversity on the Board of Directors, among others.

The Board Members' remuneration is defined by a general policy approved by the full Board, heeding the recommendations of the Appointments and Remuneration Committee. In 2015, the Board of Directors earned remuneration of € 12.67 million, and € 2.02 was paid into saving schemes

during the year. Within the ACS Group's transparency and information policy, the remuneration received by both the members of the Board of Directors and the Senior Executives during the financial year, both of which are summarised here, is shown in the Annual Corporate Governance Report, while the individual details of the remunerations of the Board of Directors are delivered in the General Shareholders' Meeting, also available at the Spanish Stock Market Commission (CNMV).

Retrribución de los miembros del Consejo	€ thousands
Remuneration to the Board of Directors	12,670
Contribution to the savings systems in the year	2,019
Value of the rights accumulated by the Board Members as regards pensions	50,357
Amount of the rights accumulated by the Board Members as regards pensions	0
Total remuneration of Senior Executives (56 Executives)	30,332

Assessment of the Board of Directors' quality and efficiency of performance is a task which falls to the Board itself and cannot be delegated. It is carried out after receiving a report from the Appointments and Remuneration Committee. Furthermore, the General Shareholders' Meeting submits approval of the Board of Directors' management to a vote every year.

Finally, the ACS Group, through the Rules of the ACS Board of Directors, has detailed rules on the mechanisms laid down for detecting, determining and resolving possible conflicts of interest between the company and/or its group and its board members, managers or significant shareholders, as detailed in point D.6 of the ACS Group's Corporate Governance Report.

4.2.2. SHAREHOLDER' RIGHTS AND THE GENERAL SHAREHOLDERS' MEETING

The operation of the Shareholders' Meeting and the rights of the shareholders are regulated in ACS's Company By-laws and in the Shareholders' General Meeting By-laws. According to Article 1 of the latter, the Shareholders' Meeting is the supreme body for the expression of the will of the company and its decision making.

As such, according to these Rules, the Group's shareholders represented in the General Shareholders' Meeting will decide all matters within the Meeting's powers by majority. This meeting will be made up of those holders of at least one hundred shares present or represented, such that holders of less than one hundred shares can group together to reach this number.

In addition, shareholders' attendance and voting rights are laid down in these Rules, by means of which egalitarian treatment is guaranteed for all and a series of measures aimed at encouraging shareholders' participation in the General Meeting are included. As such, not only is delegation or representation of votes permitted during the Meeting, but the possibility of shareholders casting their vote remotely is also expressly established. Furthermore, since the Ordinary General Shareholders' Meeting of 19 May 2005, the necessary procedures have been articulated for exercising the right to vote in advance remotely. The measures adopted by the Group to encourage attendance of the Meeting are positively reflected in their attendance percentages.

Likewise, the shareholders' and investors' rights to information are detailed in several parts of the Shareholders' General Meeting By-laws. Indeed, all the necessary information is made available to the shareholders prior to holding each Meeting, in that, in addition to the standard information provided by the company in the annual, half-yearly or quarterly reports, the Group maintains a website with all the fundamental data on it. Periodic meetings are also held with analysts for this information to reach both shareholders and the general market in the fairest, most symmetrical and efficient way possible.

The ACS Group not only sets up permanent communications channels with its shareholders and investors, but also ensures that all the information made available to them is truthful and rigorous. The Audit Commission reviews this information before it is transmitted to confirm that it is prepared in accordance with the professional principles, criteria and practices with which the accounts are prepared.

ACS's Board of Directors has, over a number of years, also been promoting measures to guarantee the transparency of the company's action in the financial markets and to exercise as many functions as result from its position as a listed company on the stock exchanges. To this effect, we try to ensure that knowledge of significant events is restricted, until made public, to the minimum number of identified people.

Attendance at Shareholders' Meetings	2010 Ordinary	2010 Extraordinary	2011 Ordinary	2012 Ordinary	2013 Ordinary	2014 Ordinary	2015 Ordinary
Shareholders Present	213	115	179	216	226	273	260
Quorum Shareholders Present	19.44%	19.93%	20.55%	20.05%	20.19%	7.31%	7.52%
Shareholders Represented	2,776	2,183	2,792	2,368	2,214	1,933	1,560
Quorum Shareholders Represented	58.22%	57.11%	54.41%	51.40%	55.06%	62.89%	65.71%
Total Quorum	77.66%	77.04%	74.96%	71.45%	75.25%	70.20%	73.23%

4. CORPORATE GOVERNANCE IN THE ACS GROUP

4.3. RISK CONTROL SYSTEMS

The ACS Group's risk control system is based on a range of strategic and operational actions which seek to mitigate risks in addition to fulfilling the objectives set by the Board of Directors. The manager responsible for risk management is Angel García Altozano, Corporate General Manager.

The diversity and complexity of the sectors in which the Group carries out its activities involve a great variety of risks and the Corporation is responsible for defining the basic guidelines to homogenise operating criteria in each of the divisions and so guarantee an appropriate level of internal control. The companies and divisions of which ACS is made up are responsible for developing the necessary internal regulations so as to implement appropriate internal control according to the particular nature of their activity.

In order to be able to respond in the face of global and homogeneous risk, the Corporation has established a risk management model which includes the identification, assessment,

classification, valuation, management, correlation analysis and monitoring of risks at the Group and Operating Area levels. Once risks have been located, a risk map is prepared which is systematically updated periodically.

In accordance with that explained above, the following risks have been identified:

- Operational risks, stemming from the Group's different businesses and which vary depending on the area of activity, but which, in short, are related to entering into contracts, planning and control of the execution of the works and projects, quality-related risks, environmental impact and risks related to international activities.
- Non-operational risks, which also stem from the different activities the Group carries out, but which in this case relate to image, human resources, legal or regulatory matters, tax, financial matters and insurance coverage.



As indicated previously, the Group's risk control systems are common to all the Group's areas of activity, but organised according to a decentralised model, which enables each business unit to exercise its risk control and assessment policies in accordance with certain basic principles. These basic principles are the following:

- Definition of the maximum risk limits that may be assumed by each business in accordance with its characteristics and its profitability expectations and which are implemented at the time contracts are entered into.
- Establishment of procedures to identify, approve, analyse, control and report the different risks for each business area.
- Coordination and communication to ensure that each business area's risk policies are consistent with the Group's overall risk strategy.
- Carrying out of sensitivity and stress analyses to confirm these policies and procedures.
- Financial risk control systems.
- Environmental management systems.
- Incorporation of the most advanced technologies as regards environmental matters, such as:
 - Conservation of energy and raw materials.
 - Using recyclable and biodegradable materials.
 - Minimising waste production and environmentally-friendly treatment.
 - Promoting the reforestation and landscaping of construction sites.
 - Carrying out specific actions for activities that require them, depending on the effect of the impact and the setting.
 - Ongoing information to the client with regard to the environmental risks and possible measures of prevention.
- Other systems: For risks of a legal or fiscal type, ACS has appropriate departments in each company, division or at a corporate level and with prestigious external support in each specific field of action. Additionally, the signing of contracts is supervised by each company's legal adviser and, depending on its relevance, by the legal counsel of the different divisions or of the Group.

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

The control systems developed in each business area may be classified into the following categories:

- Management systems for entering into contracts and bidding processes for works and projects.
- Management systems for planning and execution of works and projects.
- Quality management systems.
- Human resources management systems.

The Group has a strategy for covering accidental risks which could affect Group assets and activities that involves the underwriting of various insurance policies for any coverable risks. The characteristics of these policies are reviewed periodically to adapt them to the current and specific status of the risk covered.

Each one of the different sections includes information on the potential risks detected in the different management areas relating to Corporate Social Responsibility and the control systems adopted.