

Report of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. on the proposal to amend articles 5, 14, 23, 24 and 25 of the Statutes of the Board of Directors, resolved in its meeting of 17 December 2020

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1. REPORT

On 26 June 2020, the Spanish Securities and Exchange Commission (CNMV) approved a **partial revision of the Code of Good Governance of Listed Companies** [*Código de Buen Gobierno de las sociedades cotizadas*] updating and adapting several recommendations of the Code. Along these lines, **CNMV Circular 1/2020, of 6 October** was approved, which amended the Annual Corporate Governance Report and Annual Directors Remuneration Report models, the transitional provision of which established that corporate texts and policies must be adapted to the partial reform of the Code of Good Governance to comply with the recommendations changed in the 2020 Annual Corporate Governance Report.

On this basis, the Board of Directors, following a favourable report from the Audit Committee, at its meeting held on 17 December 2020, resolved to amend articles 5, 14, 23, 24 and 25 of the Rules of Order of the Board of Directors of ACS, Actividades de Construcción y Servicios, S.A. (the "*Company*") to introduce the amended **recommendations of the Code of Good Governance**.

In accordance with section 528 of the Spanish Corporate Enterprises Act [*Ley de Sociedades de Capital*] and article 15 of the Articles of Association, the Board of Directors of the Company is preparing this report in order to inform the Ordinary General Shareholders' Meeting of the Company of the approved amendments.

2. APPROVED AMENDMENTS

The comparative text of the articles of the Board's Rules of Order from before the amendments and their current text is attached below as an annex.

Madrid, 31 March 2021

ANNEX

Article 5.- Duties

1. Pursuant to article 18 of the current Articles of Association, the Board is responsible for representing the Company and managing its business, and for performing any operations in or related to its corporate purpose.

In the exercise of its duties, the Board will act in accordance with the company's interests and in the best interests of its shareholders.

2. Under no circumstances may the Board delegate the following powers:
 - a) Supervision of the effective functioning of any Committees it may have set up and of the performance of the delegated bodies and of the executives it may have appointed.
 - b) Determining the general policies and strategies of the Company.
 - c) Authorisation or waiver of the obligations deriving from the duty of loyalty.
 - d) Its own organisation and functioning.
 - e) The drawing up of the annual financial statements and their presentation to the General Meeting.
 - f) Formulation of any kind of report required by law from the management body, provided that the operation to which the report refers cannot be delegated.
 - g) Appointment and removal of the Company's managing directors, as well as the establishment of the terms of their contracts.
 - h) Appointment and removal of executives who report directly to the Board or any of its members, as well as the establishment of the basic conditions of their contracts, including their remuneration.
 - i) Decisions on directors' remuneration, within the framework of the Articles of Association and, where appropriate, the remuneration policy approved by the General Meeting.
 - j) The calling of the General Shareholders Meetings and the drawing up of the agenda and the proposal of resolutions.
 - k) The policy relating to treasury shares.
 - l) The powers delegated by the General Meeting to the Board of Directors, unless it has expressly authorised the Board to sub-delegate them.
 - m) Approval of the strategic or business plan, the annual management objectives and budget, the investment and financing policy, the corporate social responsibility [and sustainability](#) policy and the dividend policy.
 - n) Determination of the risk control and management policy, including tax risks, and supervision of internal reporting and control systems.

- o) Determining the corporate governance policy of the Company and of the group of which it is the controlling entity; their organisation and operation and, in particular, the approval and amendment of their internal regulations.
- p) Approval of the financial information that, as a listed company, the Company must periodically publish.
- q) Definition of the structure of the group of companies of which the Company is the controlling entity.
- r) Approval of the policy relating to communication and contacts with shareholders and institutional investors within the framework of their involvement in the Company, as well as with proxy advisors, including the communication of economic/financial, non-financial and corporate information.
- rs) Approval of investments or transactions of all kinds that, due to their high amount or special characteristics, are of a strategic nature or have a special tax risk, unless the General Meeting must approve them.
- st) Approval of the creation or acquisition of shares in special purpose vehicles or entities domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the Company and its group.
- tu) Approval, following a report from the Audit Committee, of transactions that the company or companies in its group carry out with directors, in the terms stipulated in prevailing legislation, or with shareholders holding, individually or in concert with others, a significant stake, including shareholders represented on the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them. The Directors concerned or that represent or are related to the shareholders concerned must refrain from participating in the deliberation and voting on the resolution in question. Only transactions that simultaneously meet the following three will will be exempted from this approval:
 - 1. those carried out under contracts whose terms and conditions are standardised and applied *en masse* to a large number of customers;
 - 2. those carried out at prices or rates generally established by the party acting as supplier of the good or service in question; and
 - 3. where the amount does not exceed one per cent of the Company's annual revenues.
- uv) Determination of the Company's tax strategy.
- w) Supervision of the process of preparation and presentation of the financial information and the directors report, which will include the mandatory non-financial information.

When there are duly justified circumstances of urgency, decisions on the above matters may be adopted by delegated bodies or persons, which must be ratified at the first Board of Directors meeting held after the decision is adopted.

Article 14.- Obligations of Board Members

1. Duty of due diligence

Directors must perform their positions and the duties imposed by law and the Articles of Association with the diligence of an orderly businessperson, taking into account the nature of their office and the functions attributed to each of them.

Directors must be suitably dedicated and must adopt the measures necessary for the proper management and control of the Company.

In the performance of their duties, Directors have the duty to demand and the right to obtain from the Company the appropriate and necessary information to discharge their obligations.

2. Duty of loyalty

Directors will perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interests of the Company.

In particular, the duty of loyalty obliges directors:

- a) Not to exercise their powers for purposes other than those for which they were granted.
- b) To keep secret any information, data, reports or background information to which they have had access in the performance of their duties, even when they have ceased to hold office, except in those cases in which the law so permits or requires.
- c) To refrain from participating in the deliberation and voting on resolutions or decisions in which they or related parties have a direct or indirect conflict of interest. This obligation to abstain will not apply to resolutions or decisions affecting them as directors, such as their appointment to or removal from the Board of Directors or others of similar significance.
- d) To perform their duties under the principle of personal responsibility with freedom of judgement and independence with respect to instructions and links with third parties.
- e) To adopt the necessary measures to avoid incurring in situations in which their interests, whether their own or those of others, may conflict with the corporate interest and with their duties to the Company.
- f) To report and, if appropriate, to resign when situations arise that affect them, whether or not they are related to their actions in the Company itself, that may damage the credit and reputation of the Company and, in particular, any criminal proceedings in which they are under investigation, as well as of their procedural developments. After having been informed or otherwise learned of the matter, the Board of Directors will examine the case as soon as possible and, having regard to the specific circumstances, will decide, following a report from the Appointments Committee, whether to take any action, such as opening an internal investigation, requesting the resignation of the Director or proposing the Director's removal. This must be reported in the Annual Corporate Governance Report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes, without prejudice to the information that the Company must disclose, if appropriate, at the time the corresponding measures are adopted.

3. Individuals designated to permanently perform the duties of a legal entity director must meet the legal requirements established for directors, and will be subject to the same duties and will be jointly liable with the legal entity director.

Article 23.- The Executive Committee

The Executive Committee will be made up of [at least two non-executive directors, at least two of whom must be independent directors](#). In any case, the Committee will be formed by the Chair of the Board of Directors, who will be its Chair, and by the Deputy Chair(s) of the Board of Directors and of the Executive Committee and by the Managing Director, if these positions have been appointed, by the Directors appointed for this purpose by the Board of Directors and by the Secretary of the Board of Directors, who may speak but not vote, and who will be its Secretary.

The Executive Committee will meet as often as called by its Chair, at the Chair's own initiative or at the request of at least two of its members. It will be deemed to be duly convened when a majority of its members are present or represented and, unless otherwise stipulated in current legislation, in the Articles of Association or in these Regulations, it will adopt its resolutions by a majority of those present or represented.

The Executive Committee will exercise, by delegation of the Board of Directors, all the powers corresponding to the Board except those that, by law or the Articles of Association, cannot be delegated. Nevertheless, the Board of Directors may take charge of the knowledge and decision of any matter under its purview and, for its part, the Executive Committee may submit to the decision of the Board of Directors any matter that, even though it is under its own purview, it deems necessary or advisable for the Board to decide on it.

To the extent necessary and with the natural adaptations, the provisions of these Regulations relating to the functioning of the Board of Directors will apply to the functioning of the Executive Committee.

Article 24.- The Audit Committee

1. In accordance with the provisions of Article 21 of the Company's Articles of Association, there will be an Audit Committee made up of a minimum of three and a maximum of five members who will be appointed and discharged, from among its members, by the Board of Directors. Under no circumstances may such appointment fall to anyone who currently performs or who has carried out tasks of an executive or labour-related nature at the Company during the three immediately preceding years. The majority of the members of the Audit Committee will be Independent Directors and one of them will be appointed on the basis of his or her knowledge and experience in accounting or auditing or both. Notwithstanding the above, steps must be taken to ensure that all members of the Audit Committee as a group – especially its Chair – are appointed on the basis of their financial and non-financial knowledge and expertise in accounting, auditing or risk management and also in all areas which are helpful in performing all their duties for the Audit Committee, such as finance, internal monitoring and information technology.

In turn, without prejudice to the obligation to promote diversity in terms of gender and of geographic origin, the Audit Committee members must have relevant technical skills in relation to the Company's area of activity.

2. The Chair will be appointed by the Board of Directors, and the office will necessarily correspond to one of the Company's Independent Directors, who may not remain in such

position for a period in excess of four years, although he/she may, nevertheless, be re-elected after the period of one year has elapsed from the moment of cessation. The Chair of the Committee will act as its spokesperson at meetings of the Board of Directors and, where applicable, of the Company's General Shareholders Meeting.

The Secretary to the Company's Board of Directors will attend meetings with the right to speak but not to vote. The Secretary's role will be to assist the Chair of the Committee in planning the meetings, compile and distribute the necessary information in sufficient time, and will draft the Minutes of the meeting, which will be forwarded to all members of the Board of Directors following their approval.

3. Under the supervision of the Audit Committee, it will have a unit which will assume the internal audit function to oversee the sound functioning of the reporting and internal control systems. From a functional standpoint, it will be answerable to the Non-Executive Chair of the Board or to that of the Audit Committee. The head of internal audit should present an annual work program to the Audit Committee, informing it directly of its performance, including any incidents limits on its scope arising during its implementation, and of the results and tracking of its recommendations, and submit an activities report at the end of each year.
4. The notice of a meeting, which must always include the agenda and should be accompanied by the necessary information, although in certain circumstances, it may be justified to distribute all or part of the information at the meeting itself, rather than in advance. The Audit Committee will only be deemed to be constituted when the majority of its members attend and it will adopt its agreements by the majority vote of those attending, with the Chair having the casting vote in the event of a tie.
5. The Committee will meet as many times as convened by its Chair and, in any case, it must coincide with the initial and final phases of the audit of the Company's financial statements and the consolidated financial statements of its Group of Companies, prior to the issuance of the corresponding auditors' reports, as well as upon the process of preparing financial reporting packages which must be made public by the Company. The Company's Auditor and the internal auditor may attend meetings of the Audit Committee where specifically invited to explain key issues arising from the audit procedures carried out.
6. The Audit Committee will have the following functions:

As pertains to oversight of financial and non-financial information:

- a) To report to the General Shareholders' Meeting on all matters arising within the mandate of the Committee and, in particular, on the result of the audit, explaining how the audit contributed to the integrity of the financial information and the role that the Committee played in that process.
- b) To supervise and evaluate the preparation and presentation of the company's, and where applicable the Group's, financial and non-financial information, reviewing compliance with regulatory requirements and ensuring the adequacy of the consolidation scope defined and appropriate application of accounting criteria and, in particular, being aware of, understanding and supervising the efficacy of the financial information control system (SCIIF). The Committee may present recommendations or proposals to the Board of Directors, with the aim of safeguarding the integrity of the financial information. The Committee may present recommendations or proposals to the Board of Directors to safeguard the integrity of the financial

information.

- c) To report to the Board of Directors, in advance, on the financial information that the Company must periodically make public.
- d) To ensure that the Annual Financial Statements that the Board of Directors submits to the General Shareholders Meeting are drawn up in accordance with accounting regulations and that, in cases where the auditor has indicated a reservation in its report, the Chair of the Audit Committee explains its content and scope with clarity in the General Meeting in the opinion of the Audit Committee, placing a summary of their opinion at the shareholders' disposal when the meeting call is published, together with the other proposals and reports.

As pertains to the oversight of the internal control and internal audit:

- e) To oversee the effectiveness of the Company's internal controls, ensuring that the [internal control policies and procedures in place are applied effectively in practice, and that of the internal](#) audit, while discussing any significant weaknesses in the internal control system identified during the performance of the audit with the statutory auditor, all of which must be done without compromising its independence, while providing its conclusion on the level of its trust in and reliability of the system. To this end, as the case may be, it may make recommendations or proposals to the Board of Directors and define the corresponding time-frame allowed for follow-up.
- f) To supervise the independence of the internal audit unit; propose the selection, appointment, and substitution of the head of the internal audit department; propose the budget for the service; approve its orientation and annual internal audit work plans, ensuring that activities are directed principally towards key risks (including reputational risks); receive regular information on internal activities; ensure that senior management takes the conclusions and recommendations of internal audit reports into consideration; and annually assess the workings of the internal audit unit and the performance of its duties by the person responsible for the unit.
- g) To establish and oversee a whistle-blowing mechanism that lets employees and others related to the Company, such as board members, suppliers, contractors and subcontractors, confidentially report any potentially significant violations, including those of a financial or accounting nature, or of any other nature, in relation to the Company that they may observe in the Company and its group, by receiving periodic reports on its performance, while having the power to suggest timely actions for improvement and to reduce the risk of such violations occurring in the future.

As pertains to the oversight of risk management and control:

- h) To supervise and evaluate the effectiveness of the financial and non-financial risk management systems related to the [Company and its group, including operational, technological, legal, social, environmental,](#) political and reputational risks and those related to corruption.
- i) To re-assess, at least annually, the list of the most significant financial and non-financial risks and assess the respective level of risk tolerance, while proposing, where appropriate, the corresponding adjustment to the Board of Directors. For these purposes, the Committee will hold, at least annually, a meeting with the heads of the

business units in which they will explain the business trends and associated risks.

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

In relation to the external auditor:

- k) To make proposals to the Board of Directors with regard to the selection, appointment, re-selection or replacement of the external auditor, while undertaking the selection process, as well as the conditions of the respective contracting, for which purpose it must:
 - 1. define the process for selection of the auditor; and
 - 2. issue a justified proposal that will contain at least two alternatives for the selection of the auditor, except in the case of the auditor's re-appointment.
- l) To obtain regular information from the external auditor on the audit plan, its execution and any other issues related to the financial auditing process, in particular any discrepancies that may arise between the statutory auditor and the Company's management, in addition to preserving its independence while performing its functions.
- m) To establish the appropriate relationships with the external auditor for the purpose of receiving information on any matter which may jeopardize the respective independence, for the examination of the Committee, and any other matter relating to the development process of the financial auditing, and when applicable authorize the services other than those which are prohibited, under the terms provided for in the applicable regulations, in addition to any other notification provided for under Spanish laws regarding financial auditing and technical auditing standards.

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

- n) To issue a report on an annual basis, in advance of the issuance of the audit report, expressing an opinion on whether the independence of the statutory auditor has been maintained. This report will in any case address the justified assessment of each and all of the services referred to in the preceding paragraph, considered both individually and as a whole, and the system in place to assure auditor independence and compliance with prevailing audit regulations.
- ñ) To examine the circumstances and reasons in the event of resignation of the external auditor.
- o) To ensure that the remuneration of the external auditor's work does not compromise quality or independence, in addition to establishing a guideline cap on the fees that the auditor may receive annually for services other than auditing.
- p) To oversee reporting by the company of any change of auditor through the CNMV,

and to ensure that it is accompanied by a statement with regard to the possible existence of disagreements with the outgoing auditor, if any, and their content.

- q) To ensure that the external auditor holds an annual meeting with the whole of the board of directors to report on the audit work carried out and on the evolution of accounting matters and the risks to which the company is exposed.
- r) To ensure that the Company and the external auditor respect prevailing regulations governing providing services unrelated to auditing, the limits on the concentration of the auditor's business and the terms of the regulations governing auditor independence in general.
- s) To perform a final assessment of the auditor's actions and to what extent contributions were made to the quality of the audit and the integrity of the financial information.

Other duties:

- t) To report to the Board of Directors on all matters where so required by Law, the Corporate By-Laws and these Rules of Order of the Board of Directors, in particular with regard to:
 - 1. the financial conditions, accounting impact and, as the case may be, on such transactions concerning transactions involving structural and corporate changes which the Company plans to carry out.
 - 2. the creation or acquisition of investments in special purpose vehicles registered in countries or territories listed as tax havens; and
 - 3. the transactions with related-parties.

Letters (k), (l), (m) and (n) above will be understood without prejudice to audit regulations.

- 7. Before attending meetings of the Audit Committee, members must put in sufficient effort to analyse and assess the information received. In addition, at Committee meetings, constructive dialogue and free expression between the members will be encouraged, and members will be encouraged to adopt a vigilant and analytical attitude. The Chair of the Committee must ensure that members are freely participating in the discussions.
- 8. The Audit Committee may convene any Company employee or manager, even ordering their appearance without the presence of another senior executive, and also insist that other persons attend their sessions, though only by invitation of the Chair of the Committee, and only to address those specific points of the agenda which they are called to explain, provided the matter at hand justifies such a measure. In particular, guests may not attend the deliberation and voting phases of the Committee.
- 9. The Audit Committee must establish an effective channel for periodic communication with their usual interlocutors, normally between the Chair of the Committee and, amongst others, the Company management – in particular, the general management and finance department, the head of internal audits, and the main auditor responsible for account auditing. In particular, communication between the Audit Committee and the external auditor must be free and continuous, in accordance with the regulations on account auditing.

10. The Audit Committee may have adequate access, when required, to any information or documentation the Company has, and may receive advice from external experts when deemed necessary for the Committee to discharge its duties properly.
11. The Company must provide the Audit Committee with sufficient resources to perform its duties. In particular, the Committee will have a periodic training plan to help update the Committee members' knowledge, and a program will also be run to help integrate new Committee members.
12. The Audit Committee will establish an annual work plan listing the main activities the Committee intends to carry out over the course of the year. In addition, the Committee will produce an annual report on its operation during the year, including, amongst other things, significant activities carried out over that period, specifying those which have been conducted with the help of external experts.
13. To the extent necessary and with the natural adaptations, the provisions of these Regulations relating to the functioning of the Board of Directors will apply to the functioning of the Audit Committee.

Article 25.- Corporate governance and environmental and social sustainability duties of the Audit Committee

In addition to the duties indicated in the preceding article, the Audit Committee will supervise compliance with the Company's environmental, social and corporate governance rules and policies, and with the internal codes of conduct, with it assigned the following duties:

- a) Supervision of compliance with the rules of corporate governance and the Company's internal codes of conduct, while also ensuring that the corporate culture is in line with its purpose and values.
- b) Supervision of the application of the general policy on communicating financial/economic and non-financial corporate information and on communications with shareholders and investors, vote advisers and other stakeholders. It must also monitor how the Company communicates and relates to small and medium shareholders.
- c) Regular evaluation and review of the adequacy of the Company's system of corporate governance and environmental and social policy to ensure that they fulfil its mission of promoting the social interest and take into account in an appropriate manner the legitimate interests of other stakeholders.
- ~~d) To review the Company's corporate responsibility policy, ensuring that it is oriented toward the creation of value;~~
- d) Supervision to ensure that the Company's environmental and social practices are in accordance with the defined strategy and policy.
- e) Oversight and evaluation of processes affecting different stakeholder groups.

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

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