



# Turning challenges into achievements

**Sacyr**

2016 Annual Corporate  
Governance Report



# ► Annual Corporate Governance Report

# 02

Issuer's particulars  
**Financial Year End** 31/12/2016  
**Company Tax ID No. (CIF)** A-28013811  
**Corporate Name** SACYR, S.A.  
**Registered Office** Paseo de la Castellana, 83-85, Madrid

# Appendix I

## Annual Corporate Governance Report for listed companies

### A Ownership Structure

#### A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
15/07/2015	517,430,991.00	517,430,991	517,430,991

Indicate whether different types of shares exist with different associated rights.

Yes

No

#### A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors.

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Concerted Action	0	76,241,807	14.73%
Grupo Empresarial Fuertes, S.L.	0	32,448,477	6.27%
Gam International Management Limited	0	20,220,876	3.91%

Name or corporate name of indirect shareholder	Through: Name or corporate name of direct shareholder	Number of voting rights
Concerted Action	Grupo Satocan, S.A.	10,747,783
Concerted Action	Disa Corporación Petrolífera, S.A.	65,494,024
Grupo Empresarial Fuertes, S.L.	Grupo Corporativo Fuertes, S.L.	32,448,477
Gam International Management Limited	Collective Investment Undertakings	20,220,876

Indicate the most significant movements in the shareholder structure during the year.

Name or corporate name of shareholder	Date of the operation	Description of the operation
Cymofag, S.L.	26/10/2016	Reduced ownership interest by 5% of share capital
Cymofag, S.L.	28/12/2016	Reduced ownership interest by 3% of share capital

### A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Manuel Manrique Cecilia	264	0	0.00%
Demetrio Carceller Arce	5,553	527,765	0.10%
Augusto Delkader Teig	108	0	0.00%
Beta Asociados, S.L.	26,303,750	0	5.08%
Cymofag, S.L.	9,644,965	0	1.86%
Francisco Javier Adroher Biosca	50,000	0	0.01%
Grupo Corporativo Fuertes, S.L.	32,448,477	0	6.27%
Grupo Satocan Desarrollos, S.L.	319	0	0.00%
Isabel Martín Castella	108	0	0.00%
Juan María Aguirre Gonzalo	10,818	0	0.00%
Matías Cortés Domínguez	100	0	0.00%
Prilomi, S.L.	24,086,563	0	4.66%
Prilou, S.L.	16,345,987	0	3.16%
Raimundo Baroja Rieu	4,935	0	0.00%

Name or corporate name of indirect shareholder	Through: Name or corporate name of direct shareholder	Number of voting rights
Demetrio Carceller Arce	Related Parties	527,765

<b>% of total voting rights held by the Board of Directors</b>	<b>21.14%</b>
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Complete the following tables on share options held by directors.

**A.4** Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

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Related-party name or corporate name

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Prilou, S.L.

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Prilomi, S.L.

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**Type of relationship:** Corporate

**Brief description:**

José Manuel Loureda Mantiñán, the representative of Prilou, S.L., owns 49% of the share capital of Prilou, S.L., and Prilou S.L. in turn owns 86% of the share capital of Prilomi, S.L.

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Related-party name or corporate name

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Manuel Manrique Cecilia

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Cymofag, S.L.

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**Type of relationship:** Corporate

**Brief description:**

Manuel Manrique Cecilia owns 100% of the share capital of Telbasa Construcciones e Inversiones, S.L., which in turn controls 100% of the share capital of Cymofag, S.L.

**A.5** Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

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Related-party name or corporate name

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Manuel Manrique Cecilia

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Sacyr, S.A.

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**Type of relationship:** Contractual

**Brief description:**

Executive Chairman and Ceo of Sacyr, S.A.

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**A.6**

Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes  No

**Shareholders bound by agreement**

Grupo Satocan Desarrollos, S.L.
Disa Corporación Petrolífera, S.A.
Grupo Satocan, S.A.

**% of share capital affected:** 15.89%

**Brief description of agreement:**

The relationship between the parties as shareholders of the Company is based on the creation of a Shareholder Syndicate, which seeks to regulate the exercise of voting rights at shareholders' meetings and, where appropriate, to ensure that Grupo Satocan, S.A. maintains a representative on the Board of Directors.

There are 23,315,883 syndicated voting rights, of which Disa Corporación Petrolífera, S.A. contributes 11,657,942, Grupo Satocan, S.A. 10,624,466 and Grupo Satocan Desarrollos, S.L. 1,033,475, and the remainder of its voting rights are not included in the syndicate agreement. However, each party has signed a unilateral declaration, notified to the CNMV, whereby they undertake that all non-syndicated shares shall vote in the same way as their syndicated shares. See A.6.

Registration date and number: 23/02/2011: 138707

Registration date and number: 15/03/2011: 140223

Registration date and number: 16/03/2011: 140260

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable.

Yes  No

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year.

None.

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**A.7**

Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Securities Market Act. If so, identify.

Yes  No

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**Remarks**

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## A.8 Complete the following tables on the company's treasury stock.

At year end:

Number of shares held directly	Number of shares held indirectly*	% of total share capital
6.068.302	0	1,17%

(\*) Through:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

### Explain any significant changes

The CNMV was notified that the 1% threshold of treasury shares had been exceeded as a result of successive purchases, with no deduction of transfers, with the following breakdown:

On 05/01/2016 - Total number of direct shares acquired: 5,300,488 % of total share capital: 1.024%.	On 27/06/2016 - Total number of direct shares acquired: 5,371,381 % of total share capital: 1.038%.
On 19/01/2016 - Total number of direct shares acquired: 5,387,571 % of total share capital: 1.041%.	On 26/07/2016 - Total number of direct shares acquired: 5,174,455 % of total share capital: 1.000%.
On 02/03/2016 - Total number of direct shares acquired: 5,343,247 % of total share capital: 1.033%.	On 07/09/2016 - Total number of direct shares acquired: 5,366,575 % of total share capital: 1.037%.
On 21/03/2016 - Total number of direct shares acquired: 5,250,069 % of total share capital: 1.015%.	On 11/10/2016 - Total number of direct shares acquired: 5,228,717 % of total share capital: 1.011%.
On 08/04/2016 - Total number of direct shares acquired: 5,336,467 % of total share capital: 1.031%.	On 01/11/2016 - Total number of direct shares acquired: 5,213,393 % of total share capital: 1.008%.
On 27/04/2016 - Total number of direct shares acquired: 5,261,716 % of total share capital: 1.017%.	On 21/11/2016 - Total number of direct shares acquired: 5,468,606 % of total share capital: 1.057%.
On 13/05/2016 - Total number of direct shares acquired: 5,493,448 % of total share capital: 1.062%.	On 14/12/2016 - Total number of direct shares acquired: 5,207,822 % of total share capital: 1.006%.
On 02/06/2016 - Total number of direct shares acquired: 5,272,688 % of total share capital: 1.019%.	



**A.9****Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.**

At the General Meeting of Shareholders held on 12 June 2014, shareholders granted authorisation to the Board of Directors for the derivative acquisition of treasury shares by Sacyr Vallehermoso, S.A. or its group companies.

The text of the eleventh resolution adopted was the following:

“To authorise the derivative acquisition of shares of Sacyr Vallehermoso, S.A. by the Company or group companies within the scope of article 146 and related provisions of the LSC, complying with current legislation at all times and subject to the following conditions:

- Methods of acquisition: The shares may be acquired either directly by the Company or indirectly through group companies, by purchase, swap or any other lawful transaction.
- Maximum number of shares acquired: The nominal amount of shares acquired, plus any already held directly or indirectly, shall not exceed the maximum allowable by law at any time.
- Maximum and minimum exchange value: The acquisition price per share shall be at least par value and at most the price quoted on the stock market on the date of acquisition.
- Term of authorisation: This authorisation is granted for a five-year term.

This authorisation also extends to the acquisition of any shares that may have been delivered directly to the employees and directors or the Company and group companies or as a consequence of exercising stock options.

This authorisation renders null and void the unused portion of the authorisation issued at the General Meeting on 21 June 2012.

**A.9 bis Estimated floating capital:**

	%
<b>Estimated floating capital</b>	<b>59.00</b>

**A.10****Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.**

Yes

No

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**A.11** Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes No 

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted.

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**A.12** Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes No 

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

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## **B** General Shareholders' Meeting

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**B.1** Indicate and, where applicable, specify, any differences between the system of minimum quorums established in the Corporate Enterprises Act (LSC) and the quorum required for constitution of the General Shareholders' Meeting.

Yes No 

**B.2** Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Corporate Enterprises Act (LSC).

Yes No 

Describe how they differ from the rules established under the LSC.

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## B.3

### **Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.**

The rules governing the amendment of the Bylaws are set out in article 24.2 of the Company's Bylaws, which states that:

“Should the General Shareholders' Meeting be required to discuss any amendments to the Bylaws, including capital increases or decreases, as well as the issuance of bonds, the removal or limitation of pre-emptive subscription rights for new shares, the transformation, merger, spin-off of the Company, the global transfer of assets and liabilities, and the transfer of the Company's registered address to a foreign address, shareholders representing at least fifty per cent of the share capital with the right to vote must be present or represented at first call. On second call, twenty-five per cent of the shareholders shall suffice.”

With regard to the rules for protecting shareholders' rights when amending the Bylaws, the General Shareholders' Meeting Regulations stipulate that General Meetings shall be called in such a way as to ensure rapid and non-discriminatory access to information for all shareholders. To this end, the means of communication used shall provide effective public disclosure of the call, as well as free access thereto for all shareholders, anywhere in the European Union.

The call notice shall include all information required by law, including the Meeting agenda which shall include, if applicable, the amendment of the Bylaws as a separate item. The agenda is drawn up clearly and concisely and includes all matters to be addressed during the Meeting, as well as how and where to access the full text of meeting documents and proposed resolutions, and the corporate website on which this information is published.

In accordance with prevailing legislation, when the General Meeting is convened, the Company shall establish an Online Shareholder Forum on its website. The shareholder forum shall be used for the legal purpose and under the guarantees and terms of use established by the Company. Duly authorised shareholders and groups of shareholders can use this feature. The Board of Directors may enact and further implement the aforementioned rules, determining the procedures, time periods and other conditions of operation of the Online Shareholder Forum.

Once the General Meeting is announced, the Company shall post and maintain on its website the full meeting notice, complete texts of proposed resolutions for each item on the agenda, or in relation to purely informative items, a report from the competent bodies commenting on each of these items. Any proposals for resolutions subsequently submitted by shareholders shall be posted online as they are received.

From the date the notice of the General Meeting is published and until five days prior to the scheduled meeting date (inclusive), shareholders may submit written requests for information or clarification they deem pertinent, and submit written questions regarding the items on the agenda.

Once the General Meeting has been called to order, shareholders who, in exercise of their rights, wish to speak at the meeting or, as applicable, request information or clarification in respect of agenda items or put forth proposals, shall attest to their identity before the notary or, as the case may be, the Secretary, or, before any assistant duly indicated by the notary or the Secretary. In doing so, the shareholder must indicate his or her full name, the number of shares owned, and the number of shares represented. If the shareholder wishes his or her intervention to be recorded verbatim in the minutes to the General Meeting, the written text must be submitted at that precise time to the notary or, as applicable, the Secretary, or to any assistant thereof, so that the notary or, as applicable, the Secretary, may verify the accuracy of the written text against the shareholders' spoken words.

Furthermore, each item on the Meeting agenda shall be voted on separately, and, although appearing under the same item of the agenda, when amendments are being made to company bylaws, each independent article or group of articles should be voted on separately.

There is also a shareholder relations office to answer any questions shareholders may have regarding the General Meeting.

**B.4** Indicate the attendance figures for the General Shareholders' Meetings held during the year.

Date of general meeting	Attendance data				Total
	% attending in person	% by proxy	% remote voting		
			Electronic means	Other	
11/06/2015	28.75%	25.80%	0.00%	0.00%	54.55%
16/06/2016	14.74%	34.78%	0.00%	0.00%	49.52%

**B.5** Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes  No

Number of shares required to attend the General Meeting 150

**B.6** Section withdrawn.

**B.7** Indicate the address and mode of accessing corporate governance content on your company's website, as well as other information on General Meetings which must be made available to shareholders on the website.

The Group's corporate website ([www.sacyr.com](http://www.sacyr.com)) contains all the information required pursuant to the LSC and other applicable legislation.

Information on corporate governance and other information on the General Meeting can be accessed as follows:

[http://www.sacyr.com/es\\_es/canales/canal-accionistas-e-inversores/gobierno-corporativo/default.aspx](http://www.sacyr.com/es_es/canales/canal-accionistas-e-inversores/gobierno-corporativo/default.aspx)

The call notice for the General Meeting is included under the AGM section, along with additional documentation concerning the General Meeting.

## C Company Management Structure

### C.1 Board of Directors

#### C.1.1 List the maximum and minimum number of directors included in the Bylaws.

Maximum number of directors	19
Minimum number of directors	9

#### C.1.2 Complete the following table with board members' details.

Name or corporate name of director	Representative	Directorship	Position on the board	Date of first appointment	Date of last appointment	Election procedure
Manuel Manrique Cecilia		Executive	Chairman-CEO	10/11/2004	11/06/2015	Appointed at general shareholders' meeting
Demetrio Carceller Arce		Proprietary	1st Deputy Chairman	29/01/2003	27/06/2013	Appointed at general shareholders' meeting
Augusto Delkader Teig		Independent	Director	27/06/2013	27/06/2013	Appointed at general shareholders' meeting
Beta Asociados, S.L.	José del Pilar Moreno Carretero	Proprietary	Director	19/05/2011	16/06/2016	Appointed at general shareholders' meeting
Cymofag, S.L.	Gonzalo Manrique Sabatel	Proprietary	Director	19/05/2011	16/06/2016	Appointed at general shareholders' meeting
Francisco Javier Adroher Biosca			Director	19/05/2011	16/06/2016	Appointed at general shareholders' meeting
Grupo Corporativo Fuertes, S.L.	Tomás Fuertes Fernández	Proprietary	Director	19/05/2011	16/06/2016	Appointed at general shareholders' meeting
Grupo Satocan Desarrollos, S.L.	Juan Miguel Sanjuán Jover	Proprietary	Director	27/06/2013	27/06/2013	Appointed at general shareholders' meeting
Isabel Martín Castilla		Independent	Director	11/06/2015	11/06/2015	Appointed at general shareholders' meeting
Juan María Aguirre Gonzalo		Independent	Independent Lead Director	27/06/2013	27/06/2013	Appointed at general shareholders' meeting
Matías Cortés Domínguez		Other external	Director	12/06/2002	27/06/2013	Appointed at general shareholders' meeting
Prilomi, S.L.	José Manuel Loureda López	Proprietary	Director	11/05/2005	11/06/2015	Appointed at general shareholders' meeting
Prilou, S.L.	José Manuel Loureda Mantiñán	Proprietary	Director	15/12/2004	11/06/2015	Appointed at general shareholders' meeting
Raimundo Baroja Rieu		Proprietary	Director	27/06/2013	27/06/2013	Appointed at general shareholders' meeting
<b>Total number of directors</b>						<b>14</b>

Indicate any board members who left during this period.

**C.1.3 Complete the following tables on board members and their respective categories.**

**Executive Directors**

<b>Name or corporate name of director</b>	<b>Position held in the Company</b>
Manuel Manrique Cecilia	Chairman and CEO
<b>Total number of executive directors</b> 1	
<b>% of the board</b> 7.14%	

**External Proprietary Directors**

<b>Name or corporate name of director</b>	<b>Name or corporate name of significant shareholder represented or proposing appointment</b>
Demetrio Carceller Arce	Disa Corporación Petrolífera, S.A.
Beta Asociados, S.L.	Beta Asociados, S.L.
Cymofag, S.L.	Cymofag, S.L.
Francisco Javier Adroher Biosca	Disa Corporación Petrolífera, S.A.
Grupo Corporativo Fuertes, S.L.	Grupo Empresarial Fuertes, S.L.
Grupo Satocan Desarrollos, S.L.	Grupo Satocan, S.A.
Prilomi, S.L.	Prilou, S.L.
Prilou, S.L.	Prilou, S.L.
Raimundo Baroja Rieu	Disa Corporación Petrolífera, S.A.
<b>Total number of proprietary directors</b> 9	
<b>% of the board</b> 64.29%	

**Independent External Directors**

**Name or corporate name of director:**

Augusto Delkader Teig

**Profile:**

He studied Law, Journalism and Business Management. Fellow of the German Marshall Fund's first Spanish intake.

He has worked chiefly in the management of communication companies leading Spanish-speaking markets. As CEO of PRISA/RADIO, he implemented and developed the company's operations in Latin America.

He is now Chairman of PRISA/RADIO, a director of Caracol Radio and a member of the Ramón Areces Foundation's Social Sciences Board.

**Name or corporate name of director:**

Isabel Martín Castella

**Profile:**

Degree in Economics and Business from Universidad Complutense. In 1977, she passed the entrance exams to join the body of government commercial technicians and economists (Cuerpo Superior de Técnicos Comerciales y Economistas del Estado).

Since May 2013 she has been a member of the Supervisory Boards of ING Groep N.V. and ING Bank. N.V. Holding, a banking group operating in 40 countries.

**Name or corporate name of director:**

Juan María Aguirre Gonzalo

**Profile:**

Degree in Economics and Business from ICADE and Master's in Finance Management from Instituto de Empresa.

He is currently a director of Merlin Properties, CRB Inverbio, EOM Perú and CGU Colombia and also of various SICAV funds, Maltisa, Quantop and Gardama.

<b>Total number of independent directors</b>	3
<b>% of the board</b>	21.43%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained said relationship.

Yes No 

If applicable, include a statement from the board detailing the reasons why said director may carry on duties as an independent director.

**Other External Directors**

List the other external directors and explain why they cannot be considered proprietary or independent directors, and detail their relationships with the company, its executives or shareholders.

**Name or corporate name of director:**

Matías Cortés Domínguez

**Company, executive or shareholder with whom the relationship is maintained:**

Tesco Profesionales Asociados SLP.

**Reasons:**

Not a proprietary director as it does not represent any shareholders, and is not independent given the relationship to a firm that advised the company, in exchange for a consideration, during the year.

<b>Total number of other external directors</b>	1
<b>% of the board</b>	7.14%

List any changes in the category of each director that have occurred during the year.

**C.1.4 Complete the following table on the number of female directors over the past four years and their category.**

	Número de consejeras				% of total directors of each type			
	FY 2016	FY 2015	FY 2014	FY 2013	FY 2016	FY 2015	FY 2014	FY 2013
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	1	1	0	0	7.14%	7.14%	0.00%	0.00%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>7.14%</b>	<b>7.14%</b>	<b>0.00%</b>	<b>0.00%</b>

**C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between women and men.**

**Explanation of measures**

As part of the amendment to the Board of Directors' Regulations approved on 28 January 2016 a specific proviso was included to ensure the Board of Directors, when exercising its powers to propose the appointment of directors, includes an appropriate variety of knowledge, experience and gender.

The Appointments and Remuneration Committee was also tasked with setting an objective for representation of the sex with lesser representation on the Board of Directors and preparing guidelines as to how this objective can be achieved. In exercise of these powers, in the course of the year the Committee detailed an external consultant to draw up a report on guidelines to achieve Board diversity.

The Board subsequently approved a director selection policy which expressly states that this policy shall strive to ensure that at least 30% of the total number of Board members are female by the year 2020.

**C.1.6 Explain the measures taken, if applicable, by the Appointments Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile.**

**Explanation of measures**

Sacyr, S.A.'s policy for covering vacancies ensures that no candidates are discriminated against at any stage of the selection process.

The rules of the corporate governance system relating to this subject ensure that the best candidates are always considered at all stages of the selection process for company directors, members of the management committee and members of management teams.

All candidates are assessed according to professional criteria, ensuring that their knowledge, skills and capabilities are correctly evaluated.

When board vacancies arise, the Appointments and Remuneration Committee ensures that it appoints a variety of director types and that there is a mix between male and female directors, thereby guaranteeing that the selection processes are not subject to implicit bias that would make it difficult to select directors based on personal circumstances, particularly their gender.

It is worth noting the influence exerted by significant shareholders when electing the proprietary directors, which must be based on the trust of the shareholder proposing the appointment. Sacyr has a large number of proprietary directors: 9 out of 14.



When, despite the measures taken, there are few or no female directors, explain the reasons.

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**Explanation of the reasons**

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See section above.

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**C.1 bis Explain the conclusions drawn by the appointments committee on verifying compliance with the process for selection of board members. And particularly how this policy aims to ensure that by 2020 the number of female directors accounts for at least 30% of the total.**

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**Explanation of conclusions**

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The amendment to Board Regulations approved on 26 January 2016 established one of the competences granted to the Appointments and Remuneration Committee as the establishment of an objective for representation of the sex with lesser representation on the Board of Directors and to establish guidelines as to how to achieve this target.

On 15 December 2016 the Board also approved a director selection policy which expressly states that this policy shall strive to ensure that at least 30% of the total number of Board members are female by the year 2020.

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**C.1.7 Explain how shareholders with significant holdings are represented on the board.**

Significant shareholders are represented on the board by the proprietary directors they appoint.

**C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders who hold less than 3% of the share capital.**

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been met.

Yes

No

**C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by the director.**

**C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).**

**Name or corporate name of director:**

Manuel Manrique Cecilia

**Brief description:**

All powers of the Board, except those that legally or according to the Bylaws cannot be delegated or those which the Board retains for itself in accordance with article 5 of Board Regulations.

**C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group.**

Name or corporate name of director	Corporate name of the group entity	Position	Are executive functions held?
Manuel Manrique Cecilia	Sacyr Fluor, S.A.	Director	No
Manuel Manrique Cecilia	Sacyr Construcción, S.A.	Chairman and Director	No
Manuel Manrique Cecilia	Valoriza Gestión, S.A.	Director	No
Manuel Manrique Cecilia	Sacyr Finance, S.A.	Representative of the sole director, Sacyr, S.A.	Yes
Manuel Manrique Cecilia	Sacyr Vallehermoso Participaciones Mobiliarias, S.L.	Representative of the sole director, Sacyr, S.A.	Yes
Manuel Manrique Cecilia	Sacyr Concesiones, S.L.	Chairman and Director	No
Manuel Manrique Cecilia	Sacyr Gestión de Activos, S.L.	Representative of the sole director, Sacyr, S.A.	Yes

**C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.**

Name or corporate name of director	Corporate name of the group entity	Position
Manuel Manrique Cecilia	Repsol, S.A.	Second Deputy Chairman
Demetrio Carceller Arce	Ebro Foods, S.A.	Deputy Chairman
Augusto Delkader Teig	Prisa Radio, S.A.	Chairman
Juan María Aguirre Gonzalo	Merlín Properties, S.A.	Director
Isabel Martín Castella	ING Bank N.V (Amsterdam)	Director
Isabel Martín Castella	ING Group N.V (Amsterdam)	Director

**C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.**

Yes

No

**C.1.14 Section withdrawn.**

**C.1.15 List the total remuneration paid to the Board of Directors in the year.**

<b>Board remuneration</b> (thousands of euros)	5,397
<b>Amount of pension rights accumulated by current board members</b> (thousands of euros)	1,857
<b>Amount of pension rights accumulated by former board members</b> (thousands of euros)	0

**C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.**

<b>Name or corporate name</b>	<b>Position</b>
Rafael Gómez del Río Sanz Hernánz	CEO of Sacyr Concesiones, S.L.
Pedro Sigüenza Hernández	CEO of Sacyr Industrial, S.L.
José María Orihuela Uzal	CEO of Sacyr Construcción, S.A.
Fernando Lozano Sainz	CEO of Valoriza Gestión, S.A.
Elena Otero-Novas Miranda	Secretary of the Board of Directors and General Manager of the Corporate Legal Department
Carlos Mijangos Gorozarri	General Manager of Finance
Miguel Heras Dolader	Corporate General Manager and General Manager of Talent Management and Personnel
Víctor de Ávila Rueda	General Manager of Strategy and Development
Pedro Alonso Ruiz	Director of Communitation
Aquilino de Pravia Martín	Director of Internal Audit
Alfonso Aguirre Díaz-Guardamino	Head of Business Legal Advisory
<b>Total remuneration received by senior management</b> (thousands of euros)	3,316

**C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.**

<b>Name or corporate name of director</b>	<b>Name or corporate name of significant shareholder</b>	<b>Position</b>
Demetrio Carceller Arce	Disa Corporación Petrolífera, S.A.	Chairman
Raimundo Baroja Rieu	Disa Corporación Petrolífera, S.A.	Deputy Chairman
Francisco Javier Adroher Biosca	Disa Corporación Petrolífera, S.A.	Director

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors to significant shareholders and/or their group companies:

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**Name or corporate name of director**

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Prilomi, S.L.

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**Name or corporate name of significant shareholder**

José Manuel Loureda Mantiñán

**Relationship:**

José Manuel Loureda Mantiñán (representative of Prilou, S.L.) holds 49% of the capital of Prilou, S.L., and Prilou, S.L. in turn holds 86% of the capital of Prilomi, S.L.

**C.1.18 Indicate whether any changes have been made to board regulations during the year.**

Yes

No

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**Description of amendments**

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On 28 January 2016 the Board approved an amendment to Board Regulations for the purposes of adapting same to Law 31/2014 of 3 December amending Spain's Corporate Enterprises Act in order to improve corporate governance, and also approved a Revised Text.

The Revised Text of Board Regulations is available on the company's corporate website, and also on the CNMV website.

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**C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.**

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**Appointment and reappointment of directors**

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Pursuant to article 21 of the Board of Directors' Regulations (Revised Text approved on 26 January 2016), directors shall be appointed at the General Shareholders' Meeting or by the Board (in the case of co-opted directors), in accordance with the laws in force and the Company's governance regulations.

The Appointments and Remuneration Committee shall propose to the board the appointment or re-appointment of members of the Board of Directors, in the case of independent directors, and the Board itself shall make the proposals in all other cases. A justificatory report from the Board of Directors must also be submitted with the proposal, assessing the skills, experience and merit of the candidate put forward, to be attached to the General Meeting or Board minutes. All proposals to appoint or reappoint any non-independent director must also include a prior report from the Appointments and Remuneration Committee.

Appointments and changes of the representatives of Board members which are legal entities shall also require a report from the Appointments and Remuneration Committee.

When the board fails to follow the recommendations of the Appointments and Remuneration Committee, it must state its reasons for so doing and record them in the minutes.

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#### Evaluation of directors

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Article 22 of the Board of Directors' Regulations establishes that the Board of Directors and the Appointments and Remuneration Committee, as part of their responsibilities, shall strive during the candidate selection process to ensure a suitable diversity of knowledge, experience and gender, and that the candidates appointed possess recognised solvency, skills and experience.

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#### Removal of directors

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Pursuant to article 24 of the Regulations of the Board of Directors, Directors shall leave their posts when

- (i) following expiry of the period for which they were appointed, the first General Meeting is held or the period for the General Meeting to rule on the financial statements for the previous year has expired,
- (ii) they notify the Company of their departure or resignation or
- (iii) the General Meeting so decides, having availed itself of the powers conferred upon it by law or the Bylaws.

Directors must tender their resignation to the Board of Directors, if deemed appropriate by the Board, in the following cases:

- a) When they reach the age of 65, in the case of executive directors, although they may continue as non-executive directors;
  - b) When they are involved in any of the cases of conflict of interests or disqualification preventing them from remaining in their post;
  - c) when, following a proposal by the Audit and Corporate Governance Committee, they are reprimanded by the Board of Directors for serious or extremely serious infringements of their obligations as directors and, in particular, the obligations imposed by the Internal Code of Conduct; or
  - d) when their continued membership of the Board could jeopardise the interests of the Company or negatively affect its credit and reputation, and this situation is reported by the Appointments and Remuneration Committee.
  - e) When directors take up new posts or undertake new obligations that prevent them allocating sufficient time to the work of a board member, or are affected by circumstances which remove their independent status, pursuant to the provisions of the legislation applicable; and
  - f) in the case of proprietary directors, when the shareholder they represent sells its entire ownership interest in the Company or, having partially sold it, reduces this interest to a level that requires a corresponding reduction in proprietary directors on the Board.
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### **C.1.20 Explain to what extent the annual evaluation of the board has prompted significant changes in its internal organisation and the procedures applicable to its activities.**

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#### Description of amendments

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The board conducted a self-assessment of its functions in 2016 pursuant to article 529 of the LSC, and it was found that these were efficient and of good quality.

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**C.1.20 bis Describe the evaluation process and the areas evaluated performed by the board of directors aided, where applicable, by an external consultant, with regard to its diversity of composition and competences, the functions and composition of its committees, the performance of the chairman of the board of directors and the company's chief executive and the performance and contribution of each director.**

The Board conducted an assessment of its functions in 2016, and in the course of the year it also assessed its performance in 2015, considering that it had carried out its activities with quality and efficiency.

The evaluation of the functions of the Audit Committee, the Appointments and Remuneration Committee and the Executive Committee was satisfactory in accordance with the obligations and requirements arising in the course of the year.

Additionally, the Appointments and Remuneration Committee reported that the activities carried out by the executive chairman were highly satisfactory, as per the recommendations arising from the Unified Good Governance Code. The Board of Directors accepted this conclusion, on the basis of its own observations and the report submitted by the Appointments and Remuneration Committee.

**C.1.20.ter Breakdown, where applicable, of the business relations held by the consultant or any of its group companies with the Company or any of its group companies.**

Not applicable

**C.1.21 Indicate the cases in which directors must resign.**

In accordance with article 54 of the Bylaws, directors must tender their resignation to the Board of Directors, if the Board feels this is appropriate, in the following cases:

- a) when they reach the age of 65, in the case of executive directors, although they may, in the event, continue as non-executive directors;
- b) when they leave the executive posts with which their appointment as director was associated;
- c) when they are involved in any of the cases of incompatibility or prohibition laid down in legislation;
- d) when they are reprimanded by the Board of Directors for serious or extremely serious infringements of their obligations as directors and, in particular, the obligations imposed by the Internal Code of Conduct;
- e) when their continuation on the Board could put the Company's interests at risk or negatively affect the credit and reputation of the Company, in which case their removal shall be proposed by the Appointments and Remuneration Committee; or
- f) in the case of proprietary directors, when the shareholder they represent sells its entire ownership interest in the Company or, having partially sold it, reduces this interest to a level that requires a corresponding reduction in proprietary directors on the board.

**C.1.22 Section withdrawn.**

**C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?**

Yes

No

If applicable, describe the differences.

**Description of differences**

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To be valid, amendments to the Regulations of the Board of Directors must be approved by a majority of two thirds of the directors present or represented.

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**C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.**

Yes

No

**C.1.25 Indicate whether the Chairman has a casting vote.**

Yes

No

**Matters where the Chairman has the casting vote**

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Articles 51.3 of the Bylaws and 19.3 of the Board of Directors' Regulations stipulate that board resolutions shall be approved by an absolute majority of those present, except for those matters subject to other higher quorum either by law or by the Company Bylaws. In the event of a tie, the Chairman has the casting vote.

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**C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors.**

Yes

No

Age limit for Chairman:

Age limit for CEO: 65

Age limit for directors:

**C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors other than that stipulated in regulations.**

Yes

No

**C.1.28** Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate if any limits have been established on the number of categories that may be appointed as a proxy, other than those established by prevailing legislation. If so, give brief details.

Pursuant to articles 51.1 and 19.1 of the Bylaws and Board of Directors' Regulations respectively, directors shall do all they can to attend board meetings. If they are unable to attend in person, they shall endeavour to confer representation on another board member.

Representation must be conferred in writing and for each meeting separately. Voting instructions must also be included.

There is no maximum permitted number of proxies or any limitation on the categories that may be delegated other than those established under prevailing legislation.

**C.1.29** Indicate the number of board meetings held during the year. Also state how many times the board has met in the absence of the Chairman. Attendance shall also include proxies appointed with specific instructions.

Number of board meetings	12
Number of board meetings held in the absence of the Chairman	0

If the chairman is an executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the lead director.

Number of meetings	0
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Indicate the number of meetings of the various board committees held during the year.

Committee	Number of meetings
Executive Committee	5
Audit and Corporate Governance Committee	12
Appointments and Remuneration Committee	6

**C.1.30** Indicate the number of board meetings held during the year with all members in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of meetings held with the attendance of all directors	7
% of attendances of the total votes cast during the year	97.02%



**C.1.31 Indicate whether the consolidated and individual financial statements submitted for approval by the board are certified previously.**

Yes

No

Indicate, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their preparation by the board.

<b>Name</b>	<b>Position</b>
Manuel Manrique Cecilia	Chairman and CEO
Carlos Mijangos Gorozarri	General Manager of Finance
José Carlos Otero Fernández	General Administration Manager

**C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.**

Pursuant to Article 59.3 of the Bylaws and Article 40.2 of the Regulations of the Board of Directors, the Board of Directors shall strive to draw up the accounts in such a way that there are no grounds for a qualified opinion by the auditor. However, when the Board believes it must keep to its criterion, it shall publicly explain the contents and scope of the discrepancy.

To this end the Audit Committee is tasked with the following basic responsibilities, among others:

- ▶ To monitor the preparation and presentation of mandatory financial information, and present recommendation and proposals to the Board of Directors, with the aim of safeguarding its integrity.
- ▶ To report, through the Chairman and/or his Secretary, to the General Shareholders' Meeting on any issues arising therein relating to subjects within the remit of the Audit and Corporate Governance Committee, and particularly on the results of the audit, explaining how this contributed to the integrity of the financial information and the function performed by the committee in the process.
- ▶ To supervise the effectiveness of the Company's internal control systems and units, such as internal audit and risk management and discuss with the auditors any significant weaknesses which may have been discovered in the audit, while not allowing this to affect their independence. For these purposes, and where applicable, they may submit recommendation or proposals to the Board of Directors, along with the timeframe for monitoring purposes.

**C.1.33 Is the Secretary of the board also a director?**

Yes

No

If the Secretary of the board is not also a director, please complete the following table:

<b>Name or corporate name of secretary</b>	<b>Representative</b>
Elena Otero-Novas Miranda	

**C.1.34 Section withdrawn.**

**C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.**

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Article 16 of the Board Regulations (Revised Text approved on 28 January 2016) grants the Audit and Corporate Governance Committee the following powers, among others, with respect to the external auditor:

- (i) Submit to the Board of Directors all proposals for the selection, appointment, re-election and replacement of the external auditor, and the terms of the contract, and regularly secure information from the auditor on the audit plan and its execution, while preserving its independence in the exercise of its functions.
- (ii) Establish appropriate relations with the external auditors in order to receive information on those matters that might jeopardise their independence, so that this may be examined by the committee, and any other matters related to the auditing process, in addition to authorising, when necessary, services other than those prohibited in the terms laid down in prevailing legislation and any other communications as stipulated in audit legislation and auditing regulations. In any event, the Audit Committee must receive an annual statement from the external auditor of their independence from the Company and any companies linked directly or indirectly to the Company, in addition to detailed and individualised information on any type of additional services provided and the fees received from these bodies by the aforementioned auditor, or by persons or entities linked to the external auditor, pursuant to prevailing regulations on audit activities.
- (iii) On an annual basis, and prior to issuing an audit report on the financial statements, the Committee shall issue a report with an opinion on the auditor's independence. This report must include a reasoned assessment of the additional services provided referred to above, on an individual basis and as a whole, distinct from the legal audit and in compliance with the policy of independence and prevailing audit regulations.

Pursuant to article 60.3 of the Bylaws, the Audit and Corporate Governance Committee shall authorise the contracts between the Company and the Auditors which are outside the remit of the audit as such. The aforementioned authorisation shall not be granted if the Audit and Corporate Governance Committee considers that these contracts might reasonably compromise the auditor's independence in the performance of the audit.

Lastly, the Board of Directors must include in the annual report information on (i) services other than those involved in the audit provided by the auditor or by any other firm with which the auditor has a significant relationship, and (ii) total fees paid for said services (article 60.3 of the Bylaws).

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**C.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.**

Yes

No

Explain any disagreements with the outgoing auditor and the reasons for same.

**C.1.37** Indicate whether the audit firm performs other non-audit work for the company and/or its group. If so, state the amount of fees received for such work and the percentage they represent of the fees invoiced to the company and/or its group.

Yes  No

	Company	Group	Total
Amount of non-audit work (in thousands of euros)	239	1,410	1,649
Amount of non-audit work as a percentage of the total amount billed by the audit firm	67.30%	42.66%	45.06%

**C.1.38** Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of the reservations or qualifications.

Yes  No

**C.1.39** Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Company	Group
Number of consecutive years	14	14
Number of years audited by current audit firm/ Number of years the company's financial statements have been audited (%)	60.87%	60.87%

**C.1.40** Indicate and give details of any procedures through which directors may receive external advice.

Yes  No

#### Detail of procedures

In accordance with article 26 of the Board of Directors' Regulations (Revised Text approved on 28 January 2016), in order to receive assistance in the exercise of their functions, all directors may request that legal, accounting and financial advisers and other experts be engaged at the Company's expense.

The engagement must necessarily be in relation to specific problems of some importance and complexity which may arise in the exercise of the director's functions. The decision to contract an expert must be reported to the Chairman of the Board of Directors and may be vetoed by the Board of Directors if it can accredit that:

- ▶ it is not necessary for the due performance of the functions of external directors;
- ▶ the cost of such advice is not reasonable in relation to the significance of the issue and the Company's assets and revenues; or
- ▶ the technical advice required may be provided adequately by the Company's own experts and technical staff.

**C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of management bodies.**

Yes

No

**Detail of procedures**

In performing their duties, directors are obliged to be informed of and adequately prepared for the meetings of the Board and of any consultative committees of which they may be members (article 28.2b of the Board of Directors' Regulations).

For these purposes, directors are granted the widest powers to obtain information about any aspect of the Company, to examine the books, registers, documents and other records of the Company's operations and to inspect all its facilities. This right to information extends to all Group companies.

In order not to disrupt the ordinary running of the Company, the exercise of these powers of information shall be channelled through the Chairman or the Secretary to the Board of Directors, who shall address the director's requests and directly facilitate the information, offering the appropriate interlocutors from the relevant level of the organisation or taking the necessary measures for the desired procedures of examination and inspection to be carried out in situ (article 55 of the Bylaws and article 25 of Board Regulations).

According to article 18.2 of the Board of Directors' Regulations (Revised Text of 28 January 2016) the call to board meetings must always include the meeting agenda, and whenever possible all relevant information duly summarised and prepared.

The Chairman of the Board is responsible for ensuring that prior to each meeting all directors have received sufficient information to be able to discuss the items on the agenda (article 44.2c of the Bylaws).

**C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might jeopardise the organisation's credit or reputation, tendering their resignation as the case may be.**

Yes

No

**Details of rules**

Pursuant to article 54.2e of the Bylaws, Directors must formally tender their resignation to the Board of Directors and resign if the Board considers it appropriate when, among other situations, their continued presence on the Board may jeopardise the interests of the Company or adversely affect its credit and reputation, and this is notified by the Appointments and Remuneration Committee.

**C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the LSC.**

Yes

No

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the action taken or to be taken by the board.

**C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.**

Sacyr, S.A. does not have in place any agreements which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, nor does it foresee any circumstances which would make these necessary. However, it does have certain financing agreements with various financial entities and other financial transactions, which, as is common practice in the financial markets, state that should there be a change in the current shareholder structure, these shall be amended or expire, should the Company lose control.

**C.1.45 Identify in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other types of operations.**

<b>Number of beneficiaries:</b>	1
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**Type of beneficiary:**  
CEO

**Description of the agreement**

The contract drawn up with the executive director stipulates that, in the event of termination of the contract for no reason attributable to the executive director, this director shall be entitled to compensation equivalent to 2.5 times the sum of the fixed remuneration plus the variable remuneration for the year prior to the scenario that gave rise to this.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group.

	Board of Directors	General Shareholders' Meeting
<b>Body authorising clauses</b>	Yes	No
	Yes	No
Is the general meeting informed of such clauses?	X	

## C.2 Board Committees

### C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other external directors.

#### Executive Committee

Name	Position	Category
Manuel Manrique Cecilia	Chairman	Executive
Demetrio Carceller Arce	Member	Proprietary
Prilou, S.L.	Member	Proprietary
<b>% of executive directors</b>		33.33%
<b>% of proprietary directors</b>		66.67%
<b>% of independent directors</b>		0.00%
<b>% of other external directors</b>		0,0%

Explain the functions attributed to this committee, describe the procedures and organisational and operational rules, and summarise its most significant actions during the year.

Article 15 of the Board of Directors' Regulations (Revised Text approved on 28 January 2016), regulates the Executive Committee in the following terms:

1. If an Executive Committee exists, it shall be composed of the number of directors deemed opportune by the Board of Directors, with the requisites established by the Bylaws.
2. The adoption of resolutions to appoint directors to the Executive Committee shall require the vote in favour of at least two thirds of the Board's members.
3.
  - a) The Chairman of the Board of Directors shall act as Chairman of the Executive Committee when (i) all the powers that may be delegated to him have been delegated in accordance with applicable legislation or (ii) he has been appointed a member of the committee pursuant to the provisions laid down in section 2 above. If the Chairman of the Board of Directors does not meet these requirements, this position shall be filled by the Committee from among its members.
  - b) The member appointed by the committee from among its number shall act as Deputy Chairman of the Executive Committee. In the event the Chairman is absent, indisposed or otherwise unable to attend a committee meeting, the Deputy Chairman shall undertake the Chairman's functions.
  - c) The Secretary of the Board of Directors shall act as Secretary of the Executive Committee (if not a director, with no voting rights). In the event the Secretary is absent, indisposed or otherwise unable to attend a committee meeting, the Deputy Secretary of the Board of Directors shall undertake the Secretary's functions.
4. The powers delegated permanently by the Board of Directors to the Executive Committee shall encompass all the Board's powers other than those that are reserved for the Board by virtue of the law, the Company Bylaws or by virtue of the Board Regulations.
5. The Executive Committee may be called to meeting by the Chairman when he considers it necessary for the good governance of the Company.

6. In cases where, in the opinion of the Chairman or the majority of members of the Executive Committee, the importance of the issue makes this advisable, the agreements adopted by the Executive Committee shall be submitted for ratification by a plenary meeting of the Board.  
The same policy applies to issues that the Board has sent the Executive Committee to study before it takes the final decision.  
In any other cases, the agreements adopted by the Executive Committee shall be valid and binding with no need for subsequent ratification by the entire Board.
7. The Executive Committee must inform the Board of the matters discussed and the decisions taken at its meetings.
8. For any matters not addressed in the Bylaws or the aforementioned article, the Executive Committee shall regulate its own operation, and, failing this, the operating rules established for the Board of Directors shall apply, provided they are compatible with the nature and function of this Committee.

Indicate whether the composition of the Executive Committee reflects the proportion of the different categories of directors.

Yes

No

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**If the answer is no, explain the composition of the Executive or Delegate Committee**

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The Executive Committee comprises three members, one executive and two external proprietary members.

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### Audit and Corporate Governance Committee

Name	Position	Category
Juan María Aguirre Gonzalo	Chairman	Independent
Augusto Delkader Teig	Member	Independent
Isabel Martín Castella	Member	Independent
Grupo Satocan Desarrollos, S.L.	Member	Proprietary
Raimundo Baroja Rieu	Member	Proprietary
<b>% of proprietary directors</b>		40.00%
<b>% of independent directors</b>		60.00%
<b>% of other external directors</b>		0.00%

Explain the functions attributed to this committee, describe the procedures and organisational and operational rules, and summarise its most significant actions during the year.

Article 16 of the Board of Directors' Regulations (Revised Text approved on 28 January 2016), stipulates that:

- All members of the Audit and Corporate Governance Committee shall be non-executive directors appointed by the Board of Directors. The majority of members must be independent directors, and one must be appointed in light of his/her knowledge and experience of accounting, auditing or both. As a whole, members of the Committee must have the technical knowledge relevant to the sector in which the Company operates.
- The Audit and Corporate Governance Committee shall be composed of a minimum of 3 and a maximum of 5 directors. The Board shall decide the number and the appointments. The members of the Audit and Corporate Governance Committee shall be elected for a maximum term of four years, and may be re-elected for the same maximum term on one or more occasions.

3. The Chairman of the Audit and Corporate Governance Committee shall be appointed by the Board from among its independent directors and must be replaced every four years. The Chairman may be re-elected one year after leaving the post.
4. The Audit and Corporate Governance Committee shall also have a Secretary. The Secretary shall be the Secretary of the Board of Directors who, not being a director, shall be able to take part in meetings, but with no voting rights. In the event the Secretary is absent, indisposed or otherwise unable to attend a committee meeting, the Deputy Secretary of the Board of Directors shall undertake the Secretary's functions. In this case, the Deputy Secretary may also speak at the committee meetings, but shall have no voting rights.
5. The Audit and Corporate Governance Committee shall meet at least once a quarter or as often as is deemed necessary. Meetings must be called by its Chairman either on his/her own initiative or at the request of three of its members or of the Executive Committee.
6. The Audit and Corporate Governance Committee shall be quorate when more than half of its members are present or represented. Discussions shall be moderated by the Chairman. Agreements shall be adopted with the favourable vote of the majority of members present at the meeting and, if the vote is inconclusive, the Chairman shall have the casting vote. Unless otherwise stipulated, the Audit and Corporate Governance Committee is empowered to make proposals to and respond to consultations from the Board.

(These functions are described in detail in section H) OTHER INFORMATION OF INTEREST).

Identify the member of the audit committee that has been appointed on the basis of his/her knowledge and background in accounting, auditing or both, and disclose the number of years the Chairman of this committee has occupied the post.

<b>Name of director with experience</b>	Juan María Aguirre Gonzalo
<b>Number of years as chairman</b>	3

### Appointments and Remuneration Committee

<b>Nombre</b>	<b>Cargo</b>	<b>Category</b>
Augusto Delkader Teig	Chairman	Independent
Demetrio Carceller Arce	Member	Proprietary
Grupo Corporativo Fuertes, S.L.	Member	Proprietary
Isabel Martín Castella	Member	Independent
Prilou, S.L.	Member	Proprietary

<b>% of proprietary directors</b>	60.00%
<b>% of independent directors</b>	40.00%
<b>% of other external directors</b>	0.00%

Explain the functions attributed to this committee, describe the procedures and organisational and operational rules and summarise its most significant actions during the year.

Article 17 of the Board of Directors' Regulations, approved on 28 January 2016, governs the Appointments and Remuneration Committee under the following terms:

1. The Appointments and Remuneration Committee shall be comprised in its entirety of non-executive directors appointed by the Board of Directors, at least two of whom shall be independent directors, appointed on the basis of their professional experience and knowledge.



2. The Appointments and Remuneration Committee shall have a minimum of 3 and a maximum of 5 directors. The Board shall decide the number and the appointments.  
The members of the Appointments and Remuneration Committee shall be elected for a maximum term of four years, and may be re-elected for the same maximum term on one or more occasions.
3. The Board of Directors shall appoint the Chairman of the Appointments and Remuneration Committee from among the independent members of the Committee.
4. Additionally, the Secretary of the Board of Directors shall serve as the Secretary of the Appointments and Remuneration Committee, participating in the meetings but without voting rights. In the event the Secretary is absent, indisposed or otherwise unable to attend a committee meeting, the Deputy Secretary of the Board of Directors shall undertake the Secretary's functions. In this case, the Deputy Secretary may also speak at the committee meetings, but shall have no voting rights.
5. The Appointments and Remuneration Committee shall meet whenever the Board or its Chairman requests the issue of a report or adoption of proposals and, in any event, whenever it is deemed advisable for the correct exercise of its duties.  
It shall in any case meet once a year to prepare information on directors' remuneration.  
The Appointments and Remuneration Committee shall meet when it is called by its Chairman, on her/his own initiative or in response to a request by three of its members or the Executive Committee.
6. The Appointments and Remuneration Committee shall be quorate when more than half of its members are present or represented. Discussions shall be moderated by the Chairman.  
Agreements shall be adopted with the favourable vote of a majority of members present at the meeting and, if the vote is inconclusive, the Chairman shall have the casting vote. Unless otherwise stipulated, the Appointments and Remuneration Committee is empowered to make proposals to and respond to consultations from the Board.

(These functions are described in detail in section H) OTHER INFORMATION OF INTEREST).

**C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years.**

	Number of female directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit and Corporate Governance Committee	1	20.00%	1	20.00%	0	0.00%	0	0.00%
Appointments and Remuneration Committee	1	20.00%	1	20.00%	0	0.00%	0	0.00%

**C.2.3 Section withdrawn.**

**C.2.4 Section withdrawn.**

**C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they may be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.**

**Executive or Delegate Committee**

**Brief description:**

Article 47 of the Bylaws and article 15 of the Board of Directors' Regulations implement the committee's powers and functioning. These texts are available on the Company's website, under both "Shareholder and Investor Information" and the sub-section "Corporate Governance". Under the "Corporate Governance" section is the list of the various committees and all relevant information and regulations.

The Executive Committee prepares an annual activities report which is submitted to the board for approval.

**Audit and Corporate Governance Committee**

**Brief description:**

Article 48 of the Bylaws and article 16 of the Board of Directors' Regulations implement the committee's powers and functioning. These texts are available on the Company's website, under both "Shareholder and Investor Information" and a sub-section called "Corporate Governance". Under the "Corporate Governance" section is the list of the various delegated committees and all relevant information and regulations.

In 2016 the Board Regulations were amended in respect of, inter alia, the composition and functions of the Audit and Corporate Governance Committee for the purposes of adapting them to Law 31/2014 of 3 December, in order to improve corporate governance, and also partially in respect of the new Code of Good Governance.

See sections C.1.18 and C.2.1 of this report.

The Audit Committee prepares an annual activities report which is submitted to the board for approval.

**Appointments and Remuneration Committee**

**Brief Description:**

Article 49 of the Bylaws and article 17 of the Board of Directors' Regulations implement the committee's powers and functioning. These texts are available on the Company's website, under both "Shareholder and Investor Information" and a sub-section called "Corporate Governance". Under the "Corporate Governance" section is the list of the various delegated committees and all relevant information and regulations.

In 2016 the Board Regulations were amended in respect of, inter alia, the composition and functions of the Appointments and Remuneration Committee for the purposes of adapting them to Law 31/2014 of 3 December, in order to improve corporate governance, and also partially in respect of the new Code of Good Governance.

See sections C.1.18 and C.2.1 of this report.

Each year the Appointments and Remuneration Committee evaluates its performance and that of the executive chairman. These reports are then submitted to the Board for approval.

**C.2.6 Section withdrawn.**

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## D Related-Party and Intragroup Transactions

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### D.1 Explain, if applicable, the procedures for approving related-party and intragroup transactions.

#### Procedures for approving related-party transactions

Article 34 of the Board of Directors' Regulations (Revised Text approved on 28 January 2016) governs transactions with directors and significant shareholders in the following terms:

1. The Board of Directors shall be informed of and approve the transactions, described in article 33, carried out by the company or group companies with directors or shareholders with a significant stake held individually or jointly with others, including shareholders represented on the Board of the Company or group companies, or with related parties ("Related-party Transaction"), unless expressly authorised by the General Shareholders' Meeting.
  2. It shall be necessary to ensure that the transaction approved shall not negatively impact equity and, where applicable, that it has been conducted under market conditions and ensuring the transparency of the process, following a report by the Audit and Corporate Governance Committee.
  3. Exceptions include Related-Party Transactions that are exempt from approval under prevailing legislation.
  4. The directors involved, or parties that represent or are related to the shareholders involved, may not take part in the discussions and voting on the resolution concerned.
  5. All transactions conducted by the Company with significant shareholders, directors, senior management and group companies must be publicly disclosed in compliance with the terms required under prevailing legislation.
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### D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or corporate name of significant shareholder	Name or corporate name of the company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Grupo Corporativo Fuertes, S.L.	Sacyr Construcción, S.A.	Contractual	Other	10,227
Grupo Corporativo Fuertes, S.L.	Sacyr Construcción, S.A.	Contractual	Provision of services	1,183
Disa Corporación Petrolífera, S.A.	Cafestore, S.A.	Shopping centres	Other	314
Disa Corporación Petrolífera, S.A.	Cafestore, S.A.	Shopping centres	Purchases of goods, finished or not	783
Disa Corporación Petrolífera, S.A.	Sacyr Construcción, S.A.	Contractual	Other	565
Disa Corporación Petrolífera, S.A.	Empresa Mixta Aguas Sta. Cruz de Tenerife, S.A.	Contractual	Purchases of goods, finished or not	57

### D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

Name or corporate name of directors or senior managers	Name or corporate name of the related party	Relationship	Nature of the relationship	Amount (thousands of euros)
Matías Cortés Domínguez	Tescor Profesionales Asociados SLP	Contractual (investee)	Services received	238
Matías Cortés Domínguez	Luis Javier Cortés Domínguez	Family	Services received	2,493

### D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and the subject matter and terms of which set them apart from the company's ordinary activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

**Corporate name of the group company:**

AP-1 Europistas Concesionaria del Estado, S.A.

**Amount (thousands of euros):** 1,085

**Brief description of the transaction:** Contractual (provision of services): road maintenance and conservation operations.

**Corporate name of the group company:**

Autopista Astur Leonesa (AUCALSA)

**Amount (thousands of euros):** 1,863

**Brief description of the transaction:** Contractual (provision of services): road maintenance and conservation operations.

**Corporate name of the group company:**

Autopistas de Galicia (AUTOESTRADAS)

**Amount (thousands of euros):** 1,521

**Brief description of the transaction:** Contractual (provision of services): road maintenance and conservation operations.

**Corporate name of the group company:**

Autopistas del Atlántico (AUDASA)

**Amount (thousands of euros):** 5,685

**Brief description of the transaction:** Contractual (provision of services): road maintenance and conservation operations.

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**D.5**                    **Indicate the amount from other related-party transactions.**

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(thousands of euros)

132,916

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**D.6**                    **List the mechanisms established to detect, determine and resolve any possible conflicts of interests between the company and/or its group, and its directors, management or significant shareholders.**

According to Article 33.3 of the Board of Directors' Regulations (Revised Text approved on 28 January 2016), the director must notify the Board of Directors, through its Secretary, of any conflict of interests, either direct or indirect, which it or any of its related parties may have. In the event of a conflict, the director involved must refrain from participating and voting in the deliberations concerning the transactions to which the conflict relates. In any event, any conflicts of interests affecting Company directors shall be disclosed in this report.

Additionally, one of the functions of the Audit Committee is to report to the Board of Directors on related-party transactions prior to their occurrence (article 16.7 g.3 of the Regulations of the Board of Directors).

The Board of Directors' Regulations contain specific obligations for directors relating to their duty of loyalty, with special regard to conflicts of interests and related-party transactions. Article 34 of the Board of Directors' Regulations stipulates that the Board of Directors shall be informed of and approve the transactions, described in article 229-1 of the Corporate Enterprises Act, carried out by the company or group companies with directors or shareholders with a significant stake held individually or jointly with others, including shareholders represented on the Board of the Company or group companies, or with Related Parties, except for cases that must be approved by the General Shareholders' Meeting.

It is necessary to ensure that the transaction approved does not negatively impact equity and, where applicable, that it has been conducted under market conditions and ensuring the transparency of the process. There must also be a favourable report from the Audit and Corporate Governance Committee.

Exceptions include Related-Party Transactions that are exempt from approval under prevailing legislation.

The directors involved, or parties that represent or are related to the shareholders involved, may not take part in the discussions and voting on the resolution concerned.

All transactions conducted by the Company with significant shareholders, directors, senior management and group companies must be publicly disclosed in compliance with the terms required under prevailing legislation.

**D.7 Is more than one group company listed in Spain?**Yes No 

Identify the listed subsidiaries in Spain.

**Listed subsidiaries**

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

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**Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies**

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Indicate the mechanisms in place to resolve possible conflicts of interests between the listed subsidiary and other group companies.

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**Mechanisms to resolve possible conflicts of interests**

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**E Risk Control and Management Systems****E.1 Explain the scope of the Company's Risk Management System, including fiscal risk management.**

Due to its considerable international presence, the Sacyr Group carries out its activity in a number of sectors, social and economic environments and regulatory frameworks. Accordingly, the company is exposed to a variety of risks related to the businesses and sectors in which it operates.

Sacyr has established a comprehensive and ongoing risk management system, organised by business units and support areas at corporate level, and has a sound policy in place to efficiently identify, evaluate and manage risks in order to reasonably guarantee the efficiency and effectiveness of operations, reliability of information and compliance with legislation.

The purpose of the Sacyr Risk Management and Control Policy is to establish the scope, values, principles, governance model and operational bases of Sacyr's Integral Management System to control and manage risks inherent to the group's business. This Policy is implemented through the Risk Analysis Regulations ("NAR"), the objectives of which are as follows:

- ▶ Identify key processes and decisions within the business where a systematic structured format is established to control and manage critical risks throughout the lifespan of projects.
- ▶ Describe the risk analysis process.
- ▶ Establish how responsibilities are distributed during the analysis process.
- ▶ Define escalation for approval of the final recommendation emerging from the analysis.

The Comprehensive Risk Management System is divided into six phases:

- ▶ **Planning:** during this phase, system management tools are deployed and the parties responsible and risk owners are designated for the lifespan of the project.
- ▶ **Identification:** this phase includes activities to identify the subrisks and critical risks associated with each major decision.
- ▶ **Assessment:** this phase includes activities to appraise, in accordance with the scales defined, filter and prioritise the project's subrisks and critical risks.
- ▶ **Treatment:** the purpose of the activities carried out during this phase is to implement Mitigation Plans to reduce or eliminate exposure to risk before and after maximum tolerances are breached.
- ▶ **Monitoring:** this phase identifies new risks and appraises developments in existing risks, an assessment is conducted of the Mitigation Plans deployed, tolerances and risk assessment scales are calibrated, and Contingency Plans are implemented if the tolerances defined are breached.
- ▶ **Control:** this phase includes activities carried out by the Risk Control and Management Department throughout project lifespans in a bid to secure the lessons learned for continuous improvement of the System and its management.

The tools used for Risk Control and Management during these six phases are as follows:

- ▶ **Risk Analysis Regulations ("NAR").**
- ▶ **Analysis Sheets:** these set out the basic aspects to be analysed to ensure that decisions are taken on an informed basis.
- ▶ **Matrix of Risks and Opportunities:** this tool is used to convey critical risks and subrisks during the phases of identification, assessment, treatment and monitoring of the project.

The outcome of this process is Project, Business and Group risk maps grouping the main strategic, fiscal and operating risks into different categories (business environment, regulation, image and reputation, human resources, operations, financial, information for decision-making, technology and IT systems and good governance), along with an evaluation of the possible impact and likelihood that each risk shall materialise.

On the basis of this information, each business unit's management, with the assistance of the Risk Control and Management Department of the business unit concerned and, as the case may be, the Internal Audit Department and the Risk Committee, establishes its risk priorities and determines the measures to be implemented, in due consideration of operating viability, possible effects, and the cost/benefit ratio of implementation.

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## **E.2 Identify the bodies responsible for preparing and implementing the risk management system, including fiscal risk management.**

It is the responsibility of the Board of Directors to formally approve the Group's Risk Control and Management policy. With the assistance of the Audit Committee, which supervises the Risk Committee, it oversees information and control systems. This guarantees the Board of Director's direct involvement in overseeing the risk identification process and implementation and monitoring of proper control and information systems.

The Risk Committee is the most senior body responsible for Sacyr's Risk Control and Management System and for all decisions associated with this. It is designated by the Company's chief executive and its functions include establishing risk tolerance levels and defining and promoting a risk culture within the organisation.

The Risk Control and Management Department assists the Risk Committee and, with the assistance of the Risk Control and Management Departments of the Group's different business areas, it monitors risk assessments and supports the CEO and Business division in taking critical decisions.

Additionally, the general objective of the Internal Audit Department, which reports directly to the Sacyr Group Chairman and is supervised by the Audit Committee, is the systematic assessment of the efficiency of risk identification, control and management procedures. To do this, an Internal Audit Plan is drawn up annually and submitted to the Audit Committee for approval.

## E.3 Indicate the main risks, including fiscal risks, which may prevent the company from achieving its business targets.

The following sections analyse the Sacyr Group's management of certain compliance risks that require a more detailed explanation due to their relevance or specific characteristics.

### Compliance risks

According to the Sacyr Code of Conduct, compliance with the law is one of the basic principles underlying the conduct of the Sacyr Group and its employees. The Code stipulates that the Sacyr Group is committed to reliable and respectful compliance with all legal obligations to which it is subject in any country in which it carries on its business.

Compliance with the various legal provisions is monitored primarily by the Regulatory Compliance Unit in coordination with the Internal Audit Department, which has had a special Compliance Unit since 2008. The Legal Advisory Department and other Group bodies, departments or areas, such as the Quality and Environment Department and the Occupational Hazard Prevention Service, where necessary, also help guarantee compliance with legislation in their respective areas of activity.

In view of the high volume of the Group's activities and its diverse and complex nature, claims occasionally arise in respect of the supply and use of products and services or other causes derived from the different regulatory and sector regulation environments applicable to Sacyr subsidiaries. These claims are processed accordingly, and are either accepted or challenged by the Group. The number of claims is not significant in respect of the Group's overall activity.

### Corruption and bribery

The Group's Code of Conduct expressly prohibits any behaviour by its employees which could be considered to entail corruption or bribery.

The "Regulatory Compliance Unit", composed of members of the Group's Senior Management, in addition to managing the Group's conduct hotline, is also tasked with ensuring strict compliance with the Code of Conduct.

Among other provisions, the Code expressly prohibits Sacyr employees from offering any type of payment to illicitly obtain benefits, and from accepting gifts or any considerations that could compromise employees' objectivity or influence a commercial, professional or administrative relationship.

The Group's Internal Audit Department is responsible for detecting and investigating any cases of corruption that may arise. The Department has specific fraud-detection software and avails itself of external experts whenever necessary, and also deploys specialist personnel to prevent and detect any such instances.

Any signs of corruption are analysed in depth, and specific action is taken accordingly. In all cases the department reviews and analyses possible solutions for the specific business procedure which did not serve to preclude corruption practices, and improvements are sought.

### Other risks

In addition to the aforementioned regulatory compliance risks, the Group's Risk Control and Management Policy also establishes control and communication mechanisms for a number of other risks, including the following:

- ▶ Risk of inadequate adaptation to the environment or market in which the Company operates.
- ▶ Risk of inadequate management of aspects relating to corporate responsibility and sustainability, as well as the corporate image.
- ▶ Risks in connection with human resources: positioning, training, flexibility, dependence on key personnel, work climate etc.
- ▶ Financial risks: credit, interest rate, exchange rate and liquidity risk.
- ▶ Risk of inadequate information for the decision-making process.
- ▶ Technological and information system risks: network management, physical and programme security and integrity of information.



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## **E.4 Identify if the company has a risk tolerance level, including fiscal risk.**

As a general rule, the Sacyr Group's qualitative risk tolerance level can be considered to be medium, with the exception of financial risk, which is considered to be high but acceptable, while the Group ensures that its regulation risks, including fiscal risk, and image and reputational risk, are minimal.

The risk level of each transaction is assessed from a qualitative angle (high, medium, low), or from a quantitative point of view, taking into account growth and return targets and weighing these against possible risks.

For specific risks associated with measurable objectives, the Sacyr Group's risk tolerance level is measured with the same units as the corresponding objectives.

The Group's risk assessment process is described in section E.1.

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## **E.5 Identify any risks, including fiscal risks, which occurred during the year.**

To a greater or lesser extent depending on the business area, the Sacyr Group is exposed to the risks discussed below, especially credit risk, liquidity risk and market risk, particularly fluctuations in interest rates and, to a lesser extent, exchange rates.

As regards credit risk, the Group is exposed through its operating activities, basically trade receivables, and its financing activities.

Customer concentration risk is mitigated by the Group's diverse customer base, backed by public sector bodies.

Liquidity risk arises from net working capital requirements, from investments based on business plans that require additional financing and from the excessive concentration of short-term borrowings, which require immediate refinancing. These circumstances could impair the ability to meet payment obligations, albeit temporarily.

As for market risk, specifically interest rate risk, the Group needs to have a reasonable balance between variable and fixed-rate debt or debt hedged using derivative financial instruments to ensure a balanced financing structure and reduce the exposure of its businesses to the risk of interest rate fluctuations.

The underlying borrowings that require the greatest degree of hedging against interest rate fluctuations are project financing loans and those associated with specific assets, because of their exposure for longer periods of time given the terms involved and the strong correlation with project cash flows.

Moreover, the Group is exposed to other risks, such as risk of demand for concession projects, as the revenue from the concession businesses depends on the number of vehicles using toll roads and the capacity of the motorways to absorb traffic.

The Sacyr Group intends to continue expanding its business into other countries, which carries expansion risk as it involves markets in which the Group does not have the same degree of experience as it has in its current markets.

## E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including fiscal risk.

Over the last five years, due to the international economic crisis, there have been major changes to the scope and likelihood of occurrence of the various risks. Therefore, throughout 2016 we focused on updating existing risk maps at Project, Business and Group level, and consolidating the criminal risk map.

Furthermore, high-level risk maps have been updated independently of risk maps for the various businesses, and we can use these as tools to manage risks associated with new regulatory frameworks; supervision of internal control over financial reporting by the Audit Committee, and the impact on the Company of Spain's new Criminal Code, under which legal entities are held criminally liable for any offences committed.

In general, the Sacyr Group has monitoring plans for the main risks, which include impairment testing of all its non-financial assets at the end of each reporting period.

Group policy does not permit speculative trading with derivatives.

Each business unit performs an assessment with customers before entering into any contracts, which includes a study of their solvency. During the life of its contracts, it monitors its receivables on an ongoing basis and reviews recoverable amounts, recognising impairment as necessary.

To deal with liquidity risks, the Group has identified probable scenarios through monitoring and control of the annual budget and daily updates of its cash flow forecasts, enabling it to take early decisions.

Factors that help mitigate liquidity risk include recurring cash flow generation by the Group's core businesses and the Group's ability to sell assets. The asset rotation strategy allows the Sacyr Group to unlock value from the maturity of top-quality investments and manage the liquidity raised in an attempt to enhance its competitiveness and profitability.

Interest rate risk is mitigated almost exclusively by the use of derivative instruments.

Regarding demand risk for concession projects, the Group has measured the recoverability of the investment by continuously reviewing its valuation models based on trends in traffic and the economic growth outlook for the market where each concession operates.

The Group has implemented sufficient control systems to identify, quantify, evaluate and remedy all these risks, in order to minimise or eliminate the consequences. The Group also takes out and renews insurance policies.

The Group seeks to serve society in all its business areas by applying a sustainable and profitable business model that adds value for all stakeholders through innovation, technological progress and excellence in delivery.

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## F

### Internal Control over Financial Reporting (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management systems at the company.

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#### F.1

#### The entity's control environment

Specify at least the following components with a description of their main characteristics:

##### F.1.1 The bodies and/or functions responsible for:

- (i) the existence and regular update of a suitable, effective ICFR;
- (ii) its implementation; and (iii) its monitoring

Article 38.3 of Sacyr's Bylaws establishes that the Board of Directors shall be responsible for drawing up the Company's general strategy, supervising its execution and exercising all other competencies attributed to it by law, the Bylaws or the Board of Directors' Regulations.

Pursuant to article 47, the Board of Directors must create an Audit Committee with powers to be decided by the Board of Directors.

Article 48.3 of the Bylaws stipulates that the Audit Committee shall have the functions attributed to it by law, the Bylaws and the Board of Directors' Regulations. Therefore, Sacyr's Audit Committee is responsible for supervising internal control over financial reporting.

The Internal Audit Department is responsible for

- i) supervising the existence, suitability and maintenance of internal control systems and the quality and reliability of financial and management information, and the continuous improvement thereof;
- ii) the revision and updating of the risk map in cooperation with professionals in the Sacyr Group,
- iii) and active participation in the Group's risk control and management policy.

In addition to the provisions of the Bylaws and Board Regulations, the Sacyr Group has a Compliance Manual for Internal Control over Financial Reporting (ICFR) which stipulates that the responsibilities of the Audit Committee with regard to ICFR cover the following aspects:

- ▶ Approval of the ICFR Supervision Plan, in order to maintain reasonable certainty that risks due to errors, omissions or fraud in relation to financial information are being prevented and detected.
- ▶ Analysis and review of the reports drawn up by the Head of ICFR at the Sacyr Group concerning the status of ICFR in the various business areas.

The Compliance Manual for Internal Control over Financial Reporting (ICFR) states that the Internal Audit Department is responsible for assessing ICFR. Specifically, it is responsible for the following:

- ▶ Planning supervisory tasks, in terms of the design and effectiveness of ICFR.
- ▶ Assessing the ICFR.
- ▶ Drawing up and issuing reports with recommendations and remediation plans concerning ICFR, for the Audit Committee and for those responsible for ICFR, at Group level and in business areas.
- ▶ Monitoring the recommendations and remediation plans submitted to the business areas.

## F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- ▶ The departments and/or mechanisms in charge of:
  - i) the design and review of the organisational structure;
  - ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and
  - iii) deploying procedures so this structure is communicated effectively throughout the company.

The Sacyr Group has an organisational structure with clearly defined lines of responsibility and authority for the various processes involved in each business unit, and for each geographic area relevant to the Group.

This structure is designed and reviewed by the Organisation Department, Human Resources and the businesses involved in it.

The Compliance Manual for Internal Control over Financial Reporting (ICFR) has defined an organisational model and a structure of responsibility, involving all levels of the organisation and establishing the roles of all those involved with ICFR.

This information has been distributed to all Group employees for them to familiarise themselves with it and ensure they comply.

- ▶ Code of conduct, approving body, dissemination and instruction principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Sacyr Group's Code of Conduct was approved by the Board of Directors on 26 February 2015, and is available both on the corporate intranet and on the external website.

With regard to registration of operations and the preparation of financial information, the Sacyr Group considers information transparency to be a fundamental principle that must underpin its activities. To this end, the Group ensures that information reported to shareholders, the markets on which its shares are listed and the regulatory bodies is true and complete, that it accurately reflects its financial position and the result of its operations, and that it is disclosed in compliance with the deadlines and other requirements established in applicable regulations, with general market principles and with the good governance principles the Company has undertaken, including Internal Rules of Conduct in securities markets.

The Sacyr Group has a Compliance Unit, an executive and autonomous collegiate body, composed of representatives from different Group areas, appointed by the Audit Committee. It reports exclusively to the Board of Directors' Audit Committee and is classified as a legal entity with independent powers of initiative and control for the purposes of the Criminal Code and all functions that correspond to it as a body for compliance with the Code of Conduct, in accordance with its internal regulations.

The Compliance Unit has the authority, resources and means necessary to, in coordination with Internal Audit and HR, implement and enforce appropriate internal control measures in the Compliance Model for detecting and preventing criminal, civil, mercantile, administrative and tax offences that may be attributed to the legal entity, and to react appropriately if any of these offences are committed.

The Chairman of the Compliance Unit reports officially to the Audit Committee.

With regard to training, in 2016 the Sacyr Group provided training on the Code of Conduct for Senior Management, and began work on introducing these contents to training activities targeting other professional categories through the online platform "My Virtual Point", providing training for a total of 483 employees.

- ▶ A 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Conduct Hotline ([codigoconducta@sacyr.com](mailto:codigoconducta@sacyr.com)) is a corporate tool through which any questions concerning the scope and applicability of the Code of Conduct and, in general, the Regulatory Compliance Model may be asked in strict confidence, and through which any breaches or risks relating to the guidelines and behaviour regulated by the Code of Conduct or the Regulatory Compliance Model may be safely reported.

The Conduct Hotline procedure guarantees that all matters reported and the identity of the employee reporting the incident shall remain confidential, fully complying with all personal data protection regulations, ensuring that a reliable and objective analysis of the potential breach shall be carried out, and that the rights of the persons allegedly involved shall be safeguarded.

The Compliance Unit is responsible for the Conduct Hotline and for assessing the complaints and consultations received through this channel, for which purpose it may request the assistance of other bodies, departments, areas, employees or companies in the Sacyr Group.

Since 2015 the Conduct Hotline can also be accessed from the external website to ensure it can be used by non-Group parties.

The Regulatory Compliance Unit analysed 44 cases in 2016.

- ▶ Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which at least address accounting rules, auditing, internal control and risk management.

With respect to training for staff involved in preparing and reviewing financial information, the following areas of knowledge were covered in 2016:

Training was provided in relation to accounting, finance and valuations, among which the following: "Annual Accounts", "IFRS regulatory updates", "Consolidation of financial statements", "Construction of models and analysis of financial projections", "Advanced course in the financing of infrastructures and services in the new economic environment", "Financial modelling of investments and focus on development of concessions" and "Company valuations".

In connection with auditing, internal control and risk management, the following programmes were taught: "Fraud prevention, detection and investigation", "Monographic study of tax audits", "R+D+i deductions: Proposals to reduce tax risk" and "International taxation".

Economic and financial courses taught at the Sacyr Group are internal and external, and cover all companies in the group. They mainly target the Departments of Administration and Finance, Accounting, Tax, Accounting Control and Internal Audit, including management and area heads, technical staff and backup personnel.

A total of 2,645 hours of training in these areas were invested in 218 employees.

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## F.2 Risk assessment in financial reporting

Report at least:

### F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- ▶ The process exists and is documented.  
System documentation includes narratives, flow charts and risk and control matrices by processes and subprocesses, at corporate level and also for business areas.
- ▶ The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated, and with what frequency.  
The matrices ascertain that control activities meet the objectives of financial reporting (existence and occurrence; integrity; valuation; presentation, breakdowns and comparability; and rights and obligations), and also identify the type of control, the party responsible, the frequency and type of execution, inter alia.

- ▶ A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special-purpose vehicles or holding companies etc.  
The Sacyr Group has a “Procedure to determine the scope of consolidation”, which is applicable to all business areas making up the group. Definition of this scope is centralised, and any changes to it must be notified by e-mail and backed up with the proper documentation before they are added to the system.
- ▶ The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental etc.) insofar as they may affect the financial statements.  
The Sacyr Group has a Compliance Manual for Internal Control over Financial Reporting (ICFR). This system contains all risks identified that may affect financial reporting to a greater or lesser extent, covering numerous types of risk, such as technological risks, legal risks and operating risks.
- ▶ Finally, which of the company’s governing bodies is responsible for overseeing the process.  
The Board of Directors delegates supervision of risk identification to the Audit Committee. The Audit Committee in turn is supported by: the Risk Control and Management Department for operational risks, regulatory compliance risks and strategy risks; Internal Control over Financial Reporting for financial and reporting risks; the Management Control Department for monitoring of the budgeting system and trends in operational results; and the Internal Audit Department to oversee the entire process.

## F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

### **F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case, and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.**

Internal Control over Financial Reporting has defined the critical processes and subprocesses affecting the preparation of financial information. These were then documented with narratives, flow charts and risk and control matrices, describing all the control activities identified for each business area, to guarantee proper registration, valuation, presentation and breakdowns of transactions in financial reporting.

For proper maintenance of the system, it is established that its scope, and therefore the processes and subprocesses which must be considered essential to the Sacyr Group, is reviewed each year on the basis of quantitative criteria (according to the materiality calculated) and qualitative criteria. The entire theoretical framework on which the system is based (ICFR objectives, specific risks, changes to regulations, organisational changes etc.) shall also be updated each year, and whenever this is considered advisable.

Finally, an organisational model and a structure of responsibility has been defined, involving all levels of the organisation, from the parties responsible for subprocesses to the Audit Committee and the Board of Directors, establishing the roles of all those involved with ICFR. A reporting facility has been defined through the “Internal Control over Financial Reporting Procedure” to monitor the correct/incorrect functioning of the controls implemented, and any incidences identified.

### **F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.**

The Sacyr Group has Internal Control procedures and policies in place for the information systems that support significant processes related to the preparation and publication of its financial information.

Action is taken to offset the security risks affecting IT systems and platforms, in particular, those relating to operational continuity. To this end, back-up copies made regularly by an external supplier are available.

Any changes to or developments of these applications are managed through the Organisation and Systems Departments, which establish the processes to be followed to ensure that the solution implemented meets user requirements, and that the quality level meets the reliability, efficiency and maintainability standards required.

The Systems Department has established access security policies by defining policies to segregate functions.

### **F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

The complexity of the Group's projects and the environments in which it operates worldwide require the assistance of third parties to appraise claims and litigation. These subcontracted activities are subjected to a continuous supervision procedure by Management.

Moreover, with respect to real estate appraisals, the Group has procedures for selecting the activities performed by property valuers and for analysing the independence of the auditing firm. This policy complies with CNMV recommendations in this area, and is supervised by the Audit Committee to ensure compliance.

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## **F.4 Information and communication**

Indicate the existence of at least the following components, and specify their main characteristics:

### **F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.**

The Sacyr Group has a specific department responsible for defining and maintaining accounting policies, and for settling doubts or disputes over their interpretation. The Sacyr Group's Administration Department is tasked with this responsibility, and it also maintains regular communication with those responsible for operations in the organisation, although this is not its exclusive function.

The Sacyr Group currently has various regulations that determine the accounting criteria to apply to certain operations and basic accounting policies. The employees responsible for applying these regulations are familiar with them. Furthermore, the Manual of Administrative Procedures details the most important procedures for the Group, and is updated whenever a change is detected.

#### **F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

With respect to the yearly closure of accounts and publication of the annual financial report within four months of year-end, in accordance with Royal Decree 1362/2007 of 19 October on the transparency requirements in relation to information on issuers the securities of which are admitted for trading on an official secondary market or other regulated markets in the European Union, an e-mail is sent by the Group's Head of Administration with the closure and reporting plan for the year, along with instructions for the parties responsible to supply the financial information concerned.

The Sacyr Group has a single standard-format mechanism to draw up periodic consolidated financial information, which is applicable to and used by all Group units. The mechanism is a reporting file containing the main financial statements and relevant information to draw up the notes to the statements.

The Group also applies a range of controls to ensure the reliability and correct treatment of the information received from its business units; these include analysis of all changes in equity and income.

In addition, the Sacyr Group has a single mechanism that aggregates and consolidates the information reported by all Group units. This mechanism is a specific test-driven IT system known as Hyperion Financial Management (HFM).

## **F.5 Monitoring**

Indicate the existence of at least the following components, describing their main characteristics:

### **F.5.1 The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR.**

**Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.**

The Sacyr Group has an Internal Audit Department which reports to the Audit Committee. Article 48.3 of the Sacyr Group's Bylaws states that the Audit Committee shall have the functions attributed to it by law, the Bylaws and the Board of Directors' Regulations. As part of these functions, Sacyr's Audit Committee is responsible for supervising internal control over financial reporting.

The Audit Committee:

- i) approves audit plans;
- ii) determines who should implement them;
- iii) assesses the adequacy of the work carried out;
- iv) revises and assesses the results and consideration of impact on financial information; and
- v) prioritises and monitors corrective measures.



The Internal Audit Department is responsible for:

- i) guaranteeing the existence and suitability of the Internal Control system and the quality and reliability of financial and management information, and the continuous improvement thereof;
- ii) reviewing and updating the risk map; and
- iii) active participation in the Group's risk control and management policy.

In addition, both the Administration Department and the Internal Audit Department report on the ICFR to the Audit Committee.

The Sacyr Group also has a Compliance Manual for Internal Control over Financial Reporting (ICFR), which stipulates that the responsibilities of the Audit Committee with regard to ICFR cover the following aspects:

- ▶ Approval of the ICFR Supervision Plan, in order to maintain reasonable certainty that risks due to errors, omissions or fraud in relation to financial information are being prevented and detected.
- ▶ Analysis and review of the reports drawn up by the Head of ICFR at the Sacyr Group concerning the status of ICFR in the various business areas.

The Compliance Manual for Internal Control over Financial Reporting (ICFR) also states that the Internal Audit Department is responsible for assessing ICFR. Specifically, it is responsible for the following:

- ▶ Planning supervisory tasks, in terms of the design and effectiveness of ICFR.
- ▶ Assessing the ICFR.
- ▶ Drawing up and issuing reports with recommendations and remediation plans concerning ICFR, for the Audit Committee and for those responsible for ICFR, at Group level and in business areas.
- ▶ Monitoring the recommendations and remediation plans submitted to the business areas.

**F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

The Audit Committee meets at least once a quarter or as often as is deemed necessary. Meetings must be called by the Chairman either on his/her own initiative or at the request of three members, or the Executive Committee.

These meetings review the consolidated Annual Financial Statements; the interim half-yearly and quarterly financial statements and all other information made available to the market. Additionally, the agenda of at least two Audit Committee meetings includes an item on ICFR reporting by the Administration Committee.

The Audit Committee supervises the effectiveness of the Group's internal control, internal audit, and risk management systems. It also discusses with the auditor any significant weaknesses in the internal control system identified during audit work in order to ensure correct application of accounting principles and the reliability of financial information. It is also responsible for assessing any significant internal control weaknesses encountered, proposing an action plan to correct the weaknesses found, and reporting on the status of the action taken.

On an annual basis, the Audit Committee reviews and approves the action plans proposed by the internal audit function to correct or mitigate any weaknesses detected. The tasks carried out by the Internal Audit Department, which are tools to supervise the ICFR environment, are reported specifically to the Audit Committee.

The Auditor has direct access to Senior Management (Chairman and/or CEO), and holds regular meetings to obtain the information needed to perform the audit work and to notify any weaknesses detected.

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## F.6 Other relevant information

None.

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## F.7 External auditor review

State whether:

**F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

The 2016 ICFR information for the Sacyr Group was not reviewed by the external auditor as the corrective measures agreed by the Group are currently being implemented.

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## G Degree of Compliance with Corporate Governance Recommendations

Indicate the degree of the company's compliance with the recommendations of the Code of Good Governance for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

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### G.1 The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant  Explain

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**G.2**      **When a parent and a subsidiary are listed on the stock market, the two should provide detailed disclosure on:**

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interests.

Compliant       Partially compliant       Explain       Not applicable

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**G.3**      **During the ordinary general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance, and in particular:**

- a) Changes taking place since the previous ordinary general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant       Partially compliant       Explain

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**G.4**      **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

**This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Compliant       Partially compliant       Explain

**G.5**

**The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

**When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.**

Compliant  Partially compliant  Explain

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In the report submitted during a proposed agreement presented to the General Meeting, the Board considers that the characteristics of finance markets and the speed and expediency with which it operates in these markets require the Board to have flexible, suitable instruments to provide a proper response to the requirements of the corporate interest at any given time, and that this strategy should include such delegation to the Board to exclude pre-emptive subscription rights where necessary.

Notwithstanding the foregoing, the Board did not make use of these powers in 2016.

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**G.6**

**Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the ordinary general meeting, even if their distribution is not obligatory:**

- a) Report on auditor independence.
- b) Reports on the functioning of the audit committee and of the appointments and remuneration committee.
- c) Audit committee report on related-party transactions.
- d) Report on the corporate social responsibility policy.

Compliant  Partially compliant  Explain

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The company intends to progressively comply with this Recommendation.

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**G.7****The company should broadcast its general meetings live on the corporate website.**Compliant  Explain 

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Although the company did not provide a live broadcast of its 2016 general meeting, after the general meeting SACYR publishes on its website ([www.sacyr.es](http://www.sacyr.es)) the text of the resolutions adopted, the results of voting and other documents relating to the general meeting, including the corporate video shown during it.

However, the company is examining its intention to comply with this recommendation, depending, among other issues, on the interest shown by shareholders and institutional investors.

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**G.8****The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**Compliant  Partially compliant  Explain 

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**G.9****The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.****Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.**Compliant  Partially compliant  Explain

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**G.10**      **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant       Partially compliant       Explain       Not applicable

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**G.11**      **In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Compliant       Partially compliant       Explain       Not applicable

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**G.12**      **The Board of Directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes sustainable success over time, while maximising its economic value.**

**In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.**

Compliant       Partially compliant       Explain

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**G.13**

**The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Compliant  Explain

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**G.14**

**The board of directors should approve a director selection policy that:**

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that shall ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant  Partially compliant  Explain

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**G.15**

**Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Compliant  Partially compliant  Explain

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**G.16**      **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant       Explain

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**G.17**      **Independent directors should be at least half of all board members.**

**However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.**

Compliant       Explain

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The Sacyr, S.A. Board has 3 independent directors out of a total of 14, and does not attain the recommended proportion of one third. However, the company considers that the effective independence sought by this recommendation has been met, since there is a diversity of external proprietary directors on the Board who represent more than 30% of the share capital which belongs to different shareholders with no relation to one another. This plurality of proprietary directors allows them to act in complete independence of other directors, with the objective of defending the interests of the company that is owned by them. It also favours encourages a culture of mutual oversight that benefits all shareholders (free float).

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**G.18**      **Companies should disclose the following director particulars on their websites and keep them regularly updated:**

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links to.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on same.

Compliant       Partially compliant       Explain



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**G.19**

Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the behest of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant  Partially compliant  Explain  Not applicable

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**G.20**

Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant  Partially compliant  Explain  Not applicable

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**G.21**

The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee.

In particular, just cause shall be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant  Explain

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**G.22**

Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant  Partially compliant  Explain

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**G.23**

Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interests should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant  Partially compliant  Explain  Not applicable

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**G.24**

Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant  Partially compliant  Explain  Not applicable

**G.25**

**The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

**The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.**

Compliant  Partially compliant  Explain

The Company does not consider it necessary to limit the number of company boards on which directors can serve. Nor does it set any limits on their professional obligations, as the directors regularly attend board and committee meetings.

**G.26**

**The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Compliant  Partially compliant  Explain

Although the annual meeting calendar and official agenda of items are discussed by the Board of Directors prior to their approval, the Board of Directors' Regulations makes no mention of any specific provision by which each director may propose the addition of initially unscheduled items. This competence falls to the Lead Director, to enable Board meetings to be carried on after the proper fashion.

**G.27**

**Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Compliant  Partially compliant  Explain

**G.28**

**When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minutes book.**

Compliant  Partially compliant  Explain  Not applicable

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**G.29**      **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Compliant       Partially compliant       Explain

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**G.30**      **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Compliant       Partially compliant       Explain

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**G.31**      **The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

**For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion shall require the express prior consent, duly minuted, of the majority of directors present.**

Compliant       Partially compliant       Explain

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The directors' consent for the approval of decisions or resolutions that are not on the meeting agenda is considered to be implicitly granted with the approval of the resolution, although the Board Regulations do not require the express prior consent, duly minuted, of the board.

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**G.32**      **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Compliant       Partially compliant       Explain

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Directors are informed of these issues if the movement is considered to be significant and movements in share ownership are included in the annual corporate governance report.

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**G.33**

The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant  Partially compliant  Explain

**G.34**

When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen, if any; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant  Partially compliant  Explain  Not applicable

Pursuant to the Board of Directors' Regulations, the Lead Director has been granted the abovementioned powers, except for the power to maintain contacts with investors and shareholders and to coordinate the Chairman's succession plan, responsibilities that Board Regulations have assigned to the Appointments and Remuneration Committee, in compliance with article 529 quinquies of the Corporate Enterprises Act.

Concerning relations with investors and shareholders, the Board set the criteria for relations with shareholders and investors in the Policy for communication and contact with shareholders and proxy advisors, approved on 15 December 2016; it is executed by the Executive Chairman, with the assistance of the Investor Relations Department, which reports to the General Finance Department.

**G.35**

The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant  Explain

**G.36**

**The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

- a) The quality and efficiency of the board's operation.
- b) The functioning and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant  Partially compliant  Explain

**G.37**

**When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Compliant  Partially compliant  Explain  Not applicable

The composition of the Executive Committee in 2016 reflected the participation of executive and proprietary directors on the Board of Directors.

On 23 February 2017 the Board of Directors agreed to restructure the Executive Committee. It is now composed of 5 members - the new members are the independent directors Juan María Aguirre Gonzalo and Augusto Delkader Reig, Chairman of the Audit and Corporate Governance Committee and Chairman of the Appointments and Remuneration Committee, respectively. The Executive Committee, therefore, is now composed of an executive director, two proprietary directors and two independent directors.

**G.38**      **The board should be kept informed at all times of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.**

Compliant       Partially compliant       Explain       Not applicable

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The Board of Directors is informed through the Executive Chairman of the business transacted and decisions made by the Executive Committee. Although to date copies of the minutes of Executive Committee meetings have not been furnished to all members of the Board, the company intends to comply with this recommendation in full in 2017.

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**G.39**      **All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Compliant       Partially compliant       Explain

**G.40**      **There should be a unit acting as an internal audit function under the supervision of the audit committee, to guarantee the proper operation of internal control and information systems, reporting functionally to the board's non-executive chairman or the chairman of the audit committee.**

Compliant       Partially compliant       Explain

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For the time being there are no plans for the Internal Audit Department to have a different functional dependence to the company's other departments, which all report to the Executive Chairman.

The Audit Committee, however, is responsible for guaranteeing the independence of the internal audit unit and for ensuring that this function is carried out properly.

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**G.41**      **The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation, and submit an activities report at the end of each year.**

Compliant       Partially compliant       Explain       Not applicable

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**G.42**

**The audit committee should have the following functions over and above those legally assigned:**

1. With respect to internal control and reporting systems:
  - a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
  - b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
  - c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.
2. With respect to the external auditor:
  - a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
  - b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
  - c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for same.
  - d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
  - e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant  Partially compliant  Explain

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**G.43**

**The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Compliant  Partially compliant  Explain



**G.44**

**The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Compliant  Partially compliant  Explain  Not applicable

**G.45**

**Control and risk management policy should specify at least:**

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities or off-balance sheet risks.

Compliant  Partially compliant  Explain

**G.46**

**Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant  Partially compliant  Explain

**G.47** Appointees to the appointments and remuneration committee – or the appointments committee and the remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant  Partially compliant  Explain

The Appointments and Remuneration Committee has five members, all of whom are non-executive directors. The Chairman and one member are independent directors.

Sacyr's Board has three independent directors, and the Company has sought to implement a different composition on the Appointments and Remuneration Committee and on the Audit and Corporate Governance Committee for the sake of independence between the two bodies, and to foster greater participation by all external directors on its Committees.

**G.48** Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant  Explain  Not applicable

**G.49** The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates who might be considered suitable.

Compliant  Partially compliant  Explain

**G.50** The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

- d) Ensure that conflicts of interests do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant  Partially compliant  Explain

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### G.51

**The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Compliant  Partially compliant  Explain

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### G.52

**The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it is necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted, and a copy sent to all board members.

Compliant  Partially compliant  Explain  Not applicable

**G.53**

**The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at least the following functions:**

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared towards value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant Partially compliant Explain 


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To date the company has not considered whether competences concerning supervision of communication strategy and relations with shareholders and investors should be exercised by the Audit and Corporate Governance Committee.

The Board set the criteria for relations with shareholders and investors in the Policy for communication and contact with shareholders and proxy advisors, approved on 15 December 2016; it is executed by the Executive Chairman, with the assistance of the General Finance Department's Investor Relations Unit.

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**G.54**

**The corporate social responsibility policy should state the principles or commitments the company shall voluntarily adhere to in its dealings with stakeholder groups, specifying at least:**

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.

- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant  Partially compliant  Explain

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**G.55**      **The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Compliant  Partially compliant  Explain

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**G.56**      **Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgment of non-executive directors.**

Compliant  Explain

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**G.57**      **Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

**The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, shall not apply to shares that the director must dispose of to defray costs related to their acquisition.**

Compliant  Partially compliant  Explain

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**G.58**

**In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or similar circumstances.**

**In particular, items of variable remuneration should meet the following conditions:**

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This shall ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant Partially compliant Explain Not applicable 

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**G.59**

**A major portion of the components of variable remuneration should be deferred for a period which is long enough to ensure that predetermined performance criteria have effectively been met.**

Compliant Partially compliant Explain Not applicable 

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**G.60**

**In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.**

Compliant Partially compliant Explain Not applicable

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**G.61**      **A major portion of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Compliant       Partially compliant       Explain       Not applicable

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The contract drawn up with the Executive Chairman stipulates that his short-term variable remuneration is linked to achievement of the targets set by the Board and, failing this, to developments and progress of activities, the company's business and value, and the personal performance by the Executive Chairman with regard to the company's activity, business and value.

The Board has not considered whether the circumstances were appropriate to modify the setup of the Executive Chairman's contractual remuneration in this regard. However, one of the criteria established by the Board to determine the Executive Chairman's short-term variable remuneration for 2017 is the share price listing.

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**G.62**      **Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

**The above condition shall not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Compliant       Partially compliant       Explain       Not applicable

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**G.63**      **Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Compliant       Partially compliant       Explain       Not applicable

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Although the contract signed with the executive director does not include any such clause, this does not mean that the company, if required to do so, shall not be able to adopt the measures needed to reclaim variable components of remuneration when payment is out of step with the director's actual performance or based on data subsequently found to be misstated, and therefore it was not considered necessary to modify the executive director's contract to explicitly include this clause.

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**G.64**

**Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

Compliant Partially compliant Explain Not applicable 

In the event of dismissal for reasons not attributable to the executive director, the latter is entitled to receive termination benefits equivalent to 2.5 times the sum of the fixed remuneration and the variable remuneration received during the year immediately prior to that in which the scenario that gave rise to the termination occurred; although it should be noted that directors may receive other types of remuneration as part of their contract that are not included in the benefits calculation. It should also be borne in mind that these termination benefits were agreed prior to publication of the Good Governance Code.

**H****Other Information of Interest**

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report, provided this is relevant and not a repetition.

Specifically indicate whether the company is subject to corporate governance legislation in a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption.

**OTHER INFORMATION OF INTEREST:**

On 28 February 2011 the Board of Directors approved its adhesion to the Code of Good Tax Practices, approved by a plenary meeting of the Major Companies' Forum ("Foro de Grandes Empresas") on 20 July 2010.

The company is not subject to any legislation other than Spanish law.

**Section A.2:**

On 31 August 2016 Taube Hodson Stonex LLP was bought over by GAM International Management Limited.



**Section A.3:**

The information in this section emerged from the data notified to the CNMV and, where applicable, to the company.

Prilou, S.L. has a total holding of 7.814% (3.159% direct and 4.655% indirect through Prilomi, S.L.).

In connection with the holding of Beta Asociados, S.L., José del Pilar Moreno Carretero controls 100% of Beta Asociados, S.L. through its stakes in Altec, Empresa de Construcción y Servicios, S.A., Marbevelsa, S.L. and Promotora Majariega de Inmuebles, S.L.

With regard to members of the board of directors that hold company share options, it should be noted that, according to the notice submitted to the CNMV on 13 October 2015, on 28 September 2015 the Director Beta Asociados, S.L. signed contracts for put options maturing in September 2018, where the power or decision to exercise such options does not correspond to Beta Asociados, S.L.

**Section A.4:**

The information in this section emerged from the data notified to the CNMV and, where applicable, to the company.

**Section A.6:**

The stake percentage affected by the shareholders' agreement stipulated in this section is that stated in the syndication agreement signed on 21 February 2011, although it transpires from the last notification on 30 May 2014 that the capital stake currently affected is 14.709%.

**Section B.5:**

Regarding the number of shares required to attend the General Meeting in accordance with article 25 of the Bylaws, the shareholder must hold at least a number of shares with a combined nominal value of over one hundred and fifty euros.

**Section C.1.11:**

For further information, we include a list of the representatives of legal entities that are directors of Sacyr, S.A., who are directors or hold management positions in other companies belonging to the listed company's group.

- ▶ In the Sacyr Group, José Manuel Loureda Mantiñán (representing Prilou, S.L.) is a member of the Board of Directors of Sacyr Construcción, S.A. (Director) and of Valoriza Gestión, S.A. (Chairman and Director), and has no executive functions in either.
- ▶ In the Sacyr Group, José Manuel Loureda López (representing Prilom, S.L.) is Managing Director of Sacyr Industrial S.L.

**Section C.1.12:**

- ▶ Isabel Martín Castilla is a member of the Supervisory Boards of ING Group, N.V and ING Bank N.V.

Below we detail the representatives of Sacyr, S.A. legal entity directors who are members of the Boards of Directors of other non-group companies that are listed on official securities markets:

- ▶ Jose Manuel Loureda Mantiñán (representative of Board member Prilou, S.L.) is a director of Repsol, S.A.

**Section C.1.15:**

Pursuant to the Bylaws, members of the Sacyr, S.A. Board of Directors are entitled to receive remuneration from the Company comprising a fixed annual sum.

The global remuneration of Sacyr, S.A.'s Board of Directors includes the gross amounts received by directors in their role as directors, remuneration for the executive director and the sum for accumulated pension rights.

**Section C.1.16:**

The total remuneration for members of senior management includes fixed and variable remuneration, retirement savings scheme and life insurance.

**Section C.1.17:**

The Director of Disa Corporación Petrolífera S.A. is Bicar S.A., represented by Javier Adroher Biosca.

**Section C.1.26:**

Pursuant to article 54.2.a) and 24.2.a) of the Bylaws and Board of Directors' Regulations, respectively, Directors must formally tender their resignation, and where the board deems appropriate, resign when they reach the age of 65, among other conditions. They may, however, remain on the board as non-executive directors.

**Section C.1.45:**

Compensation for the Executive Chairman is expressly stated in the Policy for Remuneration of Directors as approved by the General Meeting, and his contract was approved by the company's Board.

**Section C.2.1:**

Functions of the Audit Committee:

Notwithstanding any other responsibilities assigned to it by current regulations, the Bylaws or Board of Directors' Regulations, the Audit Committee shall be responsible for the following duties:

- a) To report, through the Chairman and/or his Secretary, to the General Shareholders' Meeting on any issues arising therein relating to subjects within the remit of the Audit and Corporate Governance Committee, and particularly on the results of the audit, explaining how this contributed to the integrity of the financial information and the function performed by the committee in the process.
- b) To supervise the effectiveness of the Company's internal control systems and units, such as internal audit and risk management, and discuss with the auditors any significant weaknesses which may have been discovered in the audit, while not allowing this to affect their independence. For these purposes, and where applicable, they may submit recommendation or proposals to the Board of Directors, along with the timeframe for monitoring purposes.
- c) To monitor the preparation and presentation of mandatory financial information, and present recommendation and proposals to the Board of Directors, with the aim of safeguarding its integrity.
- d) Submit to the Board of Directors all proposals for the selection, appointment, re-election and replacement of the external auditor, and the terms of the contract, and regularly secure information from the auditor on the audit plan and its execution, while preserving its independence in the exercise of its functions.
- e) Establish appropriate relations with the external auditors in order to receive information on those matters that might jeopardise their independence, so that this may be examined by the committee, and any other matters related to the auditing process, in addition to authorising, when necessary, services other than those prohibited in the terms laid down in prevailing legislation and any other communications as stipulated in audit legislation and auditing regulations. In any event, the Audit Committee must receive an annual statement from the external auditor of its independence from the Company and any companies linked directly or indirectly to the Company, in addition to detailed and individualised information on any type of additional services provided and the fees received from these bodies by the aforementioned auditor, or by persons or entities linked to the external auditor, pursuant to prevailing regulations on audit activities.
- f) To issue an annual report with an opinion on the auditor's independence, prior to issue of the audit report on the financial statements. This report must include a reasoned assessment of the additional services provided referred to above, on an individual basis and as a whole, distinct from the legal audit and in compliance with the policy of independence and prevailing audit regulations.

- g) Report, in advance, to the Board of Directors on all matters governed by Law, the Company's Bylaws and Regulations and in particular on:
  - 1) the financial information that the Company must periodically disclose;
  - 2) the creation or acquisition of shares in special-purpose vehicles or entities registered in jurisdictions considered tax havens, and any other related-party transactions.
- h) Monitor the independence of the unit that undertakes the internal audit function; report the proposals for the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; approve its strategy and work plans, ensuring that its activities are focused mainly on the risks that are relevant to the company; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- i) To review and make proposals to improve the Company's internal corporate governance rules, taking into consideration the recommendation of good governance generally recognised on international markets in order to foster the Company's interests and attend to the legitimate interests of other stakeholders.
- j) To orientate and supervise the Company's actions with regard to corporate responsibility, reviewing its policies and ensuring that it is focused on value creation.
- k) To supervise compliance with applicable rules on securities market conducts and specifically the Internal Rules of Conduct.
- l) To inform on proposed amendments to the Internal Rules of Conduct.
- m) To supervise the operations of the compliance and crime prevention model and apply the rules of conduct and associated sanctions if any director is involved.

Any member of the Company's management team or personnel, if so required, must attend the Audit and Corporate Governance Committee's meetings and cooperate and provide access to the information they have. The Audit and Corporate Governance Committee may also ask the external auditors to attend meetings.

The Audit and Corporate Governance Committee may also ask for the advice of external experts in order to more effectively perform its functions, pursuant to the provisions of article 26 of the Regulation.

For any matters not addressed in the Bylaws, the Regulations or this article, the Audit and Corporate Governance Committee shall regulate its own operation, and, failing that, the operating rules established for the Board of Directors shall apply, provided they are compatible with the nature and function of this Committee.

#### **Functions of the Appointments and Remuneration Committee:**

Without prejudice to other duties assigned to it by prevailing legislation, the Bylaws and the Board of Directors' Regulations, the Appointments and Remuneration Committee has the following basic responsibilities:

- a) To assess the skills, knowledge and experience required by the Board of Directors. For this purpose, it shall define the functions and skills required for candidates to fill each vacancy and decide the time and dedication necessary for them to efficiently perform their duties.
- b) To set an objective for representation of the sex with lesser representation on the Board of Directors and prepare guidelines as to how this objective can be achieved.
- c) To present to the Board proposals for appointment of independent directors, so the board may co-opt them or submit the proposals to the shareholders at the General Meeting, and proposals concerning the reappointment or removal of said directors to the General Meeting.
- d) To present proposals for appointment of other directors, so the board may co-opt them or submit the proposals to the shareholders at the General Meeting, and proposals concerning the reappointment or removal of said directors to the General Meeting.
- e) To present proposals for the appointment or removal of the deputy chairmen, Secretary and Deputy Secretary of the Board of Directors.
- f) To present proposals for the appointment or removal of senior managers and the basic terms of their contracts.

For the purposes of this Regulation, senior management shall be defined as directors who report directly to the Board or the Chief Executive, if such a post exists, and in any case to the head of Internal Audit.

- g) To make proposals to the Board concerning the policy for the remuneration of directors, general managers and senior managers reporting directly to the Board of Directors, executive committees or CEOs, and the individual remuneration and other contractual terms of the executive directors, ensuring that these are observed.
- h) To periodically review the remuneration schemes, particularly for senior management and the management team, assessing their suitability and performance.
- i) To organise and perform the annual assessment of the Chairman of the Board of Directors, under the direction and supervision of the Lead Director, reporting to the Board of Directors.
- j) Examine or organise, in appropriate form, the succession of the Chairman of the Board of Directors and the Company's chief executive, making recommendations to the board so that the handover proceeds in a planned and orderly manner.
- k) To inform the Board of Directors of those cases where it deems that continued membership on the Board of one or several directors could jeopardise the interests of the Company or negatively affect its image and reputation.
- l) To report annually to the Board of Directors on the assessment of the Board itself.

For any matters not addressed in the Bylaws or the aforementioned article, the Appointments and Remuneration Committee shall regulate its own operation and, failing this, the operating rules established for the Board of Directors shall apply, provided they are compatible with the nature and function of this committee.

**Section C.2.2:**

The calculation of the percentage of female directors on Board committees in 2016 was based on those in their posts at the close of the last four years pursuant to CMNV Circular 7/2015 of 22 December.

This annual corporate governance report was approved by the company's board of directors at a meeting on 30 March 2017.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No



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