



**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF "ABERTIS INFRAESTRUCTURAS, S.A." FOR THE PURPOSES PROVIDED FOR IN ARTICLE 286 OF THE LAW ON CAPITAL COMPANIES REGARDING THE MODIFICATION OF ARTICLES 21, 23 AND 29 OF THE CORPORATE BYLAWS AS REFERRED TO IN ITEM FOUR OF THE AGENDA FOR THE 2017 SHAREHOLDERS' ORDINARY GENERAL MEETING.**

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This report has been drawn up by the ABERTIS INFRAESTRUCTURAS, S.A. Board of Directors pursuant to the provisions of Article 286 of the Law on Capital Companies which requires administrators to draw up an explanatory report on the proposal to modify the Corporate Bylaws being submitted to the General Meeting.

**EXPLANATION FOR THE PROPOSAL**

The aim of the amendment to the Corporate Bylaws which are being proposed to the Shareholders' General Meeting for approval under item four of the agenda are as follows (i) to include in the Bylaws the amendments made by the Board of Directors at its meeting held on 15 December 2015 in the Board of Directors' Regulations, with a view to adapt its contents to the recommendations of the Good Governance Code of Listed Companies, approved by the Securities' Exchange Commission (*Comisión Nacional del Mercado de Valores*) on 18 February 2015 (ii) to include in the Corporate Bylaws the existing provision stated in the Board of Directors' Regulations which relate to the composition and functioning of the Corporate Social Responsibility Committee and (iii) adapt the Corporate Bylaws to incorporate the provisions which reflect the different modifications to the Law on Capital Companies introduced by the Law 22/2015, dated 20 July, on Audit of the Accounts.

Moreover, it is proposed to incorporate to the Company Bylaws the possibility to pay dividends in kind which will allow the Company to establish shareholders' remuneration innovative programs.

For the reasons indicated above, it is considered appropriate to propose the modification of the following Articles in the Corporate Bylaws to the Shareholders' General Meeting: Article 21 ("Composition of the Board"), Article 23 ("Convening and quorum of Board Meetings. Deliberations and adopting of resolutions. Board Committees") and Article 29 ("Distribution of profits. Provision and materialisation of reserves").



## **PROPOSED MODIFICATIONS**

### **A) Proposal for the wording of Article 21 of the Corporate Bylaws ("Composition of the Board"):**

The proposed modification is done with the purpose of adapting the content of this article to the recommendation 13 of the Code of Good Governance of Listed Companies, so that the Board has the optimal size to promote its efficient functioning and maximize participation setting in fifteen the maximum number of board members.

#### **Current wording:**

##### **"Article 21. Composition of the Board**

The Board of Directors will comprise no less than six Directors and no more than seventeen. Being a shareholder is not a requirement for being chosen as an administrator. The Shareholders' General Meeting is responsible for deciding the exact number of directors. For the election of directors, the provisions of article 243 of the Revised Text of the Law on Capital Companies and additional provisions shall apply.

The proposing of individuals for appointment or re-election to the Board of Directors is the responsibility of the Appointments and Remuneration Committee for independent directors and of the Board itself in all other cases. In all cases, the proposal must be accompanied by an explanatory report by the Board in which the competence, experience and merits of the proposed candidate are outlined, which will be attached to the minutes of the General Meeting or of the Board itself. The proposal of any non-independent director for appointment or re-election must also be preceded by a report by the Appointments and Remuneration Committee.

For the purposes of their registration in the Mercantile Register, the resolution of the General Meeting or the Board of Directors, as appropriate, must state the director's category".

#### **Proposed wording:**

##### **"Article 21. Composition of the Board**

The Board of Directors will comprise no less than six Directors and no more than fifteen. Being a shareholder is not a requirement for being chosen as an administrator. The Shareholders' General Meeting is responsible for deciding the exact number of directors. For the election of directors, the provisions of article 243 of the Revised Text of the Law on Capital Companies and additional provisions shall apply.



The proposing of individuals for appointment or re-election to the Board of Directors is the responsibility of the Appointments and Remuneration Committee for independent directors and of the Board itself in all other cases. In all cases, the proposal must be accompanied by an explanatory report by the Board in which the competence, experience and merits of the proposed candidate are outlined, which will be attached to the minutes of the General Meeting or of the Board itself. The proposal of any non-independent director for appointment or re-election must also be preceded by a report by the Appointments and Remuneration Committee.

For the purposes of their registration in the Mercantile Register, the resolution of the General Meeting or the Board of Directors, as appropriate, must state the director's category".

**B) Proposal for the wording of Article 23 of the Corporate Bylaws ("Convening and quorum of Board Meetings. Deliberations and adopting of resolutions. Board Committees"):**

The proposed amendment is motivated: (i) due to the modification of articles 15 ("The Audit and Review Committee"), 16 ("The Appointments and Remuneration Committee") and 17 ("The Corporate Social Responsibility Committee") of the Company's Board of Directors' Regulations approved by the Board at its meeting held on 15 December 2015 with a view to adapt its wording to the recommendations of the Good Governance Code of Listed Companies and (ii) the need to incorporate the provisions of the Law on Capital Companies on its Final Provision 4.20 of the Law 22/2015, dated 20 July, on Audit of the Accounts. Article 529 quaterdecies of the Law on Capital Companies was modified by this provision establishing a new system regarding the composition and duties of the Audit and Review Committee which entered into force on 17 June 2016.

Thus, it is proposed to amend section c.2) of article 23 of the Corporate Bylaws to include the requirement concerning that the majority (and not only two) of the members of the Audit and Review Committee must be independent Directors and that members of the Committee, as a whole, have relevant technical knowledge relating the areas of activity to which the Company belongs, as stated in section 1 of the article 529 quaterdecies of the Law on Capital Companies mentioned above. On the other hand, it is proposed to amend this section to align the wording to the minimum functions of the Audit and Review Committee to the changes made in section 4 of article 529 quaterdecies of the Law on Capital Companies, although these changes do not imply substantial alteration to the current system of the Audit and Review Committee.

It is also proposed to amend section c.3) of article 23 of the Corporate Bylaws setting in five its members and to include the requirement concerning that the majority (and not only two) of the members of the Appointments and Remuneration Committee shall be independent Directors. On the other hand, it is proposed to amend this section to align the wording



to the minimum functions of the Appointments and Remuneration Committee adapting its wording to the recommendations of the Code of Good Governance of Listed Companies.

Finally, it is also proposed to include a section c.4) to article 23 of the Corporate Bylaws to incorporate the provision stated in article 17 of the Board of Directors' Regulations relating the Corporate Social Responsibility Committee's composition and functioning. This Committee was created by the Board of Directors on its meeting held on 22 July 2014 which incorporated to the Board of Directors' Regulations an article regarding its composition and functioning. On 15 December 2015, such article was amended with the aim to adapt its wording to certain recommendations of the Good Governance Code of Listed Companies.

**Current wording:**

**Article 23. Convening and quorum of Board Meetings. Deliberations and adopting of resolutions. Board Committees.**

**a) Convening and quorum of Board Meetings**

The Board will meet when required in the Company's interest and at least once every three months. It will be convened by the Chair or by the person serving in his/her stead, on his/her own initiative or when requested by one third of the directors. Said meeting request may be made via letter, which can be sent by fax or other electronic means that provide proof of receipt.

The Meeting may convene via telephone multi-conference, video conference or any similar system, in such a way that one or several directors attend said meeting via said system. To this effect, the notification of the meeting, as well as stating the venue at which the physical meeting will take place, which the Secretary of the Board of Directors has to attend, must mention that it can be attended via telephone conference, video conference or any similar system, and must state and dispose of the technical resources required to this end, which in all cases must allow direct and simultaneous communication between all those present.

The Meeting will be considered validly constituted when a majority of the members are in attendance, either present or represented. Any director may grant representation to another director in writing, by fax, email or any other similar method. Non-executive directors may only confer powers of representation upon other non-executive directors.

**b) Deliberations and adoption of resolutions**

The Chair will chair the deliberations, giving the floor in strict order firstly to all the directors who have so requested in writing and then to those



making a verbal request. Each point on the agenda will be deliberated and voted on separately.

To adopt the resolutions, an absolute majority vote of the Directors in attendance, either present or represented, will be required, except a) in cases where any power of the Board of Directors has been permanently delegated to the Executive Committee or to the Chief Executive Officer and the appointment of the administrators who have to occupy such posts, for which the favourable vote of two-thirds of the Board will be required, and b) whenever they refer to the following matters, for which a vote in favour of more than two-thirds of the Directors, present or represented, will be required:

(i) Proposals for the transformation, merger, split or dissolution of the Company, the global transfer of its assets and liabilities, the addition of a new line of business, changes to the business object and an increase or decrease in the share capital.

(ii) Proposals for decisions that affect the number of directors, the creation of Board of Directors' Committees, the appointment to posts therein and in its Committees and the proposal for posts in the Boards of Directors of subsidiary and associated companies.

(iii) Investments and disinvestments when they exceed the greater of the following figures: a) two hundred million (200,000,000) euros, and b) a figure equivalent to five percent (5%) of the Company's own resources.

(iv) The approval and modification of the Board Regulations.

The discussions and resolutions of the Board will be recorded in a minutes book and each of the minutes will be signed by the Chair and the Secretary or by those substituting them at the meeting to which the minutes refer. The minutes may be approved either at the end of the meeting or at the next meeting, either by the Chair, the Secretary or a Director appointed to this effect.

### **c) Board Committees**

The Board may appoint an Executive Committee and, in all cases, shall appoint an Audit and Control Committee and a Nomination and Remuneration Committee, without prejudice to any other committees that may be formed, as well as any other bodies that may perform advisory or consultative tasks implemented within a certain territory, in which case their remuneration shall be established.

As the result of their application and as an additional measure, the Board's rules of operation will apply to the Board Committees.



### **c.1) Executive Committee**

The Board may appoint an Executive Committee that will be composed of at least five members and a maximum of nine and will exercise the powers conferred on it by the Board of Directors, which will be able to confer the powers necessary to this effect.

The Board of Directors will determine the number of members of the Executive Committee between the minimum and maximum established in the Corporate Bylaws, and the Chair and the Chief Executive Officer will be members thereof. The Chair of the Board will act as Chair and its secretary will be the Secretary of the Board, assisted by the Vice-Secretary.

The Executive Committee will meet whenever convened by its Chair by letter, which can be sent by fax or other electronic means that provide proof of receipt.

The Executive Committee shall be validly constituted with the attendance, either present or represented, of the majority of its members. Members of the Executive Committee may delegate their representation to other members.

Resolutions will be adopted with the favourable vote of the absolute majority of the attending directors, present or represented, except when referring to the subjects discussed in subsections (i), (ii) and (iii) of paragraph two of letter b) of this same Article 23, in which case the favourable vote of over 2/3 of the members of the Executive Committee present or represented at the meeting, will be necessary.

### **c.2) Audit and Review Committee**

The Board of Directors will appoint from among its members an Audit and Review Committee composed of five members, all of whom must be non-executive directors. At least two of the members of the Audit and Review Committee will be classified as independent directors and one of them shall be appointed in accordance with his/her knowledge and experience in accountancy, auditing or both.

The Board will likewise determine who will have the position of Chair from the independent directors, who will be substituted every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof and, failing such an appointment or in cases of absence, the Secretary of the Board will act as such.

The Audit and Review Committee will meet as many times as necessary for the execution of its functions and will be convened by



its Chair, either on his/her own initiative or at the request of the Chair of the Board of Directors, or of three Committee members.

The Audit and Review Committee will be validly formed when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, either present or represented.

Without prejudice to any other duties assigned to it by the governing legislation or the Board Regulations, the Audit and Review Committee shall have the following responsibilities as a minimum:

- a) To present to the Board of Directors, for submission to the Shareholders' General Meeting, the proposals for the selection, designation, re-election and replacement of statutory auditors or audit firms, the contracting conditions, the scope of the professional mandate and, where appropriate, the revocation or non-renovation, all in accordance with the applicable regulations, as well as to regularly gather information from them about the audit plan and the conduct thereof and preserve its independence in the performance of its duties.
- b) To inform the General Meeting regarding questions that arise within the Committee regarding its competencies.
- c) To review the Company accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, and report on the proposals for the modification of the accounting principles and criteria suggested by the management.
- d) To serve as a channel of communication between the Board of Directors and the auditors or auditing companies, to evaluate the results of each audit and the responses of the management team to their recommendations and to mediate in the event of discrepancies between the two with regard to the applicable principles and policy in the preparation of the financial statements.
- e) To monitor the effectiveness of the internal controls of the Company and the internal auditing services, verifying their suitability and integrity and reviewing the appointment and replacement of its officers, supervise the appropriate monitoring and control measures to prevent criminal offences, the risk management systems, including tax risks, and the systems to manage compliance with all applicable legislation, as well as debating with auditors any significant weaknesses of the internal review system detected while carrying out the audit.



- f) To monitor the process of preparing and presenting the required financial information.
- g) To supervise the execution of the auditing contract, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and precisely.
- h) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.
- i) To establish the appropriate relations with the auditors or auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and technical regulations concerning the auditing of accounts. In all cases, written confirmation shall be received annually from the auditors or auditing companies of their independence from the entity or entities that are directly or indirectly related to the Company, as well as information on any additional services provided to these entities and the corresponding fees received by these auditors or auditing companies, or by persons or entities linked to these, in accordance with Royal Decree 1/2011, of 1 July, which approves the revised text of the Law on Accounts Auditing.
- j) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the auditors or auditing companies. In all cases, this report must express an opinion on the valuation of the provision of the additional services referred to in the foregoing paragraph, considered individually and as a whole, other than those related to legal auditing and regarding independence or the regulations governing auditing.
- k) To consider the proposals made by the Chair of the Board of Directors, the Board members and Company directors or shareholders.
- l) To inform the Board of Directors in advance of the financial information that the Company must periodically make public, the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered as being tax havens and transactions with parties linked thereto, and any other matter set forth in the law, the Corporate Bylaws and the Board Regulations.



- m) To provide information regarding transactions that involve or could involve conflicts of interest, and in general, on the subjects considered in Chapter IX of the Board Regulations.
- n) To supervise, where appropriate, compliance with any internal protocol on relations between the Company and the company or companies from its group that are listed on the stock market.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the Board of Directors or by the regulations governing account auditing.

The Board Regulations may develop the responsibilities of the Committee and its system of organisation and operation.

### **c.3) Appointments and Remuneration Committee**

1. The Appointments and Remuneration Committee will comprise non-executive directors in the number determined by the Board of Directors, at least two of which should be independent directors, and its composition will reasonably reflect the relationship existing in the Board between directors representing substantial shareholders and independent directors.
2. The Appointments and Remuneration Committee will have the following basic duties:
  - a) To assess the competencies, knowledge and experience required of the Board of Directors. To this end, the Committee will establish the duties and aptitudes which candidates must have to cover each vacancy and will assess the time and dedication required for them to effectively carry out their role.
  - b) To establish a representation goal for the gender which is least represented on the Board of Directors and prepare guidance on how to achieve said goal.
  - c) To submit to the Board of Directors the proposals for the appointment of independent directors so they can be appointed by co-option or submitted to the decision of the Shareholders' General Meeting, as well as the proposals for the re-election or replacement of said directors by the Shareholders' General Meeting.
  - d) To announce the proposals for the appointment of the rest of the directors so they can be appointed by co-option or submitted to the decision of the Shareholders' General



Meeting, as well as the proposals for their re-election or dismissal by the Shareholders' General Meeting.

- e) To announce the proposals for the appointment and dismissal of senior executives and the basic conditions of their contracts.
  - f) To announce, in advance, the appointments of the Chair by the Board of Directors and, where appropriate, of one or more Vice-Chairs, as well as the appointment of the Secretary and, where appropriate, the Vice-Secretary. The same procedure shall be followed to agree on the dismissal of the Secretary and, where appropriate, the Vice-Secretary.
  - g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's Chief Executive Officer and, where appropriate, submit proposals to the Board of Directors so that said succession is carried out in an orderly and planned manner.
  - h) To propose to the Board of Directors the remuneration policy for the directors and the general managers or those employees who carry out senior management duties, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring compliance therewith.
  - i) To periodically review the remuneration programmes, considering their suitability and returns.
  - j) To propose to the Board of Directors the preparation of an annual report on the remuneration of its directors in the terms established by law, to be submitted to an advisory vote in the Shareholders' General Meeting.
  - k) To consider the suggestions made to it by the Chair, directors, Company managers or shareholders.
  - l) To inform the Board of Directors of all the matters set forth in the law and the Corporate Bylaws.
3. The Appointments and Remuneration Committee will meet every time the Board or its Chair requests a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.
4. The Board will appoint a Chair from among the Committee's independent directors. The Committee itself will appoint a



Secretary and may appoint a Vice-Secretary, neither needing to be directors.

The Board Regulations will establish the responsibilities of the Committee and its system of organisation and operation.”

**Proposed wording:**

**“Article 23. Convening and quorum of Board Meetings. Deliberations and adopting of resolutions. Board Committees.**

**a) Convening and quorum of Board Meetings**

The Board will meet when required in the Company’s interest and at least once every three months. It will be convened by the Chair or by the person serving in his/her stead, on his/her own initiative or when requested by one third of the directors. Said meeting request may be made via letter, which can be sent by fax or other electronic means that provide proof of receipt.

The Meeting may convene via telephone multi-conference, video conference or any similar system, in such a way that one or several directors attend said meeting via said system. To this effect, the notification of the meeting, as well as stating the venue at which the physical meeting will take place, which the Secretary of the Board of Directors has to attend, must mention that it can be attended via telephone conference, video conference or any similar system, and must state and dispose of the technical resources required to this end, which in all cases must allow direct and simultaneous communication between all those present.

The Meeting will be considered validly constituted when a majority of the members are in attendance, either present or represented. Any director may grant representation to another director in writing, by fax, email or any other similar method. Non-executive directors may only confer powers of representation upon other non-executive directors.

**b) Deliberations and adoption of resolutions**

The Chair will chair the deliberations, giving the floor in strict order firstly to all the directors who have so requested in writing and then to those making a verbal request. Each point on the agenda will be deliberated and voted on separately.

To adopt the resolutions, an absolute majority vote of the Directors in attendance, either present or represented, will be required, except a) in cases where any power of the Board of Directors has been permanently delegated to the Executive Committee or to the Chief Executive Officer and the appointment of the administrators who have to occupy such posts, for which the favourable vote of two-thirds of the Board will be



required, and b) whenever they refer to the following matters, for which a vote in favour of more than two-thirds of the Directors, present or represented, will be required:

(i) Proposals for the transformation, merger, split or dissolution of the Company, the global transfer of its assets and liabilities, the addition of a new line of business, changes to the business object and an increase or decrease in the share capital.

(ii) Proposals for decisions that affect the number of directors, the creation of Board of Directors' Committees, the appointment to posts therein and in its Committees and the proposal for posts in the Boards of Directors of subsidiary and associated companies.

(iii) Investments and disinvestments when they exceed the greater of the following figures: a) two hundred million (200,000,000) euros, and b) a figure equivalent to five percent (5%) of the Company's own resources.

(iv) The approval and modification of the Board Regulations.

The discussions and resolutions of the Board will be recorded in a minutes book and each of the minutes will be signed by the Chair and the Secretary or by those substituting them at the meeting to which the minutes refer. The minutes may be approved either at the end of the meeting or at the next meeting, either by the Chair, the Secretary or a Director appointed to this effect.

### **c) Board Committees**

The Board may appoint an Executive Committee and, in all cases, shall appoint an Audit and Control Committee and a Nomination and Remuneration Committee, without prejudice to any other committees that may be formed, as well as any other bodies that may perform advisory or consultative tasks implemented within a certain territory, in which case their remuneration shall be established.

As the result of their application and as an additional measure, the Board's rules of operation will apply to the Board Committees.

#### **c.1) Executive Committee**

The Board may appoint an Executive Committee that will be composed of at least five members and a maximum of nine and will exercise the powers conferred on it by the Board of Directors, which will be able to confer the powers necessary to this effect.

The Board of Directors will determine the number of members of the Executive Committee between the minimum and maximum established in the Corporate Bylaws, and the Chair and the Chief



Executive Officer will be members thereof. The Chair of the Board will act as Chair and its secretary will be the Secretary of the Board, assisted by the Vice-Secretary.

The Executive Committee will meet whenever convened by its Chair by letter, which can be sent by fax or other electronic means that provide proof of receipt.

The Executive Committee shall be validly constituted with the attendance, either present or represented, of the majority of its members. Members of the Executive Committee may delegate their representation to other members.

Resolutions will be adopted with the favourable vote of the absolute majority of the attending directors, present or represented, except when referring to the subjects discussed in subsections (i), (ii) and (iii) of paragraph two of letter b) of this same Article 23, in which case the favourable vote of over 2/3 of the members of the Executive Committee present or represented at the meeting, will be necessary.

## **c.2) Audit and Review Committee**

The Board of Directors will appoint from among its members an Audit and Review Committee composed of five members, all of whom must be non-executive directors. The majority of its members shall be independent directors, and all members thereof shall be appointed in accordance with their knowledge and experience in accountancy, auditing or both, or in risk management.

Additionally, all the Committee members must have relevant technical knowledge relating to the areas of activity to which the Company belongs.

The Board will likewise determine who will have the position of Chair from the independent directors, who will be substituted every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof and, failing such an appointment or in cases of absence, the Secretary of the Board will act as such.

The Audit and Review Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chair, either on his/her own initiative or at the request of the Chair of the Board of Directors, or of three Committee members.

The Audit and Review Committee will be validly formed when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, either present or represented.



Without prejudice to any other duties assigned to it by the governing legislation or the Board Regulations, the Audit and Review Committee shall have the following responsibilities as a minimum:

- a) To propose to the Board of Directors for submission to the Shareholders' General Meeting proposals for the selection, appointment, re-election and replacement of statutory auditors or audit firms, taking responsibility of the selection process, the conditions of employment, the scope of professional mandate and, where appropriate, the revocation or non-renewal, all in accordance with the applicable regulations, as well as to regularly collect information from the aforesaid on the audit plan and the implementation thereof and to maintain their independence in the exercising of their duties. In the event that the external auditor resigns, to examine the circumstances which may have led to said resignation.
- b) To report to the General Meeting on questions that may arise regarding its competencies and, in particular about the results of the audit, explaining how has itself contributed to integrity of the financial information and the role that the Committee has played in this process.
- c) To review the Company accounts, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, and report on the proposals for the modification of the accounting principles and criteria suggested by the management.
- d) To serve as a channel of communication between the Board of Directors and the auditors or auditing companies, to evaluate the results of each audit and the responses of the management team to their recommendations and to mediate in the event of discrepancies between the two with regard to the applicable principles and policy in the preparation of the financial statements.
- e) To supervise the efficacy of the company's internal control, the internal audit services that ensure the proper functioning of the internal information and control systems reporting directly to the President of the Audit and Review Committee; to ascertain the suitability and integrity of the same and propose the selection, appointment, re-election and dismissal of its managers; to propose the budget for the internal audit services to approve its direction and work plans, ensuring that its activity focuses principally on the relevant risks for the company; to receive periodic information on its activities; and to verify that the senior management takes into account the conclusions and recommendations made in its reports.



- f) To supervise the risk management systems, including the evaluation of all risks (financial, tax, operational, technological, legal, social, environmental, political, reputational and any other non-financial risks). To monitor both the adoption of and compliance with the appropriate surveillance and control measures by the risk control and management services to prevent the commission of criminal offences, and the systems for managing compliance with all applicable regulations, and discussing with the auditors any significant weaknesses of the internal control system detected during the audit, all without violating his independence. To this end, and when appropriate, they may make recommendations or proposals to the board of directors and the term follow-up.
- g) To supervise the drafting process and integrity of the financial information relating to the company and its group by reviewing compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of accounting criteria. To submit, if applicable, recommendations or proposals to the Board of Directors to safeguard financial mandatory information.
- h) To supervise the execution of the auditing contract, ensuring that the opinion on the annual accounts and the main contents of the audit report are drawn up clearly and precisely.
- i) To supervise compliance with the corporate Code of Ethics.
- j) To establish and to supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.
- k) To establish appropriate relations with the accounts auditors or auditing companies in order to receive information on issues where threats to their independence might arise, for examination by the Committee, and any other information relating to the accounts auditing process and, where appropriate, the authorization of different services than those prohibited in the terms set out in the applicable regulations, relating the independence system, as well as any other disclosures provided for in account auditing legislation and auditing rules. It shall ensure that the remuneration paid for work done by the accounts auditors and audit companies does not adversely affect their quality or independence. In particular, the Committee shall ensure that the company and the external auditor respect the current regulations on the provision of non-audit services, the limits on the scope of the auditor's business and, in general, all regulations concerning the independence of auditors. In all



cases, written confirmation shall be received annually from the accounts auditors or auditing companies confirming their independence from any entity or entities directly or indirectly related to the company, as well as detailed and individualised information on any additional services provided to, and the corresponding fees received from, these entities by the aforementioned auditors or auditing companies, or by persons or entities linked to them, in accordance with the rules governing the auditing activity account.

- l) To issue, on an annual basis, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the accounts auditors or auditing companies is compromised. This report shall include, in all cases, the valuation of the provision of additional services other than the legal audit referred to in the preceding paragraph, considered individually and as a whole, and with regard to the system of independence or to the audit regulations.
- m) To ensure that the external auditor meets annually with the Board of Directors to inform the latter on the work conducted and on the evolution of the accounting situation and the risks to the company.
- n) To oversee that the company notifies the National Securities Exchange Commission as a relevant fact of any change of auditor, along with a statement on any disagreements with the outgoing auditor and, where applicable, the content thereof.
- o) To consider the proposals made by the Chair of the Board of Directors, the Board members and Company directors or shareholders.
- p) To inform the Board of Directors in advance of the financial information that the Company must periodically make public, the creation or acquisition of shares in entities with a special purpose or domiciled in countries or territories considered as being tax havens and transactions with parties linked thereto, and any other matter set forth in the law, the Corporate Bylaws and the Board Regulations.
- q) To provide information regarding transactions that involve or could involve conflicts of interest, and in general, on the subjects considered in Chapter IX of the Board Regulations.
- r) To supervise, where appropriate, compliance with any internal protocol on relations between the Company and the company or companies from its group that are listed on the stock market.



The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the Board of Directors or by the regulations governing account auditing.

The Board Regulations may develop the responsibilities of the Committee and its system of organisation and operation.

### **c.3) Appointments and Remuneration Committee**

1. The Appointments and Remuneration Committee shall comprise five non-executive directors. The majority of its members must be independent directors and members must have the knowledge, skills and experience required for the duties that they may be required to perform. When carrying out its duties, the Committee may call on guidance from specialist external consultants.
2. The Appointments and Remuneration Committee will have the following basic duties:
  - a) To assess the competencies, knowledge and experience required of the Board of Directors. To this end, the Committee will establish the duties and aptitudes which candidates must have to cover each vacancy and will assess the time and dedication required for them to effectively carry out their role.
  - b) To establish a representation goal for the gender which is least represented on the Board of Directors and prepare guidance on how to achieve said goal.
  - c) To submit to the Board of Directors the proposals for the appointment of independent directors so they can be appointed by co-option or submitted to the decision of the Shareholders' General Meeting, as well as the proposals for the re-election or replacement of said directors by the Shareholders' General Meeting.
  - d) To announce the proposals for the appointment of the rest of the directors so they can be appointed by co-option or submitted to the decision of the Shareholders' General Meeting, as well as the proposals for their re-election or dismissal by the Shareholders' General Meeting.
  - e) To report to the Board proposals for the appointment and dismissal of senior management posts and to propose to the Board their basic contract conditions.



- f) To announce, in advance, the appointments of the Chair by the Board of Directors and, where appropriate, of one or more Vice-Chairs, as well as the appointment of the Secretary and, where appropriate, the Vice-Secretary. The same procedure shall be followed to agree on the dismissal of the Secretary and, where appropriate, the Vice-Secretary.
- g) To examine and organise the succession of the Chair of the Board of Directors and of the Company's Chief Executive Officer and, where appropriate, submit proposals to the Board of Directors so that said succession is carried out in an orderly and planned manner.
- h) To propose to the Board of Directors the remuneration policy for the directors and the general managers or those employees who carry out senior management duties, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring compliance therewith.
- i) To conduct a periodic review of the remuneration policy applied to directors and chief executives or other senior managers, including remuneration systems with shares and their application, as well as guaranteeing that the individual remuneration is proportional to that paid to other directors and senior management in the company.
- j) To verify the information on the remuneration of directors and senior management appearing in the different corporate documents, including the annual report on directors' remuneration, and to propose the approval of the aforesaid annual remuneration report to the Board of Directors for submission to the General Shareholders' Meeting for a consultative vote.
- k) To ensure that any conflicts of interest do not adversely affect the independence of specialised external consultants on whose guidance the Committee has resolved to rely.
- l) To supervise compliance with the company's corporate governance regulations.
- m) To oversee the communications strategy and relationships with shareholders and investors, including small and medium-sized shareholders.
- n) To conduct a periodic evaluation of the Company's corporate governance system in order to comply with its duty of promoting the Company's interests, and taking into account, where appropriate, the legitimate interests of all other stakeholders.



- o) To consider the suggestions made to it by the Chair, directors, Company managers or shareholders.
  - p) To inform the Board of Directors of all the matters set forth in the law and the Corporate Bylaws.
3. The Appointments and Remuneration Committee will meet every time the Board or its Chair requests a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of three (3) members of the Committee itself.
  4. The Board will appoint a Chair from among the Committee's independent directors. The Committee itself will appoint a Secretary and may appoint a Vice-Secretary, neither needing to be directors.

The Board Regulations will establish the responsibilities of the Committee and its system of organisation and operation.

#### **c.4) Corporate Social Responsibility Committee**

1. The Corporate Social Responsibility Committee shall comprise five non-executive directors. The majority of its members must be independent directors and the Committee must be chaired by one of said directors. The members of this Committee shall be appointed taking into consideration their knowledge, skills and experience in matters pertaining to corporate social responsibility.
2. Without prejudice to the other tasks assigned to it by the Board, the Corporate Social Responsibility Committee shall have the following basic responsibilities:
  - a) To report to the Board on the general policy, objectives and programmes relating to corporate social responsibility; to ensure the adoption and effective application of the aforesaid corporate social responsibility policy; to monitor the degree of compliance with the same and with corporate social responsibility strategy and practices; and to review the aforesaid policy, ensuring that it is orientated toward value creation.
  - b) To oversee and evaluate the process of establishing relations with the different stakeholders.
  - c) To coordinate the process of reporting on non-financial information and on diversity, pursuant to the applicable regulations and in line with international reference standards.



- d) To review and draft the annual Corporate Social Responsibility Report prior to its submission to the Board of Directors.
- e) To recommend the strategy relating to the Abertis Foundation's contributions and to subject them to compliance with the corporate social responsibility programmes adopted by the company.
- f) Any other duties relating to matters within its area of competence and that may be requested of it by the Board of Directors or the Chair of the Board.

3. The Corporate Social Responsibility Committee will meet every time the Board or its Chair requests that a report be issued or proposals be adopted and, in any event, whenever it is deemed advisable for the proper execution of its duties. It will be convened by its Chair or three members of the Committee.

4. The Committee shall appoint a Secretary and may appoint a Vice-Secretary, with neither needing to be Committee members."

**C) *Proposal for the wording of Article 29 of the Corporate Bylaws ("Distribution of profits. Provision and materialisation of reserves"):***

The aim of the proposed amendment is to incorporate to the Company's Bylaws the possibility to pay dividends in kind which will allow the Company to establish shareholders' remuneration innovative programs.

**Current wording:**

**"Article 29. Distribution of profits. Provision and materialisation of reserves**

The distribution of the net profits of the company and the provision of the reserves shall be made subject to the agreement of the Shareholders' General Meeting, in the manner and according to the requirements and limitations envisaged in the general and specific legislation in force and applicable to the Company at any given moment and in the present Bylaws".

**Proposed wording:**

**"Article 29. Distribution of profits. Provision and materialisation of reserves**

The distribution of the net profits of the company and the provision of the reserves shall be made subject to the agreement of the Shareholders' General Meeting, in the manner and according to the requirements and



limitations envisaged in the general and specific legislation in force and applicable to the Company at any given moment and in the present Bylaws.

The Shareholder's Meeting may decide to pay the dividend partly or wholly in kind, provided that: (i) the assets or securities to be distributed are homogeneous, (ii) the assets or securities to be distributed are listed on an official secondary market at the time the decisions take effect or the company duly guarantees their liquidity within a maximum time-frame of one year, and (iii) the assets or securities are not distributed at a value below their carrying amount on the company's balance sheet."

Barcelona, on 28 February 2017.