

REPORT ON THE OPERATION AND ACTIVITIES OF THE AUDIT AND CONTROL COMMITTEE

Reporting period: 1 January to 31 December 2015

1.- Composition, duties and operation

The Audit and Control Committee was created by the Board of Directors on 14 April 2002.

Its composition, responsibilities and operating rules have subsequently been amended to comply with applicable obligations and recommendations which have arisen since its creation.

a) Composition

This Committee is an internal body of the Board of Directors and therefore it comprises Company directors. The Committee must be composed of five members who must all be non-executive directors. The majority of its members should be independent directors and all of its members, particularly its chairman, should be appointed taking into consideration their knowledge and background in accounting, auditing and risk management matters. The Chairman must be elected from the independent directors and replaced every four years. He should be re-elected once a period of one year from his standing down has transpired.

At 31 December 2015, the Audit and Control Committee was composed of the following members:

Post	Member	Date of appointment	Type
Chairman	Miguel Ángel Gutiérrez Méndez	24/04/12	Independent
Member	Marcelino Armenter Vidal	26/05/09	Proprietary
Member	Carlos Colomer Casellas	12/12/12	Independent
Member	Tomás García Madrid representing OHL Emisiones, S.A.U	20/03/13	Proprietary
Member	Maria Teresa Costa Campi	24/11/15	Independent
Secretary	Marta Casas Caba	27/11/07	Non-director Secretary

On 24 November 2015, the Board of Directors appointed Maria Teresa Costa Campi as a member of this Committee to fill the vacancy that arose as a result of the resignation of the proprietary director José Antonio Torre de Silva López

de Letona, representing TDS Gama, S.à.r.l., due to the sale by Trebol International B.V. of all its ownership interest.

b) Duties

Pursuant to Article 23 of the bylaws of **Abertis** and Article 15 of the Board of Directors' Regulations, the basic duties of the Audit and Control Committee are as follows:

- a) to propose to the Board of Directors, for submission to the Annual General Meeting, the proposals for the selection, appointment, re-election and replacement of the external auditors, the contractual terms and conditions, the scope of their professional mandate and, where appropriate, the revocation or non-renewal thereof, in accordance with legislation applicable to the Company, as well as to regularly gather information from the auditors on the audit plan and its execution, and to maintain their independence in the discharge of their duties. The Committee should investigate the circumstances giving rise to the resignation of any external auditor;
- b) to inform the Annual General Meeting of the issues raised within the Committee in relation to matters for which it is responsible;
- c) to review the Company's financial statements, monitor compliance with legal requirements on this subject matter and the correct application of generally accepted accounting principles, as well as to report on the proposals for amending accounting policies and criteria suggested by management;
- d) to serve as a channel of communication between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations, and to mediate in cases of discrepancies between the two in relation to the policies and criteria applicable to the preparation of the financial statements;
- e) to oversee the effectiveness of the Company's internal control and the internal audit services which aim to ensure the correct operation of the internal control and reporting systems under the responsibility of the Chairman of the Audit and Control Committee; to check the suitability and completeness of the services and to propose the selection, appointment, re-election and termination of the heads of those services; to propose the budget for the internal audit services; to approve their approach and work plans, ensuring that their activity focuses mainly on the Company's significant risks; to receive regular information on their activities; to verify that senior management takes into consideration the conclusions and recommendations of their reports;
- f) to oversee the risk management systems, including the assessment of all risks (financial, tax, operational, technological, legal, social,

environmental, political, reputational and any other non-financial risks); to oversee furthermore the adoption by the risk management and control and compliance services of appropriate surveillance and control measures to prevent the commission of criminal offences, and the systems that manage compliance with all applicable legislation and to discuss with the auditors any significant weaknesses in the internal control system identified during the course of the audit;

- g) to oversee the preparation and integrity of the financial information of the Company and of the Group, and to check compliance with regulatory requirements, the appropriate definition of the scope of consolidation and the correct application of accounting policies.
- h) to oversee the performance of the audit engagement, endeavouring to ensure that the opinion on the financial statements and the key content of the auditor's report are drafted clearly and accurately;
- i) to oversee compliance with the Company's Code of Ethics;
- j) to establish and supervise a mechanism whereby staff can report confidentially any potentially significant irregularities they detect in the course of their duties, in particular financial or accounting irregularities, as well as those which may involve criminal liability for the Company;
- k) to establish the appropriate relationships with the auditors in order to receive information, for examination by the Audit and Control Committee, on matters which may jeopardise the auditors' independence and any other matters relating to the audit process and any other communications provided for in audit legislation and Technical Standards on Auditing; The Committee will ensure that the remuneration of the auditors for their work does not compromise its quality or their independence. In particular, the Committee must ensure that the Company and the external auditor comply with the legislation in force on the provision of services other than financial audit services, the restrictions on the concentration of auditors' business, and in general, any other legislation on auditors' independence. In any case, on an annual basis, the Audit and Control Committee must receive from the auditors written confirmation of their independence vis-à-vis the Company or entities directly or indirectly related to it, in addition to information on additional services of any kind rendered to and the related fees received from these entities by the aforementioned auditors and or persons or entities related to them pursuant to Legislative Royal Decree 1/2011, of 1 July, approving the Restated/Revised text of the Spanish Audit Law;
- l) to issue an annual report, prior to the issue of the Auditor's Report, containing an opinion on the independence of the auditors. In any event, this report must contain a statement about the value of the aforementioned additional services rendered, taken on an individual basis

and as a whole, other than statutory audit services, and in relation to the independence regime or the audit legislation;

- m) to ensure that the external auditor holds an annual meeting with the Board of Directors to inform the latter of the work performed and the developing in the Company's situation with regard to accounting and risk matters;
- n) to oversee that the Company reports any change of auditors to the CNMV as a significant event, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them;
- o) to consider the proposals made by the Chairman of the Board, the Board members, executives or shareholders of the Company;
- p) to report preliminarily to the Board of Directors on the financial information that the Company must disclose regularly, the issue or acquisition of shares in special purpose entities or entities with registered offices in countries or territories deemed to be tax havens and the transactions with related parties, as well as any other matters provided for in legislation, the bylaws and the Board of Directors Regulations;
- q) to report on the transactions that give rise or might give rise to conflicts of interest and, in general, on the matters envisaged in Chapter IX of these Regulations;
- r) to oversee, where appropriate, compliance with any internal protocol on relationships between the Company and any officially listed Group company or companies.

c) Operation

The Spanish Law on Capital Companies and the Board of Directors Regulations set out the basic rules of procedure and internal operation of the Audit and Control Committee.

The Committee is an advisory and informational body without executive duties. It has the power to inform, oversee, advise and make proposals within its area of activity.

The Audit and Control Committee must meet as frequently as required to perform its duties. Meetings are convened by the Committee Chairman, whether on his own motion or at the behest of the Chairman of the Board or of three Committee members.

The Committee may request that any member of the Company's management team or other personnel attend meetings of the Audit and Control Committee and offer their collaboration and provide access to the

information available to them. The Committee may also request that the Company's auditors attend its meetings.

The Audit and Control Committee is validly assembled when the majority of its members attend in person or by proxy. Resolutions are adopted by the majority of the members attending, whether in person or by proxy.

Where applicable, the operating rules governing the Board of Directors shall alternatively apply.

2.- Activities

During 2015, the Audit and Control Committee met on 14 occasions and carried out the following activities:

a) Review of economic and financial information

❖ Financial statements

- In February 2015 the Audit and Control Committee read and issued a favourable report on the **Abertis** individual and consolidated financial statements and Directors' Reports for 2014 prior to their submission to the Board of Directors for formal authorisation.
- In this regard, and in addition to other issues, during that meeting the Committee:
 - Discussed the reasonableness of changes in key financial data, the most significant transactions or events in the period and changes in accounting policies and any other relevant information, with those responsible for their preparation.
 - Read the conclusions of the external auditor's work on the individual and consolidated financial statements for the year.

❖ Half-yearly financial statements

- In July 2015, the Audit and Control Committee read and issued a favourable report to the Board of Directors on the half-yearly financial statements prior to their approval.
- During that meeting the Committee followed the same procedures as above i.e. discussing and checking with the persons responsible for preparing the information and reporting the conclusions of the auditor's limited review.

❖ Quarterly economic and financial information and other requirements

- The Committee reviewed the process of preparing the other regulated (quarterly) economic and financial information following discussion and verification with those charged with its preparation as described above, verifying that such information is presented under the same accounting and consolidation principles as those used to prepare the financial statements. It was also notified of any other requirements made by the CNMV in relation to matters within its competence.

❖ System of Internal Control over Financial Reporting (ICFR)

- The Committee has reviewed the section on the system of Internal Control over Financial Reporting (ICFR) which is part of the Annual Corporate Governance Report pursuant to the Restated/Revised text of the Securities Market Law and CNMV Circular 7/2015.
- It has also been informed of the findings of the external auditor's review of this report and of the outcome of the reviews carried out during the year by Internal Audit in relation to the control matrices as part of the oversight of the ICFR system.

❖ Other information: Impairment estimates, dividends and treasury shares

- The Committee reviewed the results of the impairment tests carried out on the Group's main assets (which involved some of the main judgements and estimates contained in the financial statements at year-end) and analysed the main assumptions for the calculations that support the figures and their consistency with previous years and with those used by analysts and other companies in the same industry.
- At the October 2015 meeting, and prior to submitting its findings to the Board of Directors, the Committee reviewed statements evidencing the existence of sufficient profit for it to distribute an interim dividend and forecast accounting liquidity statements evidencing the existence of sufficient liquidity to proceed with the distribution.
- Monthly monitoring of the performance of the treasury shares of Abertis Infraestructuras, S.A.

b) Relationship with the auditors

❖ Fees, independence and renewal

- The Committee has monitored the fees for audit services and those for other professional services provided to Abertis and its Group. It should be noted that the other professional services provided in 2015 are not in conflict with the auditing activity and that they comply with the rules on conflicts of interest established in Legislative Royal Decree 1/2011, of 1 July, approving the Restated/Revised text of the Spanish Audit Law.

- The Committee has verified that there are no objective reasons to question the auditor's independence (by obtaining letters confirming their independence and reviewing the fees received for audit and non-audit services according to the internally established limits). It has issued a report on the independence of the auditors in compliance with Article 529 quaterdecies 4.f) of the Spanish Law on Capital Companies.
- The Committee met with the auditor to ascertain the planning of its audit work on the financial statements and also the outcome of the preliminary phase of its review.
- The Committee unanimously agreed to propose to the Board of Directors the appointment of the current external auditor (Deloitte) for a period of one year and, therefore, the appointment of Deloitte as auditor of the financial statements for 2016 will be proposed at the Annual General Meeting.

c) Monitoring regulatory developments and good practices

The Committee was informed of the development in the legislation and the measures undertaken in the accounting and financial reporting areas and, in particular, of the changes to the Spanish Law on Capital Companies, the legislation on Spanish Securities Market and the Code of Good Governance for listed companies.

The Committee was informed of the tax policies applied by the Company in the consolidated income tax return for 2014 prior to its filing, in compliance with the Code of Best Tax Practices to which Abertis adhered in 2014.

d) Overseeing Internal Audit

One of the Audit and Control Committee's duties is to oversee the effectiveness of the internal control system at the **Abertis** Group. This function is undertaken mainly by Internal Audit.

❖ Functions

The Internal Audit-related functions are as follows:

- To evaluate whether the internal control system guarantees a reasonable level of internal control as regards:
 - Safeguarding the Group's assets
 - Compliance with applicable external and internal regulations
 - Effectiveness and efficiency in the transactions and corporate and support activities
 - Transparency and completeness of the financial and management information

- To cooperate with the external auditors in order to coordinate their tasks concerning internal control levels.
- To report to senior management and the Audit and Control Committee any anomalies or irregularities identified, as well as any corrective action proposed.

❖ Activities

The main activities carried out by Internal Audit and supervised by the Audit and Control Committee in 2015 were as follows:

• **Reviews**

- The reviews were included in the 2015 Audit Plan, or performed at the request of senior management or at the behest of Internal Audit.
- Periodical, systematic monitoring of the recommendations proposed in the reviews.

• **2016 Audit Plan**

The Audit and Control Committee has approved the 2016 Annual Review Plan based on:

- the classification, by risk and materiality factors, of the companies controlled by the Group.
- the definition of the activities to be reviewed: top level transactional processes (revenues, procurements, fixed assets, employees, financial management, technology, etc.), other transactional processes (travel, maintenance and warehouse expenses, etc.) and compliance (ICFR, etc.).
- the definition of the review frequency for each of the foregoing processes based on the company classification.

• **Internal Audit budget**

The Audit and Control Committee has monitored resources and costs of the internal audit function and approved the budget and the allocation of resources for 2016.

e) Oversight of Risk Control

One of the functions of the Audit and Control Committee is to oversee the risk management systems of the Abertis Group. This is carried out by the Risk Control department.

❖ Functions

Risk Control establishes mechanisms to identify, assess, prioritise and monitor the key risks and mitigating actions (control activities and action plans) defined by the various businesses and corporate areas to minimise these risks so that the Group can achieve its objectives.

❖ Activities

In 2015, the Committee carried out the following activities:

- Monitoring of the priority risks (Key Topics) in the meetings held in February, April, July and November.
- Review of the risk maps with full update in the April meeting (including control activities and action plans) and monitoring of any changes in risks in the November meeting (main changes and identification of emerging risks).

f) Oversight of compliance systems (Whistle-blowing channel and implementation of the Code of Ethics)

One of the functions of the Audit and Control Committee is to oversee compliance with the Company's Code of Ethics and to oversee the compliance system's surveillance and control measures to prevent the commission of criminal offences, which is performed as part of the activities of the Compliance department.

❖ Activities

In 2015, the Committee carried out the following activities:

- oversight of the activities performed as part of the implementation of the Compliance function (determination of managers and areas of control, activity and training plan and the related budget.)
- review of the level of implementation of the whistle-blower channel in the various countries and the type and resolution of the claims received.

g) Assessment of the Audit and Control Committee's operations

In order to comply with the provisions of Article 529 nonies of the Spanish Law on Capital Companies and recommendation 36 of the Code of Good Governance for listed companies concerning the assessment of the Audit and Control Committee's operations, the Committee prepared a self-assessment report on its own operations, which it classified as satisfactory.

Barcelona, 2 February 2016