

## ANNEX 1

# ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### ISSUER IDENTIFICATIONS DETAILS

<b>YEAR ENDING</b>	<b>31/12/2017</b>
<b>TAX ID. #</b>	<b>A-36046993</b>
<b>REGISTERED NAME</b>	
<b>GRUPO EMPRESARIAL SAN JOSE, S.A.</b>	
<b>REGISTERED ADDRESS</b>	
<b>ROSALIA DE CASTRO 44, BAJO (PONTEVEDRA)</b>	

## A. OWNERSHIP STRUCTURE

### A.1 COMPLETE THE FOLLOWING TABLE ON THE COMPANY'S SHARE CAPITAL:

Last modification date	Share Capital (€)	Number of shares	Number of voting rights
27/06/2008	1,950,782.49	65,026,083	65,026,083

Indicate whether there are different types of shares with different associated rights:

Yes  No

### A.2 PROVIDE DETAILS OF THE DIRECT AND INDIRECT OWNERS OF SIGNIFICANT SHAREHOLDINGS IN YOUR COMPANY AT YEAR END, EXCLUDING DIRECTORS:

Shareholder name or company name	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Ms MARIA VIRTUDES SÁNCHEZ ÁVALOS	3,405,956	0	5.24%
Ms JULIA SÁNCHEZ ÁVALOS	4,889,484	0	7.52%
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	0	2,608,735	4.01%
PINOS ALTOS XR, S.L	15,176,795	0	23.34%

Name of indirect shareholder	Trough: Name of shareholder	Number of direct voting rights
Ms MARIA JOSÉ SÁNCHEZ ÁVALOS	CAROVAL HOLDING, S.A.	2,620,735

Indicate the most significant changes in the shareholder structure during the year:

### A.3 COMPLETE THE FOLLOWING TABLES ON THE MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS WHO HAVE VOTING RIGHTS OVER SHARES IN THE COMPANY:

Name or company name of Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	180,000	0	0.28%
Mr. RAMON BARRAL ANDRADE	350,000	0	0.54%
Mr. JACINTO REY GONZÁLEZ	16,224,999	15,176,795	48.29%
Mr. JACINTO REY LAREDO	213,140	0	0.33%
Mr. MANUEL OTERO NOVAS	17,523	0	0.03%
Mr. ENRIQUE MARTIN REY	102	0	0.00%

Name of indirect shareholder	Trough: Name of direct shareholder	Number of direct voting rights
Mr. JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	15,176,795

% total of voting rights in possession of the Board of Directors	49.47%
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**Complete the following tables on the members of the Company's Board of Directors who hold Company share options.**

**A.4 INDICATE, WHERE APPLICABLE, ANY FAMILY, COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONS BETWEEN THE HOLDERS OF SIGNIFICANT SHAREHOLDINGS, WHERE THEY ARE KNOWN BY THE COMPANY, UNLESS SUCH RELATIONS ARE IRRELEVANT OR ARISE FROM NORMAL TRADING ACTIVITIES:**

Name or company name of relationships
Ms. MARIA VIRTUDES AND Ms. JULIA SANCHEZ AVALOS
MS. MARIA JOSE SANCHEZ AVALOS

**Type of relationship:** Family

**Brief description:**

The three holders of shares are sisters; Ms. Maria Jose is indirect holder of shares through the company Caroval Holding, S.A.

**A.5 INDICATE, WHERE APPLICABLE, ANY COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONS BETWEEN THE HOLDERS OF SIGNIFICANT SHAREHOLDINGS, AND THE COMPANY AND/OR ITS GROUP, UNLESS SUCH RELATIONS ARE IRRELEVANT OR ARISE FROM NORMAL TRADING ACTIVITIES:**

**A.6 INDICATE WHETHER ANY SHAREHOLDER AGREEMENTS HAVE BEEN NOTIFIED TO THE COMPANY THAT AFFECT IT UNDER ARTICLES 530 AND 531 OF THE CORPORATE ENTERPRISES ACT. IF SO, DESCRIBE THEM BRIEFLY AND SPECIFY THE SHAREHOLDERS BOUND BY SUCH AGREEMENTS:**

Yes  No

**Indicate whether the company knows of the existence of any concerted actions among its shareholders. If so, describe them briefly:**

Yes  No

**If any modification or cancellation of these covenants, agreements or concerted actions has taken place during the year, please make express mention of this:**

The company has no formal knowledge of any concerted actions between its shareholders.

**A.7. INDICATE WHETHER THERE IS ANY INDIVIDUAL PERSON OR COMPANY THAT EXERCISES, OR MAY EXERCISE, CONTROL OVER THE COMPANY, PURSUANT TO ARTICLE 5 OF THE SECURITIES MARKET ACT. IF SO, IDENTIFY:**

Yes  No

<b>Name</b>
Mr. JACINTO REY GONZÁLEZ
<b>Comments</b>
48.292% of total share capital

**A.8 COMPLETE THE FOLLOWING TABLES ON THE COMPANY'S TREASURY STOCK:**

**At year end:**

Number of direct shares	Number of indirect shares (*)	% of total share capital
0	0	0.000

**(\*) Through:**

**Explain any significant changes occurring during the year, pursuant to Royal Decree 1362/2007:**

**A.9 GIVE DETAILS OF THE TERMS AND CONDITIONS CORRESPONDING TO THE ANNUAL GENERAL MEETING'S CURRENT MANDATE TO THE BOARD OF DIRECTORS TO ISSUE, BUY BACK OR ASSIGN TREASURY STOCK.**

On 23 June 2016, the AGM resolved the following:

Ninth. Authorisation to the board of directors for the acquisition, whether directly or through subsidiaries, and for the acceptance in guarantee of treasury shares.

To authorise the Board of Directors for the derivative acquisition of treasury shares of the Company, whether directly or through subsidiary companies, subject to the following restrictions and requirements:

- Methods of acquisition: acquisition through purchase and sale, or through any other inter-vivos act for consideration or any other method permitted by law.
- Maximum amount of shares to be acquired: acquisitions may be made up to the maximum amount permitted by law.
- Minimum and maximum price of acquisition: the minimum acquisition price of the shares shall be 75% of its market price and the maximum price shall be 120% of its market price on date of acquisition.
- Duration of the authorization: five years as from the date of this resolution.
- To handover to employees and directors: the board of directors is authorised to allocate, total or partially, treasury shares acquired to the execution of retributive programmes that handover

shares or option rights over shares, in accordance with the provisions under section 1 a) of Article 146 of the Companies Act.

In the event that a pledge or guarantee is established for the treasury stock and shall be executed, any limits and requirements established under the applicable regulations and the purchase agreement of said shares are applicable.

**A. 9 BIS ESTIMATED FLOATING CAPITAL:**

	%
<b>Estimated floating capital</b>	30.00

**A.10 Indicate, where applicable, whether there is any restriction to the transfer of securities and/or any other restriction on voting rights; in particular, any type of restrictions that may make it difficult to take control of the company by the acquisition of its shares on the market must be reported.**

Yes  No

**Description of the restrictions**

The transmission of the warrants issued by the company on the occasion of the finance restructure as of 29.12.2014 is subject to two limitations: I) the transfer of warrants shall take place together with the collection rights and II) GESJ shareholders are entitled preferential purchase option of said warrants.

**A.11 Indicate whether the Annual General Meeting has agreed to adopt neutralisation measures against a takeover bid by virtue of the provisions in Act 6/2007.**

Yes  No

**A.12 Indicate whether the company has issued securities not traded on a regulated Community market.**

Yes  No

**If so, indicate types of shares and rights and obligations of each type.**

Warrants issued on occasion of the finance restructure of Grupo San Jose. Holders of said warrants are entitled the right of conversion to shares of GESJ in the event the credit associated is not repaid upon its expiry.

## **B. ANNUAL GENERAL MEETING**

**B.1 Indicate and, where applicable, list the differences between the minimum regime under the Corporate Enterprises Act and the quorum for establishing the Annual General Meeting.**

Yes  No

**B.2 Indicate and, where applicable, list the differences between the regime under the Corporate Enterprises Act for adopting the corporate resolutions:**

Yes  No

**B.3 INDICATE THE RULES APPLICABLE TO THE AMENDMENT TO THE COMPANY BYLAWS. IN PARTICULAR, INDICATE THE MAJORITY REQUIRED TO AMEND THE BYLAWS AND, WHERE APPLICABLE, THE RULES FOR PROTECTING SHAREHOLDERS' RIGHTS WHEN CHANGING THE BYLAWS.**

In accordance with provisions under Article 17 of the bylaws of the company, so that the General Meeting can validly agree on the increase or reduction of capital and any other modification of the bylaws, the issuance of obligations, the suppression or limitation of the right of preferential acquisition of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities and the transfer of the registered address abroad, it will be necessary, in first call, the presence in person or by proxy of, at least, fifty percent (50%) of the subscribed social capital with the right to vote. In second call, it will be required the presence of twenty-five percent (25%) of said capital is enough, although when shareholders representing less than the fifty percent (50%) of the subscribed capital with voting rights are present, the agreements referred to in this paragraph may only be validly adopted with the favourable vote of two thirds of the capital present or represented at the Meeting. 3. Absences once the General Meeting has been constituted will not affect the validity of its celebration or alter the voting quorum.

Article 21 of the Bylaws.- Deliberation and adoption of agreements.

5. For the adoption of the agreements referred to in Article 194 of the Capital Companies Act, if the capital present or represented exceeds fifty percent, the agreement may be adopted by an absolute majority. However, the favourable vote of two-thirds of the capital present or represented at the meeting is required when shareholders hold a second call representing at least twenty-five percent or more of the subscribed capital with voting rights without reaching fifty percent.

Article 14 of the Regulations of the General Meeting. Constitution of the general meeting.

1. So that the general meeting, ordinary or extraordinary, can validly agree on the increase or reduction of capital and on any another modification of the bylaws, the issuance of obligations (where legally appropriate), as well as the transformation, merger, spin-off or global transfer of assets and liabilities and the transfer of the registered address abroad, it will be necessary, in first call, the presence of shareholders representing at least, fifty percent of the subscribed social capital with the right to vote In second call, the concurrence of twenty-five percent of said capital shall be enough.

Article 21 of the Regulations of the General Meeting. Resolutions and notifications.

2 For the adoption of special agreements referred to in Article 14 of the Regulations, if the capital present or represented amounts to at least fifty percent of the share capital, resolutions will be adopted by an absolute majority. However, the favourable vote of two-thirds of the capital present or represented at the meeting will be required on second call, when there are shareholders who represent at least twenty-five percent of the subscribed capital with voting rights without reaching the fifty percent.

Article 15 of the Bylaws.- Call of the general meeting.

4. Shareholders representing at least three percent (3%) hare capital may request the publication of an addendum to the announcement of the General Meeting of Shareholders including one or more additional agenda items, as long as such items are duly justified.

The exercise of this right must be made by means of reliable notification that must be received at the registered office within the five (5) days following the publication of the call. The addendum shall be published at least fifteen (15) days prior to the date set for the General Meeting.

5. Shareholders representing at least three percent (3%) of the share capital may, in the same period prescribed in the preceding paragraph, submit proposals on agreed-on matters already included or to be included on the agenda of the meeting called.

The Company shall ensure the dissemination of these proposed resolutions and documentation through its website.

Articles 6.9, 6.10 and 15.4 of the Regulations of the Board.

**B.4 INDICATE THE ATTENDANCE FIGURES AT THE GENERAL MEETINGS HELD EACH YEAR TO WHICH THIS REPORT REFERS AND THOSE OF THE PREVIOUS YEAR:**

Date of Annual General Meeting	Attendance data				Total
	% attending in person	% represented by proxy	% remote voting		
			Electronic vote	Other	
23/03/2016	50.97%	15.81%	0.00%	0.00%	66.78%
22/06/2017	50.27%	14.04%	0.00%	0.00%	64.31%

**B.5 Indicate whether there is any restriction in the bylaws establishing a minimum number of shares needed to attend the AGM:**

Yes  No

Minimum number of shares necessary to attend the General Meeting	100
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**B.6 Repealed**

**B.7 INDICATE THE ADDRESS AND FORM OF ACCESSING THE INFORMATION ON CORPORATE GOVERNANCE THROUGH THE COMPANY'S WEBSITE AND OTHER INFORMATION ON AGMS THAT SHOULD BE MADE AVAILABLE TO THE SHAREHOLDERS THROUGH THE COMPANY'S WEBSITE:**

All information regarding Corporate Governance is available on the Company’s website ([www.gruposanjose.biz](http://www.gruposanjose.biz)), under the item “Shareholders and Investors”, on Corporate Governance.

## C. GOVERNING STRUCTURE OF THE COMPANY

### C.1. BOARD OF DIRECTORS

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

Maximum number of Directors	15
Minimum number of Directors	5

#### C.1.2 COMPLETE THE FOLLOWING TABLE WITH THE MEMBERS OF THE BOARD:

Name or company name of Director	Representative	Director Category	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
Mr. ROBERTO ÁLVAREZ ÁLVAREZ	-	Independent	DIRECTOR	27/06/2008	30/06/2014	AGM RESOLUTION
Mr. RAMÓN BARRAL ANDRADE	-	Independent	DIRECTOR	30/06/2009	30/06/2014	AGM RESOLUTION
Mr. JACINTO REY GONZÁLEZ	-	Executive	CHARIMAN - CEO	18/08/1987	30/06/2014	AGM RESOLUTION
Mr. JACINTO REY LAREDO	-	Executive	Deputy-Chairman	30/10/2006	30/06/2014	AGM RESOLUTION
Mr. JOSE MANUEL OTERO NOVAS	-	Independent	DIRECTOR	28/08/2014	24/06/2015	AGM RESOLUTION
Mr. ENRIQUE MARTIN REY	-	Proprietary	DIRECTOR	28/06/2013	28/06/2013	AGM RESOLUTION
Ms. ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	-	Independent	DIRECTOR	27/06/2008	30/06/2014	AGM RESOLUTION
Mr. JAVIER REY LAREDO	-	Executive	DIRECTOR	28/06/2012	28/06/2012	AGM RESOLUTION
Mr. NASSER HOMAID SALEM ALI ALDEREI	-	Other External	DIRECTOR	17/12/2015	17/12/2015	AGM RESOLUTION

Mr. SUNIL KANORIA	-	Independent	DIRECTOR	28/06/2012	23/06/2016	AGM RESOLUTION
Mr. GUILLERMO EMILIO NIELSEN	-	Independent	DIRECTOR	28/07/2015	17/12/2015	AGM RESOLUTION

<b>Total number of members</b>	11
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Indica any members who may have left the board during the period:

**C.1.3. COMPLETE THE FOLLOWING TABLES ON THE MEMBERS OF THE BOARD AND THEIR STATUS:**

**EXECUTIVE DIRECTORS**

Name or company name of director	Position in the company's organisational chart
MR. JACINTO REY GONZALEZ	CHAIRMAN AND CEO
MR. JACINTO REY LAREDO	DEPUTY.CHAIRMAN
MR. JAVIER REY LAREDO	DIRECTOR

<b>Total number of executive directors</b>	3
<b>% of total board</b>	27.27%

**PROPRIETARY DIRECTORS**

Name or company name of director	Name or company name of the shareholder it represents or proposing its appointment
MR. ENRIQUE MARTIN REU	MS. MARIA JOSE AND JULIA SANCHEZ AVALOS

<b>Total number of executive directors</b>	1
<b>% of total board</b>	9.09%

### **INDEPENDENT DIRECTORS**

**Name or company name of the director:**

MR. ROBERTO ALVAREZ ALVAREZ

**Profile:**

ECONOMIST

Graduate in Economics by the University of Buenos Aires, in International Relations by the Universidad del Salvador, Business Administration Course for Directors by the Universidad Católica Argentina, and major in Futures Market by the London School of Economics and in Dean-Witter Capital Market, in New York.

To his outstanding career as a Director of Grupo SANJOSE, he adds his experience as member of the Board of Directors of several companies where he currently works: Board Member of the Agencia de Bolsa Aldazabal y Cia since 1980, Director of Mapfre Argentina Seguros Generales since 1998, Director of Mapfre labour risks since 2000, Director of Carlos Casado since 2008, Director of Pamsa since 2009 to date, Board Member of the Buenos Aires Stock Exchange since 2004 and Member of the Board of Directors and Director of Grupo Boldt since 2005.

Previously, he was also a Director of Metrogas (controlled by Repsol from 2002 to 2008) and Director of Banco Caudal (representative of the Dean-Witter Investment Bank).

**Name or company name of the director:**

MR. RAMON BARRAL ANDRADE

**Profile:**

ECONOMIST

Commercial Professor by the School of High Business Studies of A Coruña, Graduate in Economics and Business Sciences and Jury Account Creditor (1976).

Within Mr. Ramón Barral's career, highlights his work in various positions of responsibility in Banco Simeon until becoming Director General (1995 - 2003), member of the Mixed Commission for State Transference - Xunta de Galicia (1977 - 1979), Professor of the School of Intermediate Commands at the Chamber of Commerce of Pontevedra, Director of Editorial Galaxia (since 1983).

It is important to emphasize its important and lasting collaboration of Mr. Ramón Barral with Grupo SANJOSE throughout its history, until its appointment as Director and member of the Audit and Appointments, Remuneration and Good Governance Committees of the Group at an earlier stage (2009 - 2012).

**Name or company name of the director:**

MR. JOSE MANUEL OTERO NOVAS

**Profile:**

LAWYER

Professional background:

- > He has graduated in Law, with Honours.
- > He joined the Spanish Legal State Corps in 1967.
- > He joined the Body of Inspectors of the Ministry of Economy and Finance in 1974.
- > He worked as State Attorney in the Province of Lugo, at the National High Court and at the Superior Court.
- > He has also worked at the Inspection Services of the Ministry of the Treasury.
- > He has been – and continues to be. Member of Councillor, sometimes Chairman, of several companies, among others: Cepsa, Grupo SANJOSE, Banco Exterior de España and foreign branch offices, Gescafix., Euro Transfac, Unión Inversora Internacional., Unión Técnica Internacional, La Unión y el Fénix, AGF Unión Fénix Seguros y Reaseguros, Transfesa y Transfesa UK, Unión Inmobiliaria Internacional, Gran Alacant, Costa Canaria Veneguera, Corporación Noroeste, Cementos Cosmos, Sociedad para el Desarrollo de Galicia (SODIGA), Member of the Executive Committee and Executive Board of Confederación Empresarial Independiente de Madrid (CEIM).

Social background:

- > Member (and Deputy-chairman) for the maximum statutory periods of time of the University San Pablo CEU Foundations' Board and the Colegio Mayor San Pablo.
- > Chairman of the Institute for the Study of Democracy of the San Pablo- CEU University.
- > Since 1997, he has been a member of the Jury for the Social Science Section of the Prince of Asturias Awards.

Honours:

- > Commander Grand Cross of three Spanish Orders: Carlos III, Isabel la Católica and Alfonso X el Sabio.
- > Commander Grand Cross of the Order of the Lion of Finland: Grand Cross of the Order of Merit of the Republic of Italy and Grand Cross of the Order of Merit of the Republic of Peru.
- > Gold Medal of the Latin American Organization for Education, Scientific and Cultural Organisation.
- > Gold Medal of the San Pablo University Foundation.

**Name or company name of the director:**

MS. ALTINA DE FATIMA SEBASTIAN GONZALEZ

**Profile:**

## ECONOMIST

Graduated in Economics by the Catholic University of Lisbon, PhD in Business and Management from IESE and post-doctorate at Harvard Business School.

She is currently an Independent Member of the Board of Directors, Chairman of the Audit Committee and Member of the Operational Risk and Internal Control Committee of Banco Caixa Geral (formerly, Banco Simeon). External Counsellor of the Portuguese Banking Association and Founding Partner of the Consultants AB Research and Diagnosis & Solutions.

In the academic field, she collaborates in the Master Programme in Financial Analysis of the Carlos III University of Madrid, in the International Business Master's Degree at ESCI - Pompeu Fabra University and she is Visiting Professor of the Portuguese Catholic University.

Her experience in training executives is supported by the design, organisation and implementation of in-company courses for: Euroforum Escorial, Telefónica, Hewlett-Packard, Indra, Andersen Consulting, Accenture, BBVA, Iberia, Santander Central Hispano, Caja Madrid, La Caixa and BCP-Millennium, Amena, Banco Espírito Santo, Tecnicas Reunidas and Sector Bancario Angoleño.

### **Name or company name of the director:**

MR. GUILLERMO EMILIO NIELSEN

#### **Profile:**

ECONOMIST

Nowadays:

- > President of UNITEC Blue (Argentina) and President of UNITEC Semicondutores (Brazil).
- > Board Member of Compañía General de Combustibles.
- > President of Strategic Investments S.A.
- > GLG Consulting, USA, faculty.
- > Director Titular Carlos Casado S.A..

Professional Background:

- > Ambassador of Argentina in the Federal Republic of Germany (April 2008 - September 2010).
- > Minister of Finance, Government of the Autonomous City of Buenos Aires (May-November 2006).
- > Financial Secretary of the Ministry of Economy and Production (May 2002- December 2005); in that role he led the negotiating team with the IMF (two stand-by agreements), and the restructuring of Argentina 's debt in 2005 for USD 82,000 million.
- > Proxy of the Minister of Economy at the Board of the Central Bank of Argentina (January-April 2002). He held management positions in Creaurban S.A., Creafé S.A. , Socma American S.A. , and Swift-Armour S.A.

Education:

- > Ph.D. Candidate and M.A. in Economics, Boston University, 1978. Major in: International Finance & Trade, Public Finance and Industrial Organisation.
- > BA in Economics, Faculty of Economics, University of Buenos Aires, graduated in March 1974.

**Name or company name of the director:**

MR. KUNIL KANORIA

**Profile:**

ENTREPRENEUR

- > Deputy-Chairman and co-founder of Srei Infraestructura Finance Limited. Srei started its business activity in 1989 and is one of the leader public finance entities of India within the infrastructure sector, including leasing and financing.
- > Deputy-Chairman and CEO of VIOM Networks Limited, a joint venture between Tata Teleservices and Quippo, a Srei Group company. VIOM is a pioneer within the passive shared infrastructure industry Telecom in India.
- > Deputy-Chairman and Director-General of Quippo Infraestructura Equipment Limited. A company devoted to the leasing of infrastructure equipment in order to provide services to high growth markets, such as construction, oil, gas, telecommunications and energy.
- > President elect of ASSOCHAM, a National Chamber of Leadership Commerce in India. Member of the Board of the Construction Industry Development Council (CIDC).
- > Member of the board of CPA of India appointed by the Government of India.

Further, throughout his professional career he has develop important positions, among which highlight the presidency of the HPLA - Kolkata, the MCC - Kolkata, the FIHPA, and was a member to the prestigious group on the Development of the Tenth Five Year Plan (2002-07) of the Planning Commission of the Government of India.

<b>Total number of executive directors</b>	6
<b>% of total board</b>	54.55%

**Indicate whether any director classified as independent receives any sum or benefit from the company or from its group, for an item other than the remuneration of directors; or has or has had in the last year a business relationship with the company or with any company in its group, whether in his or her own name or as a significant shareholder, director, or senior manager of a company that has or may have had such a relationship.**

Roberto Alvarez and Guillermo Emilio Nielsen received during 2017 insignificant quantities for their professional services.

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

**OTHER EXTERNAL DIRECTORS**

**Please name any other external directors and describe the reasons why they are not proprietary or independent directors, and any links held with the company, its executives or shareholders:**

**Name or company name of the director:**

MR. NASSER HOMAID SALEM ALI ALDEREI

**Company, director or shareholder with whom there is a relationship:**

SAN JOSE CONTRACTING LLC

**Reasons:**

Shareholder of San Jose Contracting LLC and Tecnocontrol Contracting LLC, investees of Grupo San Jose.

<b>Total number of executive directors</b>	1
<b>% of total board</b>	9.09%

**Indicate any changes that may have arisen during the reporting period, in each director's category:**

**C.1.4 COMPLETE THE FOLLOWING TABLE WITH INFORMATION ON THE NUMBER AND CATEGORY OF FEMALE DIRECTORS AT THE CLOSING DATE OF THE LAST 4 FINANCIAL YEARS:**

	Total number of board members				% of total of board members in each typology			
	Year	Year	Year	Year	Year	Year	Year	Year
	2017	2016	2015	2014	2017	2016	2015	2014
<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	1	1	16.66%	16.66%	20.00%	33.00%
<b>Other external</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total</b>	1	1	1	1	9.09%	9.09%	10.00%	11.11%

**C.1.5 EXPLAIN, AS THE CASE MAY BE, THE MEASURES TAKEN BY THE COMPANY TO ENSURE THE INCLUSION OF FEMALES ONTO THE BOARD OF DIRECTORS IN AN AMOUNT THAT MAY ENSURE THAT THERE IS A BALANCED PRESENCE OF WOMEN AND MEN.**

The Group wants to increase the number of women who form part of the Board of Directors as vacancies are produced. For that, Article 18.2 of the Board of Directors' Regulations includes as responsibility of the Appointment, Remuneration and Good Governance Committee to set as purpose increase the representation of the less representative gender and set put the guidelines of how to achieve the same.

**C.1.6 EXPLAIN THE MEASURES THAT MAY HAVE BEEN AGREED BY THE APPOINTMENTS COMMITTEE SO THAT THE SELECTION PROCEDURES DO NOT INCLUDE ANY IMPLICIT BIAS THAT PREVENT THE SELECTION OF FEMALE DIRECTORS, AND SO THAT THE COMPANY DELIBERATELY SEARCHES FOR AND INCLUDES WOMEN WITH THE APPROPRIATE PROFILE AMONG THE POTENTIAL CANDIDATES:**

The Appointments Commission wants to increase the number of women who form part of the Board of Directors so as to ensure there is a balanced presence of women and men; yet, during this year no vacancies have been produced or the need of incorporating new members has not arisen.

**When despite the measures that may have been adopted, the number of female directors is zero or limited, explain the reasons justifying this:**

As indicated herein, as no vacancies or the need of incorporating new members have arisen, no selection procedures have taken place during year 2017.

However, in the future, the Company shall assess candidates from both genders with sufficient and enough experience and expertise so as to enhance the company business. The Company has always defended the non-discrimination of candidates due to gender reasons.

**C.1.6 BIS EXPLAIN THE CONCLUSIONS REACHED BY THE NOMINATION COMMITTEE ON VERIFIED COMPLIANCE WITH THE DIRECTOR SELECTION POLICY, TO PARTICULARLY INCLUDE HOW THIS POLICY IS WORKING TOWARDS THE TARGET THAT BY 2020 THE NUMBER OF FEMALE DIRECTORS REPRESENT AT LEAST 30% OF ALL THE BOARD MEMBERS.**

The Company has applied during 2017. the same criteria as previous years for both the recruitment of Members and personnel.

Criteria is based in policies devoted to seek and incorporate candidates with the best requirements in terms of suitable competence, knowledge and experience for the development of the functions entrusted, ensuring equity.

**C.1.7 EXPLAIN THE FORM OF REPRESENTATION IN THE BOARD OF DIRECTORS OF THE SHAREHOLDERS WITH SIGNIFICANT HOLDINGS.**

Ms. María José and Ms. Julia Sánchez Avalos as significant shareholders have representation within the Board of Directors through the nominal directors Mr. Enrique Martín Rey.

Mr. Jacinto Rey González, as majority shareholder, is represented by himself and his sons Mr. Jacinto Rey Laredo and Mr. Javier Rey Laredo.

**C.1.8 EXPLAIN, WHERE APPLICABLE, THE REASONS FOR THE APPOINTMENT OF PROPRIETARY DIRECTORS AT THE SUGGESTION OF SHAREHOLDERS WHOSE HOLDING IS BELOW 3% OF THE SHARE CAPITAL:**

**INDICATE WHETHER FORMAL PETITIONS HAVE BEEN MET FOR THE PRESENCE OF SHAREHOLDERS ON THE BOARD WHOSE HOLDING IS EQUAL TO OR GREATER THAN THAT OF OTHERS AT WHOSE REQUEST PROPRIETARY DIRECTORS MAY HAVE BEEN APPOINTED. IN THIS CASE, EXPLAIN THE REASONS WHY THEY HAVE NOT BEEN GRANTED:**

Yes  No

**C.1.9 INDICATE WHETHER ANY DIRECTOR HAS RESIGNED BEFORE THE END OF HIS OR HER TERM IN OFFICE, IF THE SAID DIRECTOR HAS EXPLAINED THE REASONS FOR THE RESIGNATION AND HOW, TO THE BOARD, AND IF THE RESIGNATION WAS IN WRITING TO ALL THE BOARD, EXPLAIN AT LEAST THE REASONS GIVEN:**

**C.1.10 INDICATE, WHERE APPLICABLE, THE DELEGATED POWERS OF THE CEO(S):**

**Name of the Member:**

MR. JACINTO REY GONZÁLEZ

**Brief description:**

ALL POWERS AND FACULTIES INHERENT TO THE BOARD OF DIRECTORS,  
UNLESS THOSE INDELEGABLE BY LAW.

**C.1.11 IDENTIFY, WHERE APPLICABLE, THE MEMBERS OF THE BOARD WHO OCCUPY POSITIONS AS DIRECTORS OR EXECUTIVES IN OTHER COMPANIES THAT FORM PART OF THE GROUP OF THE TRADED COMPANY:**

Personal or Corporate Name of board member	Corporate name of entity of group	Position	Executive functions?
JACINTO REY GONZALEZ	SAN JOSE CONTRACTING LLC	General Manager	YES
JACINTO REY GONZALEZ	INMOBILIARIA 2010SA	CHAIRMAN	YES

JACINTO GONZALEZ	REY	SAN JOSE CONSTRUCTORA PERU	CHAIRMAN	YES
JACINTO GONZALEZ	REY	SAN JOSE PERU SAC	CHAIRMAN	YES
JACINTO GONZALEZ	REY	CARLOS CASADO SA	CHAIRMAN	YES
JACINTO GONZALEZ	REY	SAN JOSE CONSTRUCTION GROUP INC	CHAIRMAN	YES
JACINTO GONZALEZ	REY	SAN JOSE TECNOLOGIAS PERU, SAC	CHAIRMAN	YES
JACINTO GONZALEZ	REY	SOCIEDAD CONCESIONARIA SAN JOSE TECNOCONTROL	CHAIRMAN	YES
JACINTO GONZALEZ	REY	UDRA MEXICO SA DE CV	SOLE ADMINISTRATOR	YES
JACINTO GONZALEZ	REY	INMOBILIARIA AMERICANA DE DESARROLLOS URBANISTICOS SAU	SOLE ADMINISTRATOR	YES
JACINTO GONZALEZ	REY	DESARROLLOS URBANISTICOS UDRA SAU	SOLE ADMINISTRATOR	YES
JACINTO GONZALEZ	REY	SAN JOSE CONCESIONES Y SERVICIOS SAU	SOLE ADMINISTRATOR	YES

JACINTO REY LAREDO		CONSTRUCTORA SAN JOSE CABO VERDE SA	ADMINISTRATOR	YES
JACINTO LAREDO	REY	SAN JOSE FRANCE SA	SOLE ADMINISTRATOR	YES
JACINTO LAREDO	REY	CONSTRUCTORA UDRA LTDA	SOLE ADMINISTRATOR	YES
JACINTO LAREDO	REY	SAN JOSE CONSTRUCTION GROUP INC	CHAIRMAN OF THE BOARD	YES
JACINTO LAREDO	REY	SJB MULLROSER BAUUGESELLSCHAFT MBH	SOLE ADMINISTRATOR	YES
JACINTO LAREDO	REY	SAN JOSE BAU GMBH	ADMINISTRATOR	YES
JACINTO LAREDO	REY	CONSTRUCTORA SAN JOSE SA (PONTEVEDRA) REPRESETACIÓN EN PORTUGAL	LEGAL REPRESENTATIVE	YES
JACINTO LAREDO	REY	CONSTRUCTORA SAN JOSE, SA	CHAIRMAN AND CEO	YES
JACINTO LAREDO	REY	SAN JOSE INDIA INFRASTRUCTURE AND CONSTRUCTION PRIVATE LIMITED	ADMINISTRATOR	YES
JAVIER REY LAREDO		CARLOS CASADO SA	ADMINISTRATOR	NO
JAVIER REY LAREDO		CONSTRUCTORA SAN JOSE SA (PONTEVEDRA)	LEGAL REPRESENTATIVE	YES

	REPRESETACIÓN EN PORTUGAL		
JAVIER REY LAREDO	CONSTRUCTORA SAN JOSE, SA	DIRECTOR	YES
JAVIER REY LAREDO	COMERCIAL UDRA SAU	CHAIRMAN AND CEO	YES
JAVIER REY LAREDO	CADENA DE TIENDAS SAU	SOLE DIRECTOR	YES
JAVIER REY LAREDO	Centro Comercial Panamericano SA	Chairman	YES
JAVIER REY LAREDO	Inmobiliaria Sudamericana de Desarrollos Urbanísticos	Chairman	YES
JAVIER REY LAREDO	Tecnoartel	Chairman	YES

**C.1.12 IDENTIFY, WHERE APPLICABLE, THE DIRECTORS OF THE COMPANY WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OF COMPANIES NOT IN YOUR GROUP THAT ARE TRADED ON OFFICIAL STOCK EXCHANGES, AND THAT HAVE BEEN REPORTED TO THE COMPANY:**

**C.1.13 INDICATE, AND WHERE APPLICABLE, EXPLAIN WHETHER THE COMPANY HAS ESTABLISHED RULES ON THE NUMBER OF BOARDS OF DIRECTORS THAT ITS DIRECTORS MAY BE MEMBERS OF:**

Yes  No

**C.1.14 REPEALED**

**C.1.15 INDICATE THE BOARD OF DIRECTORS' TOTAL REMUNERATION:**

<b>Remuneration of the Board of Directors (thousands of Euros)</b>	2,781
<b>Total remuneration corresponding to pension rights accumulated by current directors (thousands of Euros)</b>	0
<b>Total remuneration corresponding to pension rights accumulated by former directors (thousands of Euros)</b>	0

**C.1.16 IDENTIFY THE MEMBERS OF SENIOR MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS, AND INDICATE THE TOTAL REMUNERATION PAID TO THEM DURING THE YEAR:**

<b>Name or company name</b>	<b>Position</b>
MR JOSE ANTONIO SANCHEZ DE ROJAS PANFIL	CONSOLIDATION AND AUDITING DIRECTOR
MR. JOSE LUIS GOALEZ	DIRECTOR GENERAL
MR. FRANCISCO RAMIREZ SAN EMETERIO	DIRECTOR-PERU
MR. JOSE MARQUEZ	DIRECTOR-SOUTHAMERICA
MR. MIGUEL BRAVO CONDE	DIRECTOR-MIDDLE EAST
MR. NILTON RAMON	DIRECTOR PORTUGAL AND CAPE VERDE
MR. FRANCISCO REY	ADMINSITRATION AND FINANCE DIRECTOR-PORTUGAL, CAPE VERDE AND BRAZIL

MR. JUAN ARESES VIDAL	GENERAL MANAGER CIVIL WORKS AND PROCUREMENT CONSTRUCTORA SAN JOSE
MR. JEAN CLAUDE CURELL COSTANZO	INTERNATIONAL DIRECTOR-INDIA
MR. PEDRO ALLER ROMAN	Manager Carlos Casado

<b>Total remuneration top management (thousands of Euros)</b>	<b>1,474</b>
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**C.1.17 IDENTIFY, IF ANY, THE MEMBERS OF THE BOARD OF DIRECTORS WHO ARE ALSO MEMBERS OF THE BOARD OF DIRECTORS OF COMPANIES THAT HOLD SIGNIFICANT SHARES AND/OR GROUP ENTITIES:**

<b>Personal or Corporate Name of board member</b>	<b>Corporate name of significant shareholder</b>	<b>Position</b>
Mr. JACINTO REY GONZALEZ	PINOS ALTOS XR.S .L.	SOLE ADMINISTRATOR
Mr. JACINTO REY LAREDO	CONSTRUCTORA SAN JOSE, S.A.	CHAIRMAN AND CEO
Mr. JAVIER REY LAREDO	COMERCIAL UDRA	CHAIRMAN AND CEO

**PROVIDE DETAILS OF ANY RELEVANT RELATIONS, AS THE CASE MAY BE, OTHER THAN THOSE CONTEMPLATED IN THE PREVIOUS SECTION, BETWEEN MEMBERS OF THE BOARD OF DIRECTORS AND SIGNIFICANT SHAREHOLDERS AND/OR GROUP ENTITIES:**

**Name or Corporate Name of the Board Member:**

**MR. JACINTO REY LAREDO**

**Personal or Corporate Name of the Significant Board member:**

**MR. JACINTO REY GONZÁLEZ**

**Description of the relationship:**

**FIRST DEGREE FAMILY RELATIONSHIP (FATHER-SON)**

**Name or Corporate Name of the Board Member:**

**MR. JAVIER REY LAREDO**

**Personal or Corporate Name of the Significant Board member:**

**MR. JACINTO REY GONZÁLEZ**

**Description of the relationship:**

**FIRST DEGREE FAMILY RELATIONSHIP (FATHER-SON)**

**Name or Corporate Name of the Board Member:**

**MR. ENRIQUE MARTIN REY**

**Personal or Corporate Name of the Significant Board member:**

**MR. JULIA SÁNCHEZ AVALOS**

**Description of the relationship:**

**SECOND DEGREE FAMILY RELATIONSHIP (SON-IN-LAW)**

**Name or Corporate Name of the Board Member:**

**MR. JACINTO REY LAREDO**

**Personal or Corporate Name of the Significant Board member:**

**MR. JAVIER REY LAREDO**

**Description of the relationship:**

**SECOND DEGREE FAMILY RELATIONSHIP (BROTHERS)**

**C.1.18 INDICATE IF ANY CHANGES HAVE TAKEN PLACE TO THE REGULATION OF THE BOARD OF DIRECTORS DURING THE YEAR:**

Yes  No

**C.1.19. INDICATE THE SELECTION, APPOINTMENT, RE-ELECTION, ASSESSMENT AND REMOVAL PROCEDURES FOR BOARD MEMBERS. SPECIFY THE COMPETENT BODIES, THE PROCEDURES TO FOLLOW AND THE CRITERIA TO USE IN EACH OF THE ABOVE PROCEDURES.**

The members of the Board of Directors are appointment by the General Meeting or by the Board itself.

The proposal to reappoint members corresponds to the Appointment, Remuneration and Good Governance Committee for Independent member and to the Board for all other members.

The proposal shall be submitted together with a report on competence, excellence and merits of the member which shall be provided with the Minutes of the General Meeting or the Meeting of the Board.

The reappointment proposal for members other than independent members shall be backed up by a report from the Appointment, Remuneration and Good Governance Committee. The Appointment, Remuneration and Good Governance Committee shall assess the quality of the work.

The board of Directors includes proprietary, independent, executive and other external members.

Proprietary and Independent members should represent majority regarding executive members due to the complexity of the Group and the participation percentage of the executive members in the social capital of the company.

Independent members should be well known professionals with sound experience and competence.

**C.1.20 EXPLAIN TO WHAT EXTENT THE BOARD'S ANNUAL ASSESSMENT HAS ENTAILED RELEVANT CHANGES IN ITS INTERNAL ORGANISATION AND PROCEDURES APPLICABLE TO ITS ACTIVITIES:**

The Board of Directors analysed the assessment of the members and agreed there is no need to apply any changes within the internal organisation nor the procedures applicable to its activities.

**C.1.20.BIS DESCRIBE THE ASSESSMENT PROCESS AND THE AREAS ASSESSED BY THE BOARD OF DIRECTORS, WITH THE ASSISTANCE OF AN EXTERNAL CONSULTANT, AS THE CASE MAY BE, WITH RESPECT TO DIVERSITY IN ITS COMPOSITION AND COMPETENCES, THE OPERATION AND COMPOSITION OF ITS COMMITTEES, PERFORMANCE OF THE BOARD CHAIRPERSON AND COMPANY CEO AND PERFORMANCE/CONTRIBUTIONS MADE BY EACH DIRECTOR.**

The Chairman or the Appointment, Remuneration and Good Governance Committee has carried out sundry interviews with members of the board on the performance of the board in order to perform a personal and direct assessment of its operation and fees. Upon the same, the Appointment, Remuneration and Good Governance Committee has drafted a report which shall be submitted to the board for its consideration.

**C.1.20.ter Provide a breakdown, as the case may be, of the business relations that the consultant or any group company holds with the Company or any group company.**

**C.1.21 INDICATE THE CASES IN WHICH DIRECTORS MUST RESIGN.**

Article 25 of the Board of Directors Regulations - Directors Cessation

Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever elected by the General Meeting or when incurring into legal reason for such resignation.

Members of the Board must place their post at the dismissal of the Board of Directors and resign whenever incurring into prohibitions established by Art. 213 of the Companies Act and any other legal applicable provisions.

The Board of Directors shall not propose the cessation of independent directors until completion of the period which they were appointment for unless reasonable cause and duly reported to the Appointment, Remunerations and Good Governance Commission. Reasonable cause is that related to the non-compliance with obligations and liabilities inherent to the post. Additionally, the cessation of independent board members from mergers or other similar transactions which may involve a change in the social capital structure of the company.

**C.1.21 REPEALED**

**C.1.23 ARE REINFORCED MAJORITIES OTHER THAN THOSE UNDER LAW REQUIRED FOR ANY TYPE OF DECISION?**

Yes  No

If applicable, describe the differences.

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

Yes  No

**C.1.25 Indicate whether the Chairperson has the casting vote.**

Yes  No

In compliance with article 26 of the by-laws and article 10 of the Board of Directors' Regulations, in the event of tied vote, the vote of the Chaiman shall be decisive.

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

Yes  No

**C.1.27 Indicate whether the articles of association or the board regulations set a limited term of office for independent directors.**

Yes  No

**C.1.28 INDICATE WHETHER THE ARTICLES OF ASSOCIATION OR REGULATION OF THE BOARD OF DIRECTORS ESTABLISHES SPECIFIC RULES FOR DELEGATION OF VOTES IN THE BOARD OF DIRECTORS, THE METHOD OF CASTING SUCH VOTES, AND IN PARTICULAR THE MAXIMUM NUMBER OF DELEGATED VOTES THAT A DIRECTOR MAY HOLD; AND WHETHER THE DELEGATED VOTE MUST BE DELEGATED TO A DIRECTOR OF THE SAME TYPE, BEYOND THE LIMITS IMPOSED BY THE LEGISLATION. IF SO, GIVE A BRIEF OUTLINE OF THESE RULES.**

Article 26 of the By-Laws and 20 of the Board of the Board of Directors' Regulations state that representation shall be held by other member and when not being able to attend personally, the proxy shall have been provided

clear and detailed instruction on the issues of the agenda, when applicable. Non-executive members can only delegate their representation on non-executive members.

**C.1.29 INDICATE THE NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND HOW MANY TIMES THE BOARD HAS MET WITHOUT THE CHAIRPERSON’S ATTENDANCE. ATTENDANCE WILL ALSO INCLUDE PROXIES APPOINTED WITH SPECIFIC INSTRUCTIONS.**

<b>Number of board meetings</b>	5
<b>Number of board meetings without the attendance of the Chairman</b>	0

**If the chairperson is also the CEO, please indicate the number of meetings held, without the attendance or representation of any executive director and under the chairmanship of the coordinating director.**

<b>Number of meetings</b>	0
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**Indicate the number of meetings of the various board committees held during the year.**

<b>Commission</b>	<b>Number of meetings</b>
APPOINTMENT, REMUNERATION AND GOOD GOVERNANCE COMMISSION	3
EXECUTIVE COMMISSION	2
AUDIT COMMITTEE	6
INTERNATIONAL EXECUTIVE COMMITTEE	4

**C.1.30 INDICATE THE NUMBER OF MEETINGS THAT THE BOARD OF DIRECTORS HAS HELD DURING THE YEAR WITH ALL ITS MEMBERS ATTENDING. ATTENDANCE WILL ALSO INCLUDE PROXIES APPOINTED WITH SPECIFIC INSTRUCTIONS.**

<b>Number of Meeting with all Members of the Board</b>	0
<b>% of attendances of the total votes cast during the year</b>	85.00%

**C.1.31 INDICATE WHETHER THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS SUBMITTED FOR AUTHORISATION FOR ISSUE BY THE BOARD ARE CERTIFIED PREVIOUSLY.**

Yes  No

**Identify, where applicable, the person(s) who certified the Company's individual and consolidated financial statements prior to their authorisation for issue by the board.**

**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.**

The Group has an internal control system whose main objective is to minimise the Group's exposure to risks which it is exposed to due to the intrinsic conditions of the activity it performs and the legal framework of the country where it operates.

Within the internal control system, the internal control system of financial information (ICFR) gains special importance: its purpose is to ensure the adequate generation of financial information at an individual and consolidated level within the Group, respecting the criteria and applicable accounting regulations. The Administration and Finance Department is responsible for the application of the ICFR and its update.

Additionally, the Internal Audit Department of the Group is entrusted the generation of the financial statements and explanatory notes and periodic information to be published both individually and / or consolidated of the companies that make up the Group, reviewing said information and confirming that it is appropriate to the reality of the business, and that applicable accounting regulations have been properly applied, and that the judgments and estimates adopted by the Management of Finance are reasonable and consistent.

Once the accounting information has been generated as described in the previous paragraphs, it is subject to review by the external auditor. The level of internal confidence about the correctness and goodness of the accounting information is very high. However, in addition to avoid the existence of possible exceptions that may arise from work of the external auditor, the following work procedure is established:

-It is coordinated jointly with the external auditor so that several reviews are carried out at various times throughout the year: half-year review (July), preliminary stage of the review work by the audit (November) and final stage of the audit work (months of February and March).

-In addition, the external auditor is immediately informed of any extraordinary operation that could be subject to interpretation or complex application of the accounting regulations, in order to check the registration and / or valuation criteria, information to be provided, etc.

-The final stage of the audit work begins prior to the formulation of financial statements by the Board of Directors.

Finally, prior to its formulation by the board of directors, the financial information is reviewed by the audit committee. Referred to half-year and annual closures, and partly justified by the fact that said information is subject to review and / or audit, the audit committee receives the conclusions issued by the external auditor, and reviews a draft of the auditor's report. Once verified that this report is correct, and lacks any kind of qualification. For the formulation of financial information in general, the board of directors has the positive opinion of the audit committee. In the case of half-year and annual reports, the Board also has a review and audit report issued by the auditor.

**C.1.33 IS THE SECRETARY OF THE BOARD ALSO A DIRECTOR?**

Yes  No

**C.1.34 REPEALED**

**C.1.35 INDICATE, WHERE APPLICABLE, THE MECHANISMS ESTABLISHED BY THE COMPANY TO PRESERVE THE INDEPENDENCE OF EXTERNAL AUDITORS, FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES.**

Article 33 of the by-laws and Article 16 of the Board Regulations empower the audit committee to raise the board for the selection, appointment, reappointment and removal of the external auditor as well as to set out the conditions of recruitment and to regularly gather information on the audit plan while preserving its independence in the exercise of its functions.

It is also authorised to establish appropriate relations with the external auditor and receive information on those issues that may jeopardize its independence and any others related to the process as well as other communications envisaged related to audit legislation and auditing standards. In any case, it should receive annually from the external auditors an independence declaration in relation to the entity or entities related to it directly or indirectly, as well as information of any further services, of any kind, provided and the fees received from these entities by the external auditor, or by people or entities related to it, in accordance with audit regulations and provisions.

Finally, it must issue annually, prior to the issuance of the audit report, a report on the independence of the auditor. This report shall contain, in any case, the assessment of the provision of additional services referred to in the preceding paragraph.

For the effectiveness of the exercise of its duties, the audit committee may seek the assistance of experts if it considers that for reasons of independence or specialisation, it is not enough with the technical means of the Company. The committee can as well ask for the cooperation of any of the Company's employee or directors, even ask them to appear before the committee without the presence of any other director.

**C.1.36 INDICATE WHETHER THE COMPANY HAS CHANGED ITS EXTERNAL AUDIT FIRM DURING THE YEAR. IF SO, IDENTIFY THE INCOMING AND OUTGOING AUDITOR.**

Yes  No

**C.1.37 Indicate whether the audit firm carries out other tasks for the company and/or its group other than those of auditing. If so, specify the amount of fees received for this work and the percentage this amount represents of the total fees invoiced to the company and/or its group:**

Yes  No

	Company	Group	Total
<b>Fees for non-audit work (in thousands of Euros)</b>	30	0	30
<b>Fees for non-audit work/total amount invoiced by the audit firm (in %)</b>	44.78%	0.00%	17.54%

**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 Chairperson of the Audit Committee to explain the content and scope of those 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
<b>Number of consecutive years</b>	23	23
<b>Number of years audited by the current auditing company / number of years the company has been audited</b>	100.00%	100.00%

**C.1.40 INDICATE AND GIVE DETAILS OF ANY PROCEDURES THROUGH WHICH DIRECTORS MAY RECEIVE EXTERNAL ADVICE.**

Yes  No

Article 27 of the Board of Directors – External Advice

In order to appropriately develop their functions and duties, Directors, Commissions and Committees may request the Chairman of the Board the support of legal, accountancy and financial counsellors.

Only certain problems of great significance and complexity may be subject to these services.

**C.1.41 INDICATE WHETHER THERE ARE PROCEDURES FOR DIRECTORS TO RECEIVE THE INFORMATION THEY NEED IN SUFFICIENT TIME TO PREPARE FOR MEETINGS OF THE GOVERNING BODIES.**

Yes  No

Article 26 of the Board of Directors Regulations - Disclosure rights

The Director shall be duly informed on the performance of the Company and, with such purpose, may request information to top management executives, informing the Chairman or CEO of the same. Further, any Director may request, through the Chairman, CEO, Secretary and Deputy-Secretary of the Board, information deemed appropriate on the Company. Information Rights affect branch offices, both at domestic and International markets. Each member of the board shall have all the information submitted to the Board.

The Chairman, Deputy-Chairman, the CEO, the Secretary and the Deputy-Secretary shall try to respond to information request directly or providing the name of the adequate person within the organisation. If the Chairman considers said information may negatively affect the organisation, the issue may be dealt with by the Board.

**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 harm the organisation's name or reputation, tendering their resignation as the case may be.**

Yes  No

Article 25 of the Board of Directors Regulations.

Directors shall resign from their posts upon expiration of the period for which they were appointment, whenever having incurred into legal prohibitions established by the Companies Act or any other applicable regulations.

**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 LIMITED LIABILITY COMPANIES LAW:**

Yes  No

**Indicate whether the Board of Directors analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.**

**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.**

The finance restructuring agreement signed 29 December 2014 considers the compulsory amortisation in advance in the event of change of control. Change of control is if Mr. Jacinto Rey González o his successors would not hold direct or indirect control of GESJ pursuant to the terms established by Article 42 of the Code of Commerce, excluding change of control due to the transfer into shares of the warrants issued by GESJ.

**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.**

**Number of beneficiaries:** 4

**Type of beneficiaries:**

PERSONAL.

**Description of the Agreement:**

The Company may unilaterally terminate the contract of the general manager and of the executive directors.

In this case, the general manager and the executive directors will be entitled to receive a compensation amounting to a minimum of two annuities and a maximum of three annuities, of the agreed remuneration in their contracts. This forecast is in accordance with the approved remuneration policy by the AGM.

**Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:**

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	Yes	No

	<b>Yes</b>	<b>No</b>
<b>Has the AGM been informed on clauses authorised?</b>		x

**Indicate whether these contracts need to be reported to and/or approved by the bodies of the company or its group:**

## **C.2. BOARD COMMITTEES**

**C.2.1 SPECIFY ALL THE COMMITTEES OF THE BOARD OF DIRECTORS, THEIR MEMBERS AND THE PROPORTION OF REPRESENTATIVE AND INDEPENDENT DIRECTORS WHO ARE MEMBERS OF THEM:**

### APPOINTMENT AND REMUNERATION COMMITTEE

Name	Position	Type
MR. RAMON BARRAL ANDRADE	CHAIRMAN	INDEPENDENT
MR. MANUEL OTERO NOVAS Z	MEMBER	INDEPENDENT
MR. ROBERTO ALVAREZ ALVAREZ	MEMBER	INDEPENDENT
MR ENRIQUE MARTIN REY	MEMBER	PROPRIETARY

<b>% of proprietary board members</b>	25.00%
<b>% of independent board members</b>	75.00%
<b>% of external board members</b>	0.00%

**Explain the tasks assigned to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

Article 34 of the bylaws and Articles 17 and 18 of the Board of Directors' Regulations deal with the composition, standards, performance and functionality of the Appointments, Remunerations and Good Governance Commission.

The Appointment, Remuneration and Good Governance Commission will consist of a minimum of three members and a maximum of 5. The Commission shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, must be independent directors. The Chairman of the Commission shall be appointed from among the independent directors. The term of office of the Chairman shall be four (4) years and may be reappointed after the expiry of one (1) year from the date of termination. Any member of the management or personal team of the company is obliged to attend the meetings of the Committee when required to do so.

The request for information to the Commission shall be issued by the Board of directors or the Chairman. The Commission will meet, whenever called by the Chairman, when most of its members request it, or whenever required by the Board of Directors. Without prejudice to this, the Commission shall meet at least twice a year.

The Secretary will take record of the resolutions of the Commission, which shall be adopted by a majority of its members.

Without prejudice to the aforementioned regulation, the Board of Directors may establish any other additional rules of operation for the Committee.

The functions of the Commission are:

1. To evaluate the competencies, knowledge and experience required for the Board of Directors. For this purpose, it defines the functions and skills of the candidates for each vacancy and assess the necessary time and dedication so that they can effectively play their role.
2. To establish a goal of representation for the under-represented sex in the Board and draw up guidelines so to achieve this objective.
3. To raise proposals to the Board of Directors for the appointment of independent directors, for their designation by co-optation or for the submission to the decision of the general meeting of shareholders, as well as to propose candidates for re-election by the general meeting of shareholders.
4. To submit proposals for appointment of the remaining directors by co-optation or for its submission to the decision of the general meeting of shareholders.
5. To inform on the proposals for appointment and cessation of senior managers and the basic terms of their contracts.
6. To examine and arrange the succession of the Chairman of the Board of Directors and the Chief Executive Office and, where appropriate, make proposals to the Board of Directors of such succession in an orderly and planned manner.
7. To propose the remuneration policy of the directors to the Board of Directors, members of the committees or CEOs, as well as the Individual remuneration and other contractual conditions of the Executive Directors.
8. To report to the Board of Directors on transactions with associates.
9. To supervise and monitor transparency in social actions, compliance with the Company's rules and principles and the compliance with applicable standards of all members and directors of the company, informing the board of Directors of any breach of conduct, so as it to be corrected or, If not corrected, to be reported to the general meeting.
10. To propose to the Board of Directors the amendment of its regulations.
11. To raise to the Board of Directors, for consideration and approval, any other proposals deemed appropriate.
12. The Commission should ensure that procedures for the selection of advisors encourage gender diversity, and not suffer from any implicit biases that may involve any discrimination and, in particular, facilitate the selection of counselors.

### EXECUTIVE COMMITTEE

Name	Position	Type
MR. JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
MR JACINTO REY LAREDO	MEMBER	EXECUTIVE
MR. JAVIER REY LAREDO	MEMBER	EXECUTIVE
MR. JOSE MANUEL OTERO NOVAS	MEMBER	INDEPENDENT

<b>% of executive board members</b>	75.00%
<b>% of proprietary board members</b>	0.00%
<b>% of independent board members</b>	25.00%
<b>% of external board members</b>	0.00%

**Explain the tasks assigned to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

The Executive Committee is dealt with in Article 31 of the By-Laws and Article 14 of The Board's Regulations.

The Executive Committee will be comprised of a minimum of three (3) and a maximum of five (5) directors, nominated by the Board of Directors among its component, for a period equal to the term in the office of each Member of the Board.

The Executive Committee, will have the powers which may be delegated by the Board of Directors, which in turn will determine the rules for the operation of the same.

The Chairman of the Board of Directors shall chair the Executive Committee. In the absence of the Chairman, his functions shall be exercised by the Deputy Chairman, and if there are several, it depends on number priority, and in the absence of all of them, the Member the Committee designated from among its members.

It is borne to the following performance rules:

The Executive Committee will meet according to the schedule of meetings to be set at the beginning of each year and whenever the Chairman deems it appropriate in order to ensure the proper performance of the Committee.

Notice of meetings of the Executive Committee shall be by any means which can be recorded.

Executive Committee will be quorate when at least half of its members are present or represented. Whenever Directors Member of the Executive Committee cannot personally attend the meeting, Directors may delegate their representation to another attendee members by letter addressed to the Chairman.

Meetings shall be chaired by the Chairman of Board. In the absence of the Chairman, his duties shall be exercised by the Deputy-Chairman, and in the event of being several priorities, these shall be set out by number, and in default of these, the Director appointed by the Committee from among its members to fulfil this function.

Secretary and Deputy Secretary of the Board of Directors shall act as Secretary and Deputy-Secretary of the Executive Committee and, in the event of being several priorities shall be set out by priority number, and in the absence of these, the Director appointed by the Commission from among its members to fulfil this function.

Agreements shall be adopted by majority Resolutions shall be adopted by an absolute majority of those present at the meeting.

The Executive Committee may pass resolutions without a calling a meeting pursuant to the same conditions of the Board.

Notwithstanding the foregoing, the Board of Directors may establish any additional rules or operating rules applicable to the Executive Committee.

The Board of Directors shall have knowledge of matters discussed and any decisions adopted by the Executive Committee.

Similarly, the Board of Directors may constitute, if so it is deemed desirable or necessary, other commissions, including and an Audit Committee and an Appointments, Remunerations and Good Governance Commission.

Without prejudice to the possible attribution of other functions decided by the Board of Directors, advisory committees have powers of information, advisory and proposal on matters determined by the following articles, as well as in any other established by the Board of Directors. The powers of the commissions do not mean that the Board may decide on these issues on its own initiative.

The chairman of each Committee shall be appointed from among its members by the Board of Directors and must an independent director.

The Secretary is the Secretary of the Board of Directors. In the event of the absence or disability of the Secretary, there is a Deputy Secretary and, if not, whoever is appoint by the Committee from among its members. In matters not provided, standards established by this regulation in relation to the Executive Commission apply as long as they are consistent with the nature and function of the Committee concerned.

**Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different categories of Director.**

Yes  No

**If no, explain.**

The Executive Commission is composed by 3 executive members and an independent member.

## AUDIT COMMITTEE

Name	Position	Type
Ms. ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	CHAIRMAN	INDEPENDENT
MR RAMÓN BARRAL ANDRADE	MEMBER	INDEPENDENT
MR. JOSE MANUEL OTERO NOVAS	MEMBER	INDEPENDENT

<b>% of executive board members</b>	0.00%
<b>% of independent board members</b>	100.00%
<b>% of external board members</b>	0.00%

**Explain the tasks assigned to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

Article 33 of the By-laws and Articles 15 and 16 of the Board of Directors' Regulations deals with the Audit Committee.

The audit Committee shall be composed exclusively of non-executive directors appointed by the Board of Directors, two of whom, at least, shall be independent directors and one of them shall be appointed taking into account the knowledge and experience in the field of accounting or audit or both.

The Chairman of the Audit Committee will be appointed from among the independent directors who form a part of the Committee and must be replaced every four years, and may be reelected once after a period of one year from its cessation.

The mandate of members of the Committee shall end by replacement, for the end of the period which they were appointed for, by own will or by the loss of the condition of member.

The legal consultant shall also be member of the Committee, with voice yet without vote. The Secretariat of the Committee shall be the Secretary of the Board of Directors.

Any member of the management team or staff of the company must attend the meetings if required to do so. External auditors may also be required to attend a meeting.

The Committee has powers regarding the information, monitoring, advisory and proposal of matters within its competence.

The Audit Committee shall meet whenever called by its Chairman, who shall do so whenever the Board of Directors, the Chairman or two members of the Audit Committee require so and whenever it is deemed convenient for the proper exercise of its functions. In any case, the Audit Committee shall meet not less than four times a year.

The Chairman of the Audit Committee shall chair the meetings and lead the discussions. The Audit Committee's meeting is understood to be validly constituted when attended by the most of its members, with a minimum of three.

Provisions set out by the by-laws apply for the running and calling of meeting of the Audit Committee.

The Audit Committee shall prepare an annual report on its activities to be included within the management report of the company.

The responsibilities of the Committee are:

- a) To inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.
- b) To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.
- c) To supervise the elaboration of financial information.
- d) To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.
- e) To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.
- f) To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.
- g) To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:
  - 1. Financial information to be released regularly.
  - 2. The creation or acquisition of stakes in special purpose vehicles.

In the exercise of its functions, the Audit Committee may request the assistance of experts whenever it considers that, for reasons of independence or specialization, technical means of the company are not sufficient.

In addition, the Committee may request the collaboration of any employees or directors of the company.

**Indicate the member of the Audit Committee who has been appointed for sound knowledge and experience regarding accounting, audit or both fields and indicate the total number of years the chairman has been in this position.**

<b>Name of the Member with experience</b>	MS. ALTINA DE FATINA SEBASTIAN GONZALEZ
<b>Number of years of the Chairman in this position</b>	4

### INTERNATIONAL EXECUTIVE COMMITTEE

Name	Position	Type
MR. JACINTO REY GONZALEZ	CHAIRMAN	EXECUTIVE
MR JACINTO REY LAREDO	MEMBER	EXECUTIVE
MR. JAVIER REY LAREDO	MEMBER	EXECUTIVE
MR. KUNIL KANORIA	MEMBER	Independent
MR. NASSER HOMAID SALEM ALI ALDEREI	MEMBER	Other External
MR. GUILLERMO EMILIO NIELSEN	MEMBER	Independent

<b>% of executive board members</b>	50.00%
<b>% of proprietary board members</b>	0.00%
<b>% of independent board members</b>	33.33%
<b>% of external board members</b>	16.67%

**Explain the tasks assigned to this committee, describe the organisational and operational rules and procedures of the same and summarise its most important actions during the year.**

Article 18 (2) of the regulations of the Board of Directors reflects the composition, functioning and internal regulation of the International Executive Committee.

**Composition.**

The International Executive Committee will comprise a maximum of twelve members, who shall be appointed by the Board of Directors under the unique proposal of the Chairman.

The members of the International Executive Committee shall be either members of the Board of Directors, as directors, or either technicians, with the character of international advisors or sector experts, especially appointed for this function.

The International Executive Committee is responsible for the information, monitoring, advisory and proposal of matters of its competence in the international arena. The Committee will be chaired by the Chairman of the Board of Directors. The resolutions of the Committee, adopted with the Chairman, shall be considered as legal decisions by the Chairman in accordance with the delegated powers of the Board. The members of the International Executive Committee shall cease by substitution, the termination of the period which they have been appointed for, willingly or by loss of the condition of Member.

**Functioning**

The International Executive Committee shall meet whenever the Chairman deems it appropriate. The sessions of the Committee may be plenary or by sections, consisting the latter in private meetings with

the members invited in each case by the Chairman, in response to a variety of countries, areas of specialization or sectors of activity.

Competencies:

Without prejudice to other tasks assigned by the Board of Directors, the International Executive Committee shall have the following powers:

- (a) To collaborate in the development of the Group's international area in all its divisions, both in construction and in concessions, energy and real estate projects and urban or any other type of business.
- b) To contribute to the increase of the international relations of the Group with public and private, local and international partners.
- (e) To search for new business opportunities and projects, elaborate proposals for foreign, either public or private, institutions, and other entities that develop projects worldwide.
- (d) To raise capital and investment financing for international projects.
- (e) To propose projects with the appropriate partners.

**Indicate whether the composition of the International Executive Committee reflects the participation within the Board of the different categories of Director.**

Yes  No

**If no, explain.**

The International Executive Commission is composed by 3 executive members, two independent members and an external member.

**C.2.2 COMPLETE THE FOLLOWING TABLE WITH INFORMATION RELATED TO THE NUMBER OF FEMALE DIRECTORS MAKING UP THE BOARD OF DIRECTORS' COMMITTEES DURING THE LAST FOUR YEARS:**

	Total number of board members							
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENT AND REMUNERATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	1	33.00%	1	33.00%	1	33.00%	1	33.00%

INTERNATIONAL EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
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**C.2.3 REPEALED**

**C.2.4 REPEALED**

**C.2.5 INDICATE, AS APPROPRIATE, WHETHER THERE ARE ANY REGULATIONS GOVERNING THE BOARD COMMITTEES. IF SO, INDICATE WHERE THEY CAN 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.**

The commissions of the Board are borne to the following articles of the by-laws: Article 31 Executive Commission, Article 33 Audit Committee and Article 34 Appointment, Remuneration and Good Governance Commission. And the Following articles from the Board of Directors’ Regulations: Article 14 Executive Commission, Articles 15 and 16 Audit Committee, Articles 17 and 18 Appointment, Remuneration and Good Governance Commission and 18 82) International Executive Committee.

Documents for each commission are available online.

Amendments recorded are those necessary for adapting their performance to legal amendments.

Reports on their activities are issued on an annual basis.

## D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

### D.1 Where appropriate, explain the procedure for approving related-party and intra-group transactions.

Article 32 of the Board of Directors Regulation – Associate transactions

All the transactions executed by the Company, either direct or indirectly, with Members of the Board, significant shareholders or representatives of Members of the Board, require the authorisation of the Board and the prior approval of the Appointment, Remuneration and Good Governance Committee, unless for daily business common transactions.

Transactions referred to in the previous paragraph must comply with principles of equal treatment and market conditions and shall be listed in the Annual Good Governance Report and public information released according to applicable standards and regulations.

Persons connected to members of the Board are those fulfilling requirements by law for such consideration.

### 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 company name of the Shareholder	Name or company name of the company of the Group	Type of relationship	Type of transaction	Amount (thousands of Euros)
PINOS ALTOS XR, SL	Grupo Empresarial San Jose, S.A.	Business	Provision of Services	113
PINOS ALTOS XR, SL	Xornal de Galicia, S.A.	Business	Financing agreements: loans	1,193

### 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 company name of the directors	Name or company name of the associate	Type of association	Nature of the transaction	Amount (thousands of Euros)
MR. NASSER HOMAID SALEM ALI ADEREI	Tecocontrol General contracting LLC San Jose Construction LLc	Shareholder	Other	38

MR PEDRO ALLER ROMÁN	Grupo Empresarial San Jose	Director for Africa	Financing agreement: loans	123
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**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 whose subject matter and terms set them apart from the company's ordinary trading activities.**

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

At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:

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

0 (thousands of euros).

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

The Board of Directors Regulations details the general obligations and commitments of the members pursuant to Article 225 and the following articles of the Companies Act.

Article 28 – General obligations

1. Directors shall fulfil functions and obligations in compliance with applicable laws and by-laws, taking into consideration the nature of the position and the main functions attributed to each of them.
2. Directors shall be devoted to their position and adopt all necessary measures for the smooth performance and control of the Company.
3. Within its functions, the Members shall request all Company Information for the fulfilment of the obligations.
4. Directors shall perform their functions according to loyalty and good faith practises and for the interest of the company.

Loyalty commits Directors to:

- a) Not to use powers for purposes other than those for which they have been granted to.
- b) Keep secret all information, data, reports and records released within the performance of this position, even after its office, unless requested by law.
- c) Not to take part in the decision-making process of the any issues, agreements or decisions which the director or any other person linked to the same may be interested in, either directly or indirectly. Decisions affecting his condition as member are excluded, such as the renewal or cessation of Directors.
- d) To development the tasks and functions under the principle of personal liability regardless any third parties.
- e) To adopt as many measures may be deemed necessary so as not to incur in any conflict of interest with the company.

The commitment to not face any conflict of interest, obliges the Member:

- a) Not to perform transactions with the Company, other than ordinary transactions, under standard conditions for clients, understanding as such those which request equity, or financial information of the Company.
- b) Not to use the name of the Company or the condition of Director to force any private transactions.
- c) Not to use company assets, even confidential information of the company, with private purposes.
- d) Not to take advantage of the Company's business opportunities.
- e) Not to get any advantages or disadvantages from third parties other than courtesy events.
- f) Not to develop activities which may involve direct or indirect competence with to the company or represent a conflict of interest.

Art. 29 Confidentiality, Article 30 – non-competence, Article 31 – Conflict of interest, Article 32 – Associate transactions, Article 33 – Confidential information, Article 34 - Waiver of rights by Members.

**D.7 Is more than one group company listed in Spain?**

Yes  No

**Identify the listed subsidiaries in Spain:**

**Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other companies in the group:**

**Identify the mechanisms envisaged to resolve any possible conflicts of interests between the listed subsidiary and the other companies in the group:**

## **E. RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1 Explain the scope of the company's risk management system, including for tax risks.**

Grupo SANJOSE is a group of companies operating globally in various fields of activity: construction, concessions, maintenance, real estate, etc.

To do this, it has a local address in each of the countries where it is present, with professionals with great experience and knowledge related to the country and the type of activity. Additionally, it has support and control departments at central level, located at the Group's headquarters in Madrid, highlighting mainly the Tax and Consolidation and Audit Department.

The scope of the risk management system covers the entire Group, regardless of the activity and / or geographical region.

The Internal Audit Department of the Group, based on the principles of:

- Integral management of risk.
- Valuation of risks and establishment of the level of risk assumed.
- Respect for the ethical code and anti-corruption, and
- Consistence and coherence of the internal control system of financial information,

identifies and evaluates the risks which it is exposed to. This process allows to identify in advance and assess the risks which the Group is exposed to, based on its probability of occurrence and its potential impact on the strategic objectives of the business, in order to take management and assurance measures tailored to the nature and location of the risk.

The Board of Directors approves the policy on control and risk management that the Audit Committee, or other special according to the matter, analyses and evaluates together with the reports of the Internal Audit Department.

### **E.2 Identify the company's bodies responsible for preparing and executing the risk management system, including tax risks.**

Without prejudice to the supervisory functions that correspond to the Board according to the Law and the Articles of Association, the Board of Directors and the Audit Committee supervise the work carried out by the different departments of the Group for the purpose of correct application of the Internal Control System.

The Group has a risk management policy and has approved the periodic monitoring of internal information and control systems. This function is transferred to the Audit Committee, which periodically checks the correct design and development of the internal control system.

In the preparation and execution of the risk management system, it is particularly important that all business divisions and the management of the investee companies identify and assess the risks, including those of a fiscal nature, that they face in achieving their objectives. of business, in order to identify in advance the mitigating measures that minimise or eliminate the possibility of occurrence of the risk and its possible impact on the Group's objectives.

### **E.3 Explain the main risks, including tax risks, that may affect the achievement of the business objectives.**

The main risks which the Group is exposed to, arising from the type of activity it carries out and related to the risks inherent to the markets where it operates, which affect the development of the Group's strategy, its ability to create value and, in general, the achievement of its objectives, are the following:

- Marks risk: specifically, those related to the demand for services and products offered by the Group. The slowdown in growth in economic activity worldwide as a result of the economic and financial crisis has reduced the demand for infrastructure and construction in general. This circumstance increases competition, with the consequent increase in price pressure and reduction of margins.

- Regulatory and political risk: relating to compliance with legal requirements that affect the development of the activity. The number of countries where the Group operates in is high, being subject to the regulatory framework of each country. Additionally, some of the assets managed by the Group are subject to specific regulation, considered in the preparation of the business plans. There may be unforeseen regulatory or legislative changes that may modify the legal and regulatory environment, conditioning the Group's ability to manage and capitalise its businesses.

In certain cases, the Group's adequate and complete business development may be affected and conditioned by political decisions or changes in governance structures that may be contrary to the interests of the Group, increasing the difficulty of achieving the business plan.

-Safety of information and cyber attacks: occurrence of criminal acts, cybernetic in nature, that may affect assets and suppose prolonged paralysis of operations.

-Labour conflict: provision of labour-intensive services, diversity of geographical locations and applicable labour laws. Individual or collective conflicts may arise with employees that damage the productive capacity of the Group and / or the corporate reputation.

-Financial risk: exposure to credit risk, liquidity risk, exchange rate risk and interest rates.

-Operational risk: the Group's activity consists mainly of the design, development and management of construction projects.

The Group is endowed with very demanding controls in order to ensure the proper development of its activity, and the provision of services of maximum quality to its customers. Compliance with the quality levels and delivery deadlines of goods and services provided by the Group.

-Breach of contract with third parties: potential breach of contractual obligations assumed with third parties (customers, suppliers, financial entities, public administrations, etc.) that may cause sanctions or endanger the continuity of the projects and / or the Group's financial position.

-Damage to the environment: actions that may have a potential negative impact on the environment and the natural environment where the Group develops its activity.

-Risk of fraud and corruption: the diversity of projects, geographical locations and the high number of clients, suppliers, workers and, in general, interest groups which it interacts with, expose the Group to the risk of fraudulent practices that pursue a profit at the expense of generating a direct financial loss to the Group, or to any of the members of the related interest groups.

#### **E.4 Identify whether the company has a risk tolerance level, including for tax risks.**

Grupo SANJOSE has a level of risk tolerance, including tax risks, consistent with the expected profitability.

Taking into account the strategic objectives of the Group and the strategic lines for its achievement, the acceptable level of risk for each risk group, type of business and geographical location is approved, as well as the permitted deviation levels. The acceptable risk levels are periodically updated in line with the variations in the corporate strategy and the business risk profile.

The combination of the impact and the probability of occurrence determines the level of severity of the risk.

#### **E.5 Indicate what risks, including tax risks, have materialised during the year.**

The main risks which the Group is exposed to that have materialised during 2017 have been:

Breach of contract: during December 2016 the unilateral termination by the client of the contract "ICB-01: Airside infrastructure and land side terminal improvement at TIA, Simikhot and Rara Airports", due to an alleged breach of certain contractual obligations by the Group. Previously, the Group had already repeatedly transferred to the client a series of claims.

The Group considers that the reasons alleged by the client lack merit and legitimacy and, consequently, during year 2017, all the mechanisms contemplated in the contract for the defense of its interests have been implemented.

Financial risk – exchange rate risk. During 2017, the Euro has been appreciated relative to the US Dollar and relative to other currencies of countries where the Group has assets and develops its activity. Mainly, the Argentinian Peso.

Currency fluctuation risks is covered naturally since it is the policy of the Group to operate in local currency. However, the appreciation of local currency has involved a significant increase during 2017 of negative translation differences recorded by the Group.

#### **E.6 Explain the response and supervision plans for the main risks to the company, including tax risks.**

The internal control system is mainly focused on identifying the risks which the Group may be exposed to by the intrinsic characteristics of the activity or markets where it operates, so as to establish the necessary controls to minimise possible contingencies that may arise, and create actions or responses to those contingencies once occurred.

In this regard, monitoring and response plans for major risk events are:

- Upon the risk of demand: the commercial department has multiple instruments to detect and evaluate new business opportunities, establishing regular procurement meetings, and being in full coordination with the Production Management.
- Upon the risk of information security and cyber attacks: the IT department is endowed with the material elements and protocols to guarantee back-ups and security of information, limitation in access to systems, etc.
- Upon the risk of work conflict, the Group is endowed with a human resources department that, in a centralised manner, establishes recruitment, training, professional follow-up policies, etc., in a coordinated manner with local personnel departments in each of the geographical locations where it operates, establishing as a main objective compliance with labour legislation and respect for workers' rights.  
Additionally, and in coordination with the Human Resources and Production Division, the Occupational Risk Prevention Division stands out, whose main objective is to maximise the level of safety and protection of workers in the different work centres.
- Upon financial risks:
  - i. Liquidity risk: activity budgets are carried out and monitored periodically, specifically, treasury estimates, daily, weekly and monthly.
  - ii. Interest rate and exchange rate risk: the Group's policy is to obtain financing at local level, and in the currency which the flows and rents derived from the development of the activity are obtained in. When it is not feasible to contract fixed interest rates, the contracting of derivative financial instruments is valued.
  - iii. Credit risk: the Group has a credit risk management department, that assesses the solvency of the clients beforehand, and establishes credit limits for each one.
- Risk of production: a supervision and authorisation system is established with the objective of not assuming risk positions in bids submitted, as well as in the production and development stage of works.
- Upon environmental risk, the Group periodically carries out external audits of quality and environment, in order to confirm that the proper procedures are maintained to guarantee that, in the development of the activity, either directly or through subcontractors, the environment is respected.
- Risk of fraud and corruption: a very strict system is established in the granting of powers to the governing body and employees of the Group, as well as in the realisation and control of payments. The Group has a code of conduct and an anti-corruption policy that, among other measures, establishes the creation of a whistleblower channel.

## **F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO FINANCIAL REPORTING (ICFR)**

The mechanisms which comprise the risk control and management systems related to financial reporting are as follows:

### **F.1. The company's control environment**

#### **F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring.**

The Internal Control System on Financial Information (ICFR) of the Group is based on the principles and good practices of the reports published by the Committee of Sponsoring Organisations of the Tread way Commission (COSO) that sets out the main guidelines for the implementation, management and control of a system of internal control and corporate risk management.

The Board of Directors formally assumes the ultimate responsibility for the existence and correct application of Internal Control Systems on Financial Information. The Board of Directors' role is to approve the risk control and management policy, and the regular monitoring of internal information and control systems. Said function has been transferred to the Audit Committee, who should be informed of controls implemented by the Financial Department. For controls which may be considered appropriate, especially those made directly by the Finance Department and with a high element of subjectivity, the Board of Directors will require the implementation of appropriate control procedures.

The design, implementation and operation of ICFR is the responsibility of the General Directorate of Administration and Finance Group, as set forth the San Jose Group Oversight Policy of ICFR.

Internal Audit Management of Grupo SANJOSE shall be responsible for the monitoring and control of said functions, as well as any other functions entrusted by the Board of Directors.

#### **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) designing and reviewing the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate breakdown of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.**

In accordance with the provisions of the Regulations of the Group's Board of Directors, among other assigned functions, the Appointment, Remuneration and Corporate Governance Committee is responsible for examining and organising the succession of the Chairman of the board of directors and the chief executive of the company and, where appropriate, make proposals to the board of directors so that said succession takes place in an orderly and planned manner. Likewise, this Commission is responsible for informing the proposals for the appointment and dismissal of senior management.

Additionally, the administration body, with the advice and participation of the Human Resources Department, as well as any other management members, are responsible for setting the organisational structure relative to the first line of the organisation. In turn, the latter are responsible for setting changes in the organisational structure under their respective dependencies, in coordination and advice from the Human Resources Department, and with prior authorisation from the Administration body.

With regard to the units and departments that directly intervene in the process of preparing and controlling financial information, the General Management and Finance Division of the Group are responsible for the design and definition of the organisational structure, establishing the main lines of responsibility and authority, with an adequate distribution of tasks and functions. In this, the intervention and advice of the Human Resources Department is essential.

The Group has a section on the Intranet where the organisation chart and the functions of the main area managers are published. Access to such content is restricted according to the type of user.

**• 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 SANJOSE Group has an Organisation and Management Model for the Prevention of Crimes that has as its main objective to institutionalise the corporate ethical culture of the Group, which is oriented towards the compliance with the regulatory framework and the development and improvement of corporate social responsibility.

The Model is mainly composed of a Code of Conduct and the Anticorruption Policy, being approved by the Group's Board of Directors, and informed to the rest of the organisation, published on the Group's corporate website.

It contemplates formative actions that shall affect the whole of the organisation, so that the adequate diffusion, understanding and commitment of all the affected agents is guaranteed.

The principles that constitute the sources which the Code of Conduct of the Group is based on, are those included in the United Nations Global Compact in the area of human rights, which are the following:

- To support and respect the protection of internationally proclaimed human rights.
- To not be complicit in human rights abuses.
- To uphold the freedom of association and the effective recognition of the right to collective bargaining.
- To eliminate all forms of forced and compulsory labour.
- To effectively abolish child labour.
- To eliminate the discrimination in respect of employment and occupation.
- To support a precautionary approach to environmental challenges.
- To undertake initiatives to promote greater environmental responsibility.
- To encourage the development and diffusion of environmentally friendly technologies.
- To work against corruption in all its forms, including extortion and bribery.

The Model considers as a basic pillar to ensure an adequate compliance culture, the existence of a series of tools, manuals, protocols and procedures that the Group has implemented, which allow mitigating the risk of default or violation. It is worth highlighting the existence of computer control tools implemented in the Group, especially the ERP: Sigrid Gestión. It is a computer system aimed at management and planning of resources and business activities. It provides a complete computer system that, among others, includes the management of human resources, the planning and control of financial resources, commercial management, the integral management of works and projects, etc. In particular, it provides a powerful support for the registration of financial information and document management, ensuring an adequate and complete system of registration, documentation and approval of transactions.

The ERP becomes a key element in the internal control system, especially in the system of internal control of financial information.

The body in charge of analysing potential breaches and proposing, if necessary, corrective actions and sanctions is the Surveillance Body. It is a body of internal character in charge of supervising the operation and compliance of the Model through the execution of, among others, the following functions:

- Revision of the adequacy of the Model and promotion of its update whenever it considers it appropriate.
- Promotion of the dissemination of the Model and supervision of the training activities carried out.

- Reception and management of complaints received through the Whistleblowing Channel.
- Instruction of internal review processes that are carried out when there is any indication of unlawful acts.
- Inform the Board of Directors.

The Supervisory Body is appointed by the Board of Directors, following a report from the Appointment, Remuneration and Good Governance Committee, and enjoys full autonomy and independence for the performance of its functions.

- **‘Whistle-blowing’ channel for reporting to the Audit Committee 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 Organisation and Management Model for the Prevention of Crimes established by the Group contemplates, among others, the existence of a whistleblowing channel.

The administrators, executives and employees of the Group have the obligation to inform the Surveillance Body of any fact that they have knowledge that may constitute an offense or breach of the Model and the controls which the Model refers to (Code of Conduct, Anti-Corruption Policy, and other tools, manuals, protocols and internal procedures).

For the reporting of allegedly unlawful or constitutive acts of noncompliance (including irregular conduct of a financial, accounting or any other similar nature), the complainant may use any of the following channels, constituting the group's whistleblower channel:

- By email, at the address established by the Group for these purposes.
- By telephone through a personal interview or conversation with the Compliance Officer.

Regardless of the formula chosen by the complainant, the Group fully guarantees the confidentiality of the identity of the complainant.

The Compliance Officer shall implement whatever measures deemed appropriate so as to assess, analyse and resolve the complaints, for what he may rely, on absolute discretion and confidentiality, on the support and advice on internal and/or external advisors.

With regards to accounting and financial irregular conducts, the Surveillance Body shall report the issue to the Audit Committee.

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

Grupo SANJOSE personnel involved in the preparation and review of financial information and evaluation of the ICFR receives the training programmes and updating of the regulations and good practices necessary to guarantee the reliability of the financial information generated.

## **F.2. Risk assessment in financial reporting**

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

- **The process exists and is documented.**

The identification of risks is one of the most important stage in the overall process of the ICFR of Grupo SANJOSE.

It has a double objective: a) To guarantee with reasonable security the reliability of the financial information provided to the market and, b) To support the responsibilities of the people involved in the preparation of the financial information.

The presence of the SANJOSE Group in various business areas and in different countries with different regulatory, political and social environments means that there are risks to be identified and managed of a very varied nature. These are identified and analysed in the first instance by the General Management and Board of Directors of the Group, in order to adequately define the registration and control processes of the information and documentation, or to include the modifications to existing processes, in demand of the specific characteristics of the business to be carried out or of the regulatory framework of the country where the activity is carried out.

Additionally, among the works scheduled in the Group's Audit Plan, a review of the financial / accounting magnitudes of each unit that makes up the Group is included, as well as the most relevant transactions that may have been carried out, with a relatively high frequency throughout the year. In this work carried out by the Group's Internal Audit Department, the identification of risks, including errors or fraud, is particularly important, affecting the review processes contemplated in the Annual Audit Plan.

Annually, included as part of the Group Audit Plan that is presented to the Audit Committee for its approval, the Internal Audit Department identifies, evaluates and updates the risks which the Group is exposed to, and proposes the proposed actions for review and control.

**• Whether the process covers all financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how often.**

The identification and evaluation of risks carried out by the Group covers all the objectives of the financial information: existence and occurrence, integrity, valuation, presentation, breakdown and comparability, rights and obligations.

The identification and evaluation of risks is carried out by the Administration and Finance Department, in a continuous manner, in response to the modifications that may occur in the Group's activity or business (new businesses, new locations, etc.). guaranteeing its adequate updating.

Additionally, the Internal Audit Department, on a monthly basis, reviews the main risk indicators that it has established, in order to guarantee the work previously carried out by the Administration and Finance Department.

**• 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, holding companies, etc.**

The Group has a documented internal process that guarantees the correct definition of the consolidation perimeter and the identification of any possible alteration that may affect it, through an adequate segregation of functions in the application, authorisation, communication and registration of any incorporation, merger, spin-off, acquisition or sale transaction of companies, as well as of any other corporate transaction, that implies for its execution, directly, and in a coordinated manner, the Corporate Departments of Central Administration, Consolidation, Legal and Tax, among others.

This process considers the possible existence of complex corporate structures, instrumental entities or special purpose entities, among others, through the establishment of an adequate segregation structure of request, authorisation and communication functions to carry out any corporate transaction in the Group.

**• The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The design of the ICFR of the Group is made from a global perspective, taking into account the possible effects of other risks (operational, technological, legal, reputational, environmental, etc.), including references and links to them.

**Which governing body within the company is in charge of supervising the process.**

The Internal Audit Department of the Group is responsible for supervising the adequacy and correct application of the ICFR:

- a) Follow up on the recommendations made and confirm their correct implementation by the General Directorate of Administration and Finance;

- b) Issue an opinion (binding) on the changes proposed by the General Directorate of Administration and Finance, etc.
- c) The General Directorate of Administration and Finance is responsible for periodically evaluating the ICFR, and ensuring its proper updating.

The risk identification process is presented, at least on an annual basis, by the Internal Audit Department to the Audit Committee for its supervision.

### **F.3. Control activities**

#### **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 judgements, estimates, measurements and projections.**

The financial information and the description of the ICFR that is published in the securities markets is generated by the General Directorate of Administration and Finance. In the process of generating financial information, the control and authorisation procedures carried out by the different hierarchical and liability levels are particularly important.

The Internal Audit Department of the Group directly intervenes in the preparation of the individual and consolidated financial statements of each and every one of the companies that make up the Group and, in particular, of the financial information to be published periodically, reviewing and confirming the financial statements, as well as judgments, estimates, valuations and relevant projections taken into account by the General Directorate of Administration and Finance in its preparation.

As established in Article 16.7 of the Regulations of the Board of Directors of Grupo Empresarial San José, S.A., it is established as a function of the audit committee "to inform, in advance, to the board of directors, on all the matters foreseen in the Law, the bylaws and in the regulations of the board and, in particular, on: i) The financial information that the society must make public periodically. "

In the development of its functions, the audit committee requires explanations and / or documentation to the managers or workers they deem appropriate. In particular, the presence of the General Director of Administration and Finance and the Director of Internal Audit is required. Likewise, and at least referred to the half-year and annual closings, the presence of the external Auditor is required to confirm that said information is complete and that the criteria consistent with the previous annual closing have been followed.

Prior to its publication, the financial information is reviewed by the board of directors, based on the report presented by the chair of the audit committee. Additionally, it may require the presence, explanations and / or documentation to the people it deems appropriate and necessary to guarantee the goodness of the information to be published.

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

Grupo SANJOSE has policies, standards and procedures of internal control of information systems and security management set within the MSIS or Management System of Safety of Information Systems, in accordance with international standards, such as ISO 27001, ISO27002.

Access to information systems is managed in accordance with the job title of positions, limitations are established by applicable regulations and business needs in order to ensure the reliability of the information. Following corporate policy, Companies of the Group, coordinated by the Director of Systems, define access profiles, modification, validation or query information based on each user's role, assigned under the criteria of an adequate segregation of duties.

Procedures have been established to ensure that installed software cannot be changed without specific permission. All information systems are protected against viruses and software updates are available to prevent hacking into information systems

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

As a general rule, Grupo SANJOSE performs management controls of activities which may affect the reliability of financial statements by the direct use of internal resources, avoiding outsourcing activities.

The management of assessment activities, calculation or assessment procedures commissioned to independent experts refer mainly to real estate appraisal. The selection of such companies is performed according to methods consistent with the criteria established by "The Royal Institution of Chartered Surveyors" in implementing International Assessment Standards.

The reports on assets assessment are subjected to an internal review process to verify the adequacy of hypotheses and most significant assumptions used, as well as its compliance with International Accounting and Assessment Standards.

**F.4. Information and communication**

**F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) up to date and settling doubts or conflicts over their interpretation, maintaining regular communication with the persons responsible for the organisation's transactions, as well as an updated accounting policy manual that is provided to all the company's operating units.**

The accounting policies adopted by the Group are in accordance with the provisions of the International Financial Reporting Standards adopted in the European Union (IFRS-EU), taking into account all the principles and accounting standards and the criteria for valuation of mandatory application of the IFRS-EU.

Due to the complexity of the applicable accounting regulatory framework, as well as the relative frequency of changes in the standard, the Group places great importance on the function of defining, maintaining, interpreting and guaranteeing the application in a homogeneous manner.

This function is carried out in the General Administration and Finance Department, especially in the Consolidation Department, and there is full coordination with the Administration Department.

The Group has the appropriate procedures and mechanisms to transmit to the personnel involved in the process of preparing the financial information, the applicable performance criteria, as well as the information systems used in such processes.

**F.4.2. Mechanisms to collect and prepare financial information in a standard format, applied and used by all units of the company or the group, backing up the main financial statements and notes, as well as any information described in the internal control over financial reporting (ICFR).**

The Group's financial information is produced through a process consisting of aggregating individual financial statements for further consolidation in response to consolidation and accounting regulations on consolidated financial information publishing in the markets.

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation. The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

In the process of aggregation and consolidation of financial statements, the Group employs the software application so-called CONSOLIDADA; this tool is parameterised for testing and automatic reconciliations looking for inconsistencies in the recorded data before validating them. This tool generates improvements in information security, as well as progress in the implementation of details.

**F.5. Supervision of system operation**

**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**

Among the functions of the Audit Committee, the Board of Directors Regulation includes the monitoring of accounting and financial information, internal and external audit services and corporate governance.

The ICFR monitoring activities undertaken by the Audit Committee include the following:

-To approve the internal audit plan for the assessment of Internal Control Systems of Financial Information Reporting and receive regular information on worked performed and a corrective action plan.

- To monitor the independence and efficacy of internal auditing; proposing the selection, appointment, re-election and removal of the head of internal audit; proposing the department's budget; receiving regular feedbacks on its activities; and verifying whether senior management is acting on the findings and recommendations of the reports.

- To review on a semi-annual and quarterly basis the preparation of financial statements.

The Group has an Internal Audit Department responsible for the assurance and consulting functions, among other, supporting the Audit Committee on monitoring the internal control system of financial reporting.

The Internal Audit Department submits to the Audit Committee its annual working plan, reports directly of all incidents identified in its development, proposing possible corrective measures on the same.

**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 company has an action plan to correct or mitigate the weaknesses found.**

The Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

In this regard, the Audit committee is regularly informed by the external auditor on the progress and findings of the auditing plan and to ensure that senior management act on its recommendations. The Department of Internal Audit assesses correction measures regarding implementing time and method. The Internal Audit Department reports on a regular basis to the Audit Committee of the main weaknesses identified as well as the correction process implemented.

#### **F.6. Other relevant information**

None.

#### **F.7. External audit report**

**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, please provide the reasons.**

Grupo San Jose does not submit to review of an external auditor ICFR info sent to the markets.

## G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of compliance with the recommendations of the Code of Good Governance for publicly traded 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.

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

2. When a dominant and a subsidiary company are stock market listed, 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 interest.

Compliant  Partially compliant  Explain  Not applicable

3. During the Annual General Meeting, as a supplement to the distribution in writing of the annual corporate governance report, the chairperson of the Board of Directors informs the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company, and in particular:

a) Of the changes that have occurred since the previous Annual General Meeting.

b) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and of any alternative rules that may be applicable in this matter.

Compliant  Partially compliant  Explain

4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisers that is fully respectful of the rules against market abuse and gives a similar treatment to shareholders that are in the same position. The company makes public this policy through its website, including information relating to the way in which it has been implemented and identifying the contacts or those responsible for carrying it out.

Compliant  Partially compliant  Explain

5. The Board of Directors does not submit to the Annual General Meeting a proposal for delegating powers to issue shares or convertible securities, except for the right to preferential subscription, for an amount greater than 20% of the share capital at the time of delegation.

And when the Board of Directors approves any issue of shares or convertible securities, not including the right to preferential subscription, the company immediately publishes on its website the reports on this exclusion referred to be company law.

Compliant  Partially compliant  Explain

The Board of Directors took to the shareholders' meeting held on 24.06.2015 a proposal to delegate powers and faculties to issue shares, lacking the shareholder's preemptive right for an amount exceeding 20% total social capital pursuant to contractual obligations set out by the financing agreements signed on 29.12.2014 which became enforceable as from 30.06.2015, and with the final goal of allowing holders of warrants, if applicable, change said warrants for shares of GESJ.

The Company published on the corporate website reports on the refusal of preemptive right.

**6. Listed companies preparing the reports mentioned below, whether as an obligation or voluntarily, publish them on their websites in sufficient time before the Annual General Meeting, even if their publication is not mandatory:**

**a) Report on the independence of the auditor.**

**b) Reports on the operation of the Audit Committee and the Nomination and Remuneration Committee.**

**c) The Audit Committee report on related-party transactions.**

**d) Report on the corporate social responsibility policy.**

Compliant  Partially compliant  Explain

**7. The company broadcasts the Annual General Meeting live via its website.**

Compliant  Explain

Due to the little capitalisation and the reduced releasing percentage of auditor's reports and the performance of the audit and appointment and remunerations commissions.

**8. The Audit Committee oversees the Board of Directors to ensure that if possible it presents the accounts to the Annual General Meeting without any limitations or qualifications in the auditor's report; and that in the exceptional cases when there are qualifications, both the chairman of the Audit Committee and the auditors explain clearly to the shareholders the content and scope of these limitations or qualifications.**

Compliant  Partially compliant  Explain

**9. The company posts publicly and permanently on its website, the requirements and procedures that it will accept to accredit the ownership of the shares, the right of attendance to the Annual General Meeting and the exercise of delegation of this voting right.**

**These requirements and procedures favour attendance and the exercise of voting rights by the shareholders and are applied in a non-discriminatory way.**

Compliant  Partially compliant  Explain

**10. When a duly registered shareholder has exercised the right to add to the agenda or submit new proposed resolutions before the Annual General Meeting, the company:**

**a) Immediately makes public these supplementary points and new proposed resolutions.**

**b) Makes public the model of attendance card or form of delegating the vote or distance vote, together with the precise modifications, so that the new points on the agenda and the alternative proposed resolutions can be voted on in the same terms as those proposed by the Board of Directors.**

**c) Submits all these points or alternative proposals to the vote and applies to them the same voting rules as those issued by the Board of Directors, including in particular any assumptions or deductions regarding voting intention.**

**d) Following the Annual General Meeting, reports the breakdown of the vote on these supplementary points or alternative proposals.**

Compliant  Partially compliant  Explain  Not applicable

**11. If the company plans to pay attendance bonuses to the Annual General Meeting, it should establish in advance a general policy on such bonuses and this policy should be stable.**

Compliant  Partially compliant  Explain  Not applicable

**12. The Board of Directors performs its duties with a single purpose and with independent criteria, treats all shareholders who are in the same position in the same way and is guided by the corporate interest, meaning the achievement of a profitable and sustainable business in the long term that promotes its continuity and the maximisation of the company's economic value.**

**In aiming for the corporate interest, as well as respecting the laws and regulations and a good behaviour based on good faith, ethics and respect for commonly accepted customers and good practices, it aims to reconcile the corporate interest with the legitimate interests of its employees, suppliers, customers, and the other stakeholders that may be affected, as appropriate, as well as the impact of the company's activities on the community as a whole and on the environment.**

Compliant  Partially compliant  Explain

**13. The Board of Directors is of the right size to ensure effective and participative operation, which means that it is advisable for it to have between five and fifteen members.**

Compliant  Explain

**14. The Board of Directors approves a policy on appointing directors that:**

**a) Is specific and verifiable.**

**b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.**

**c) Favours the diversity of knowledge, experiences and gender.**

**The result of the prior analysis of the needs of the Board of Directors is included in the justificatory report from the Nomination Committee published when calling the Annual General Meeting to which the ratification, appointment or re-election of each director is subject.**

**The policy for selecting directors fosters the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.**

**The Nomination Committee shall check compliance with the policy for selecting directors every year and report on this in the annual Corporate Governance Report.**

Compliant  Partially compliant  Explain

**15. Proprietary and independent directors should constitute a large majority of the Board and the number of executive directors should be the smallest possible, taking into account the complex nature of the corporate group and the stakes held by executive directors in the company's capital stock.**

Compliant  Partially compliant  Explain

**16. The percentage of proprietary directors out of the total number of non-executive directors is not greater than the proportion between the company's capital stock represented by these directors and the rest of the capital.**

**This criterion may be eased:**

**a) In companies with a high market value, when there are few shareholdings that are legally considered to be significant.**

**b) When it is a case of companies where there are a number of shareholders represented on the Board and there is no relation between them.**

Compliant  Explain

**17. The number of independent directors is at least half of all the directors.**

**However, when the company does not have a high market value, or when it does but has one shareholder or a number acting together who control more than 30% of the capital stock, the number of independent directors is at least one-third of the total number of directors.**

Compliant  Explain

**18. The companies publish and keep updated the following information on their directors on their website:**

**a) Professional and personal background.**

b) Other boards of directors to which they belong, whether or not of listed companies, as well as information on other remunerated activities they engage in, whatever their nature.

c) Indication of the type of director, specifying in the case of proprietary directors, the shareholder they represent or to which they are related.

d) Date of the initial appointment as director of the company, as well as the subsequent re-elections.

e) Shares in the company, and options on such shares, that they own.

Compliant  Partially compliant  Explain

19. The annual Corporate Governance Report, following verification by the Nomination Committee, explains the reasons for the appointment of the proprietary directors at the request of shareholders whose stake is under 3% of the capital; and, where appropriate, explains the reasons for not approving formal requests for representation on the Board from shareholders whose holding is at least equal to that of the others at whose request proprietary directors have been appointed.

Compliant  Partially compliant  Explain  Not applicable

20. Any proprietary directors should resign if the shareholder they represent fully transfers its stake. 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

21. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment foreseen in the Articles of Association, unless there is just cause, ascertained by the Board subject to a prior report from the Nomination Committee. In particular, just cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him or her from dedicating the time needed to perform the duties of director, infringes the duties inherent to his post or is involved in any of the circumstances entailing loss of independence under applicable law.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations, entailing a change in the company's capital structure, if such changes in the Board's structure are triggered by the proportionality principle indicated in Recommendation 16.

Compliant  Explain

22. The companies establish rules obliging their directors to report and resign, if necessary, in any situations that may damage the company's creditworthiness and reputation. In particular, they should be obliged to inform the Board of any criminal proceedings in which they are charged, including any subsequent procedural vicissitudes.

If a director is prosecuted or an order initiating a public trial is delivered against him, for any of the offences envisaged in company law, the Board should examine the case as soon as possible and, in light of specific circumstances, decide whether or not the director should remain in his post. The Board should report all of the foregoing, in a reasoned manner, in the Annual Corporate Governance Report.

Compliant  Partially compliant  Explain

23. All directors are able to clearly expressly their disagreement if they consider that any proposed resolution submitted to the Board may be contrary to the corporate interest. The foregoing will also apply, in particular, in the case of independent directors and others not affected by a potential conflict of interests, for decisions that may be detrimental to shareholders not represented on the Board.

If the Board adopts significant or reiterated decisions on which a director has made serious reservations, the latter is able to reach the necessary conclusions and, if he decides to resign, should explain his reasons in the letter referred to in the recommendation below.

This Recommendation also covers the Secretary of the Board of Directors, director or otherwise.

Compliant  Partially compliant  Explain  Not applicable

**24. If, further to a resignation or for other reasons, directors abandon their post before the end of their term, the reasons for this should be explained in a letter forwarded to all of the Board members. Without prejudice to such abandonment being notified as a significant event, the Annual Corporate Governance Report should explain the reasons for this abandonment.**

Compliant  Partially compliant  Explain  Not applicable

**25. The Nomination Committee should ensure that non-executive directors have sufficient time available for the correct performance of their duties.**

**And the Regulation of the Board of Directors must establish the maximum number of boards of directors of which its directors may form part.**

Compliant  Partially compliant  Explain

The Company requires Members of the Board to devote time enough for the proper development of the tasks inherent to their position; the mechanism to achieve that is the remuneration system associated to the meetings of the Board, Commissions and the global allocation established by the Shareholders' Meeting.

Although the Regulation does not establish a maximum number of boards the Member may form part of, members of the board attending other boards is not frequent, so there is actually no need to limit it.

**26. The Board of Directors meets as frequently as necessary to perform its duties effectively, and at least eight times a year, following the schedule of dates and issues it establishes at the start of the year. Each director can individually propose agenda items that are not initially included.**

Compliant  Partially compliant  Explain

The board of directors, when approving the calendar of meetings, establishes 5 meetings with a pre-established date, regardless of whether necessary, for any reason, other meetings of the board may be held to deal with matters that are within its competence.

The advice provided is quarterly in order to comply with the obligation to report financial information to the market. Likewise, another meeting of the board is foreseen coinciding with the date of the celebration of the ordinary general meeting, in case it is necessary to adopt or execute any agreement derived from said meeting.

Notwithstanding the foregoing, the bylaws of the company provide that the board of directors may also be called by the coordinating counselor with the possibility that the latter includes new points on the agenda of a meeting already convened.

Likewise, the board of directors will meet when requested by directors who constitute at least one third of the members of the board of directors indicating the order of the day, for its celebration in the town where the registered office is located, if, prior petition to the president, this one without justified cause would not have made the call in the term of a month.

For all the above, the company considers that the board of directors meets with the necessary frequency to perform with effectiveness of its functions and does not consider it necessary that there should be a minimum number of eight meetings per year.

**27. Non-attendance by directors is limited to unavoidable cases that are listed in the Annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions.**

Compliant  Partially compliant  Explain

**28. When the directors or the Secretary express concern regarding a proposal, or in the case of directors, on the performance of the company, and these concerns are not resolved by the Board of Directors, this is noted in the minutes at the request of the person who has raised the concerns.**

Compliant  Partially compliant  Explain  Not applicable

**29. The company establishes appropriate channels allowing directors to obtain precise advice on the performance of their duties, including, if circumstances require, external advice at the company's expense.**

Compliant  Partially compliant  Explain

**30. Apart from the knowledge required from the directors to perform their duties, the companies also offer their directors refresher courses to update knowledge where required by the circumstances.**

Compliant  Explain  Not applicable

Despite the Company not having updating programmes, Members rely on information and pieces of advice from all areas of the Company with regards to their position.

**31. The agenda of the meetings indicates clearly those points on which the Board of Directors have to adopt a decision or resolution so that the directors can study or gather in advance the information required for adoption.**

Exceptionally, when for reasons of an emergency, the chairperson wishes to submit decisions or resolutions to the Board of Directors for approval that are not included on the agenda, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes.

Compliant  Partially compliant  Explain

**32. The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.**

Compliant  Partially compliant  Explain

**33. The chairperson, as responsible for the efficient operation of the Board of Directors, not only performs the duties established by law and the Bylaws, but prepares and submits to the Board of Directors a schedule of dates and issues to be considered; organises and coordinates the regular evaluation of the Board, and where appropriate, of the company's chief executive; is responsible for the management of the Board and for its effective operation; ensures that it dedicates sufficient time to discussion of strategic questions, and agrees and reviews the programmes for updating each director's knowledge, where advisable.**

Compliant  Partially compliant  Explain

**34. When there is a coordinating director, the Bylaws or the Regulation of the Board of Directors, as well as the corresponding duties under law, the Bylaws or Regulation of the Board of Directors establish for him the following duties: chair the Board of Directors in the absence of the Chairperson and of the Deputy Chairpersons, where there are such; respond to the concerns raised by the non-executive directors; maintain contacts with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate the succession plan for the Chairperson.**

Compliant  Partially compliant  Explain  Not applicable

The Coordinator Member has powers to call a meeting of the Board or even add new issues to the agenda or a already called meeting, coordinate and gather all non-executive members and assess the current board.

**35. The Secretary of the Board of Directors pays particular attention to ensuring that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in the Code of Good Governance and applicable to the company.**

Compliant  Explain

**36. The full Board of Directors assesses once a year and adopts, where appropriate, an action plan to correct any deficiencies identified with respect to:**

- a) The quality and efficiency of the operation of the Board of Directors.
- b) The operation and composition of its committees.
- c) The diversity in composition and competences of the Board of Directors.

**d) The performance of the Chairperson of the Board of Directors and the company's chief executive.**

**e) The performance and contribution of each director, with particular attention to those responsible for the different Board committees.**

The assessment of the different committees is based on the report that they submit to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Nomination Committee.

Every three years, the Board of Directors will be assisted in carrying out the assessment by an external consultant, whose independence will be verified by the Nomination Committee.

The business relations that the consultant and any company in his group have with the company or any company in its group must be disclosed in the Annual Corporate Governance Report.

The process and the areas assessed will be described in the Annual Corporate Governance Report.

Compliant  Partially compliant  Explain

**37. When there is an Executive Committee meeting, the structure of participation by the different categories of directors is similar to that of the Board of Directors, and its Secretary is that of the Board.**

Compliant  Partially compliant  Explain  Not applicable

The Executive Commission consists of three proprietary members and an independent member since it is understood to be the best arrangement in order to meet management needs.

**38. The Board is always informed of the matters discussed and decisions adopted by the Executive Committee, and all the Board members receive a copy of the minutes of all Executive Committee meetings.**

Compliant  Partially compliant  Explain  Not applicable

Minutes are available to Members.

**39. The members of the Audit Committee and in particular its chairperson, shall be appointed taking into account their knowledge and experience in matters of accounting, auditing and risk management, and most of these members should be independent directors.**

Compliant  Partially compliant  Explain

**40. Under supervision of the Audit Committee, a unit is in place that assumes the internal audit function and ensures the correct operation of the information and internal control systems. It answers to the non-executive chairperson of the Board of Directors or the Audit Committee.**

Compliant  Partially compliant  Explain

**41. The person in charge of the unit that assumes the function of internal auditing should submit his annual work plan to the Audit Committee, directly informing it of any incidents that may arise and presenting an activity report at the end of each financial year.**

Compliant  Partially compliant  Explain  Not applicable

**42. In addition to those provided for by law, the Audit Committee has the following duties:**

**1. With respect to internal control and reporting systems:**

**a) Supervise the drafting process and the integrity of the financial information relating to the company, and where appropriate to the group, reviewing compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria.**

**b) Ensure the independence of the unit that assumes the function of internal auditing; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for this department; to approve the approach**

**and the work plans, ensuring that their activity is focused mainly on relevant risks for the company; to receive periodic information on its activity; and to check that senior management takes into account the conclusions and recommendations made in its reports.**

**Establish and supervise a device that enables employees to communicate any irregularities of potential importance, in a confidential and even anonymous manner, if deemed appropriate and possible, to particularly include financial and accounting irregularities, noticed within the company.**

**2. With respect to the external auditor:**

- a) If the external auditor resigns, examine the circumstances that may have caused this.**
- b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.**
- c) Supervise that the company informs the CNMV of a change of auditor, as a relevant event, including a statement about the future existence of disagreements with the outgoing auditor and the content thereof, if any.**
- d) Ensure that the external auditor holds a meeting every year with the full Board of Directors to inform it about the work being done and changes in the accounting situation and risks in the company.**
- e) Ensure that the company and the external auditor respect the regulations in place on provision of services other than auditing, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors.**

Compliant  Partially compliant  Explain

The company considers that the bylaws and the regulations of the board of directors regulate sufficiently the functions of the audit committee, therefore its modification has not been considered necessary to adapt them to the literal text of the recommendations.

As announced in the Corporate Governance Report of previous years, the company has established the procedure that allows employees to carry out the communication provided in section 1 c) of recommendation 42.

Likewise, the company considers that it substantially complies with section 2 d), to the extent that the external auditor, at least annually, holds a meeting with the audit committee to inform it of the work done and the evolution of the the accounting and risk situation of the company, which is then reported to the board by the chairman of the audit committee. In addition, the board of directors may request the presence of the external auditor to provide directly explanations deemed appropriate.

The rest of the functions foreseen in recommendation 42 are substantially fulfilled. Tasks included within the by-laws and the regulations of the board of directors are the following:

- a) To inform the AGM on the issues raised regarding matters within its competence.
- b) To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.
- c) To supervise the elaboration of financial information.
- d) To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.
- e) To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.
- f) To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.
- g) To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:
  - 1. Financial information to be released regularly.

2. The creation or acquisition of stake in special purpose vehicles.

**43. The Audit Committee may summon any company employee or executive, and even order their appearance without the presence of any other executive.**

Compliant  Partially compliant  Explain

**44. The Audit Committee should be informed of structural and corporate modifications that the company plans in order to review them and inform the Board of Directors in advance of the financial conditions and their accounting impact, in particular of the proposed exchange ratio, where applicable.**

Compliant  Partially compliant  Explain  Not applicable

**45. The risk control and management policy should identify at least:**

**a) The different types of risk, financial and non-financial (among others, operational, technological, social, environmental, political and reputational) faced by the Company. The financial or economic risks include tax risk, contingent liabilities and other off-balance-sheet risks.**

**b) A specific risk threshold that the Company considers acceptable.**

**c) The measures planned to mitigate the impact of risks identified, if they should materialise.**

**d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Compliant  Partially compliant  Explain

**46. Under the direct supervision of the Audit Committee or, where appropriate, a specialised committee of the Board of Directors, an internal risk control and management function is exercised by an internal unit or department in the Company that has the following functions expressly attributed to it:**

**a) Ensure the proper operation of the systems of risk control and management; in particular they should appropriately identify, manage and quantify all the important risks affecting the company.**

**b) Participate actively in preparing the risk strategy and the important decisions with respect to its management.**

**c) Ensure that the risk control and management functions mitigate the risks sufficiently within the framework of the policy defined by the Board of Directors.**

Compliant  Partially compliant  Explain

**47. The members of the Nomination and Remuneration Committee, or of the Nomination Committee and the Remunerations Committee, if they are separate, are appointed with the idea that they should have the knowledge, attitudes and experience that are appropriate to the functions they are to perform and that most of these members should be independent directors.**

Compliant  Partially compliant  Explain

**48. Companies with a high market value should have a separate Nomination Committee and Remuneration Committee.**

Compliant  Explain  Not applicable

**49. The Committee should consult the Chairperson of the Board of Directors and the Company's chief executive, particularly in the case of matters related to executive directors.**

**The possibility of any director being able to request that the Nomination Committee take potential candidates into account, if deemed suitable in its opinion, in order to fill director vacancies.**

Compliant  Partially compliant  Explain

**50. The Remuneration Committee should exercise its functions independently and as well as the tasks attributed to it by law, it has the following duties:**

- a) **Propose to the Board of Directors the basic conditions of the contracts of senior managers.**
- b) **Check that the remuneration policy established by the company is being adhered to.**
- c) **Review periodically the remunerations policy applied to directors and senior management, including the share-based remuneration systems and their application; and guarantee that individual remuneration is proportional to what is paid to other directors and senior managers in the Company.**
- d) **Ensure that possible conflicts of interest do not harm the independence of the external advice provided to the committee.**
- e) **Check the information on the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.**

Compliant  Partially compliant  Explain

The company considers that the bylaws and regulations of the board of directors sufficiently regulate the tasks of the Appointment, Remuneration and Good Governance Committee, so it has not considered necessary to modify it so as to adapt them to the literal text of the recommendations. Although some of the tasks provided for in this recommendation are not expressly included within the internal regulations of the company, the remuneration committee complies substantial with all of them.

The Appointments, Remuneration and Good Governance Committee has the functions set forth in the by-laws and regulations of the Board of Directors, which are indicated below:

- a) To evaluate the skills, knowledge and experience of the Board of Directors and define the skills of the candidates to fill each vacancy and the time and dedication necessary.
- b) To establish an objective of representation for the less represented gender in the Board of Directors and develop guidance on how to achieve that objective.
- c) To submit to the Board of Directors the proposals for appointment of independent directors to be appointed by cooptation or for submitting to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal of such directors by the General Meeting of Shareholders.
- d) To report on proposals for appointment of the remaining directors to be appointed by interim basis or for submission to the decision of the General Shareholders Meeting, as well as proposals for re-election or removal by the General Meeting of Shareholders.
- e) To report on proposals for appointment and removal of senior managers and the basic terms of their contracts.
- f) To examine and organise the succession of the chairman of the Board of Directors and the CEO of the company and, where appropriate, make proposals to the Board of Directors to guarantee that the succession occurs in an order and planned.
- g) To propose to the Board the remuneration policy for directors and general managers or those who develop their senior management functions under direct control of the Board, or under Executive Committees or CEOs executives, as well as individual remuneration and other contractual conditions of executive directors to ensure their observance.
- h) To previously inform to the Board of Directors on transactions with related parties.
- i) The Commission shall ensure that the selection procedures for directors stimulate gender diversity, as well as different experiences and knowledge, and don not include facts which could implied any discrimination and particularly facilitate the selection of female directors.

**51. The Remuneration Committee should consult the Company's Chairperson and chief executive, particularly in the case of matters related to executive directors and senior managers.**

Compliant  Partially compliant  Explain

**52. The rules on the composition and operation of the supervision and control committees appear in the Regulation of the Board of Directors and are consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:**

- a) **They are composed exclusively of non-executive directors, with a majority of independent directors.**

**b) Their chairpersons are independent directors.**

**c) The Board of Directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the duties of each committee, and deliberates on their proposals and reports; and the Board reports on their activity at the first full Board of Directors meeting following its meetings, where they answer for the work done.**

**d) The committees may have recourse to external advice when they consider it necessary to perform their duties.**

**e) Minutes are drafted of the meetings, and made available to all the directors.**

Compliant  Partially compliant  Explain  Not applicable

**53. Supervision of compliance with the rules on corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one committee or is divided between a number of committees of the Board of Directors. They may be the Auditing Committee, the Appointments Committee, the Corporate Social Responsibility Committee (if there is one), or a specialised committee that the Board of Directors, in the exercise of its faculty of self-organisation, decides to create for this purpose, to which the following minimum tasks are specifically attributed:**

**a) a) Supervision of compliance with the internal codes of conduct and the rules of the company's corporate governance.**

**b) Supervision of the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**

**c) Periodic assessment of the appropriateness of the company's system of corporate governance, with the aim of complying with its mission to promote the corporate interest and take into account the legitimate interests of the other stakeholders, as appropriate.**

**d) Review of the company's corporate social responsibility policy, ensuring that it is geared to creating value.**

**e) Monitoring of the strategy and practice of corporate social responsibility and evaluation of the level of compliance.**

**f) Supervision and assessment of the processes of engagement with the different stakeholders.**

**g) Assessment of everything related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational.**

**h) Coordination of the process of reporting non-financial information and information on diversity, in accordance with the regulations applicable and international standards in the area.**

Compliant  Partially compliant  Explain

**54. The corporate social responsibility policy includes the principles or commitments assumed by the company voluntarily in its relations with different stakeholders, and should identify at least:**

**a) The goals of the corporate social responsibility policy and the development of support instruments.**

**b) The corporate strategy related to the sustainability, environment, and social matters.**

**c) The specific practices on questions related to: shareholders, employees, customers, suppliers, social questions, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct.**

**d) Methods or systems of monitoring the results of the application of specific practices specified in the above point, associated risks and their management.**

**e) Mechanisms for supervising non-financial risk, ethics and business conduct.**

**f) Channels for communication, participation and dialogue with stakeholders.**

**g) Responsible communication practice that prevents formation manipulation and protects integrity and honour.**

Compliant  Partially compliant  Explain

The Company has subscribed the principles of the United Nations Global Compact, which shall be taken into account by the Group in the relationships with suppliers, clients, contractors. Further, in terms of Social Corporate Responsibility.

**55. The company should report in a separate document or management report on the issues related to corporate social responsibility, using some of the internationally accepted methodologies for this purpose.**

Compliant  Partially compliant  Explain

The company, up to present date, has not deemed it necessary to adapt the Social Corporate Responsibility Policy.

**56. The remuneration of directors should be sufficient to attract and retain the directors with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgement of non-executive directors.**

Compliant  Explain

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

Compliant  Partially compliant  Explain

**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 circumstances of that kind.**

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

**a) Should be linked to predetermined and measurable performance criteria, and these criteria should consider the risk assumed to obtain a result.**

**b) Should promote the company's sustainability and include non-financial criteria that are appropriate for the creation of value in the long-term, such as compliance with the company's rules and internal procedures and its policies for risk control and management.**

**c) Should be organised on the basis of a balance between compliance with short-term, medium-term and long-term objectives, which allow remuneration of performance for continued work during a period of time that is sufficient for its contribution to the sustainable creation of value to be appreciated, so that the elements for measuring this performance do not solely involve one-off, occasional or extraordinary events.**

Compliant  Partially compliant  Explain  Not applicable

**59. The payment of a significant part of the variable components of remuneration is deferred for a minimum period of time that is sufficient to check that the previously established conditions for performance have been complied with.**

Compliant  Partially compliant  Explain  Not applicable

Variable remuneration is determined and paid based on the results found after the end of the year and after the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore have not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of the variable components.

**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

**61. A significant percentage of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments linked to their value.**

Compliant  Partially compliant  Explain  Not applicable

The company does not have any plan for the delivery of shares or financial instruments referenced to their value.

**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 will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Compliant  Partially compliant  Explain  Not applicable

**63. The contractual agreements include a clause that allows the company to claim the repayment of the variable components of the remuneration when the payment has not met the performance conditions, or when payment has been based on data that is subsequently proved to be erroneous.**

Compliant  Partially compliant  Explain  Not applicable

Variable remuneration is determined and paid based on the results found after the end of the year and after the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore have not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of the variable components.

**64. Severance payments should not be greater than the equivalent to two years of total annual remuneration and should not be paid until the company has checked that the director has complied with the previously established criteria for remuneration.**

Compliant  Partially compliant  Explain  Not applicable

The compensation for the termination of the contract is established through an escalation based on the amount of the aforementioned compensation, which varies between an amount equivalent to three years of the total annual remuneration and a minimum of two years.

## 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.

Specifically indicate whether the Company is subject to corporate governance legislation from 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, sector or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

Grupo Empresarial San José has assumed as its own the principles and guidelines enshrined in the United Nations Global Compact.

This annual corporate governance report was approved by the Board of Directors at its meeting held on 28/02/2018.

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

Yes  No