



ANNUAL CORPORATE GOVERNANCE REPORT 2019

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

In compliance with the applicable legal obligations and based on the model circulated by the CNMV, the Board of Directors of ELECNOR, S.A. (hereinafter Elecnor or the Company) has prepared this Annual Corporate Governance Report (hereinafter the REPORT) for the financial year ending 31 December 2019.

The REPORT was approved by the Company's Board of Directors at its meeting held on 25 March 2020 and the CNMV shall immediately be notified and sent the REPORT by electronic means for its dissemination.

The REPORT shall also be made available to the shareholders upon the publication of the announcement of the Annual General Shareholders' Meeting to decide on the approval of the Annual Financial Statements for the financial year ending 31 December 2019.

A) CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
20/05/2009	8,700,000	87,000,000	87,000,000

Please state whether there are different classes of shares with different associated rights:

Yes No

Class	Number of shares	Par value	Number of votes	Associated rights

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CANTILES XXI, S.L.	52.759%				52.759%
SANTANDER ASSET MANAGEMENT, S.A., SGIIC		3.089%			3.089%

Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
SANTANDER ASSET MANAGEMENT, S.A.,	SANTANDER SMALL CAPS ESPAÑA, FI SANTANDER SOSTENIBLE 1, FI SANTANDER SOSTENIBLE 2, FI SANTANDER SOSTENIBLE ACCIONES, FI	3.089%		3.089%

State the most significant shareholder structure changes during the year:

Name or corporate name of the shareholder	Date of the operation	Description of the operation
BESTINVER GESTIÓN, S.A., SGIIC	26/04/2019	DECREASE BELOW 3%

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. JAIME REAL DE ASÚA ARTECHE	0.012%				0.012%		
MR. FERNANDO LEÓN DOMECQ	0.403%				0.403%		
MR. IGNACIO PRADO REY-BALTAR	0.464%				0.464%		
MR. FERNANDO AZAOLA ARTECHE	0.326%				0.326%		
MR. MIGUEL CERVERA EARLE	0.164%	0.005%			0.170%		
MS. ISABEL DUTILH CARVAJAL	0.010%				0.010%		
MR. CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	0.135%				0.135%		
MS. IRENE HERNÁNDEZ ÁLVAREZ	0.007%				0.007%		
MR. JUAN LANDECHO SARABIA	0.003%	0.082%			0.085%		
MR. RAFAEL MARTÍN DE BUSTAMANTE VEGA	0.025%				0.025%		
MR. MIGUEL MORENÉS GILES		1.011%			1.011%		
MR. RAFAEL PRADO ARANGUREN	0.148%				0.148%		
MR. JOAQUÍN GÓMEZ DE OLEA Y MENDARO	0.001%				0.001%		

Total percentage of voting rights held by the Board of Directors **2.797%**

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
MR. MIGUEL CERVERA EARLE	MS. MARIA DEL MAR MANCA DIAZ	0.005%		0.005%	
MR. JUAN LANDECHO SARABIA	MS. SOFIA CANOSA CASTILLO	0.082%		0.082%	
MR. MIGUEL MORENÉS GILES	KEROW INVERSIONES, S.L.	1.011%		1.011%	

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Not applicable.

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Not applicable.

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR. JAIME REAL DE ASÚA ARTECHE	CANTILES XXI, S.L.		DIRECTOR
MR. FERNANDO LEÓN DOMEQ	CANTILES XXI, S.L.		CHAIRMAN
MR. IGNACIO PRADO REY BALTAR	CANTILES XXI, S.L.		
MR. JOAQUÍN GÓMEZ DE OLEA Y MENDARO	CANTILES XXI, S.L.		DIRECTOR
MR. MIGUEL CERVERA EARLE	CANTILES XXI, S.L.		
MR. CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	CANTILES XXI, S.L.		ALTERNATE DIRECTOR
MR. JUAN LANDECHO SARABIA	CANTILES XXI, S.L.		DIRECTOR
MR. MIGUEL MORENÉS GILES	CANTILES XXI, S.L.		DIRECTOR
MR. GABRIEL DE ORAA Y MOYUA	CANTILES XXI, S.L.		DIRECTOR
MR. RAFAEL PRADO ARANGUREN	CANTILES XXI, S.L.		

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

Not applicable.

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes No

Name of individual or company

CANTILES XXI, S.L.

Remarks

In accordance with the provisions of Article 42 of the Code of Commerce.

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
2.320.809	-----	2,67%

Explain any significant changes during the year:

Explain significant changes

There have been no significant variations.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

On 16 May 2017, Elecnor's General Shareholders' Meeting approved by a majority of 95.73% of the present and represented share capital, the Fifth Agreement of the Agenda, the literal transcription of which is as follows:

"It is hereby agreed, by a majority, to authorise the Board of Directors to acquire through purchase or by "inter vivos" disposition for a consideration of the Company's own shares by the Company, or of the Controlled Companies, in accordance with the provisions of Articles 146(a) and 509 of the Capital Companies Act, authorising it to acquire at most, the number of shares that the Law and/or the legal provisions of mandatory compliance provide for at all times and that, at present, in addition to those already owned by the Company, do not exceed 10% of its share capital, with a minimum acquisition price of the nominal value of the shares and a maximum price not to exceed 30% of its listed value on the stock exchange and for a period of five years, leaving without effect the authorisation granted at the General Shareholders' Meeting of 23 May 2012.

This authorisation could be used in whole or in part for the acquisition of own shares for delivery or transmission to Executive Directors or members of the Senior Management of the Company or its group's companies".

On the other hand, there is no current mandate from the General Shareholders' Meeting to Elecnor's Board of Directors to issue company shares.

A.11. Estimated working capital:

	%
Estimated working capital	25%

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes No

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes No

A.14. State if the company has issued shares that are not traded on a regulated EU market.

Yes No

B) GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes No

B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

These rules are contained in Article 11 of the Company's Articles of Association and in Article 13 of the Regulations of the Shareholders' General Meeting, shown below:

ARTICLES OF ASSOCIATION

"Article 11.-

Notwithstanding the provisions set forth in the previous article, in order for the Ordinary or Extraordinary General Shareholders' Meeting to validly agree on the issuance of obligations, the increase or decrease of capital, the transformation, merger or division of the Company, and in general, any modification of the Articles of Association, it shall be necessary, in the first call, to have the attendance of shareholders present or represented who hold at least fifty per cent of the subscribed capital with the right to vote.

In the second call, the attendance of twenty-five per cent of the capital shall be sufficient.

For the adoption of the agreements referred to in this Article, if the capital present or represented exceeds fifty per cent, it shall be sufficient for the agreement to be adopted by an absolute majority. However, a vote in favour by two-thirds of the capital present or represented in the Meeting shall be required when shareholders representing twenty-five per cent or more of the subscribed capital with the right to vote are in the second call without reaching fifty per cent".

REGULATIONS OF SHAREHOLDERS' GENERAL MEETING

"Article 13 Voting.

After discussing each of the items on the Agenda, the respective votes shall be cast, giving each share the right to one vote and adopting each of the agreements by a simple majority of votes.

All agreements that are substantially independent shall be voted on separately.

In any case, and even if they appear in the same item of the Agenda, they must be voted on separately:

- a) The appointment, ratification, re-election or separation of each administrator.
 b) The amendment of the articles of association, and the amendment of each article or group of articles that have their own autonomy.
 c) All matters set forth in this way in the Company's articles of association.

In order for the Ordinary or Extraordinary General Shareholders' Meeting to validly agree on the issuance of obligations, the increase or decrease of capital, the transformation, merger or division of the Company, and in general, any modification of the Articles of Association, it shall be necessary, in the first call, to have the attendance of shareholders present or represented who hold at least fifty per cent of the subscribed capital with the right to vote. In the second call, the attendance of twenty-five per cent of the capital shall be sufficient.

For the adoption of the agreements referred to in the previous section, if the capital present or represented exceeds fifty per cent, it shall be sufficient for the agreement to be adopted by an absolute majority. However, a vote in favour by two-thirds of the capital present or represented in the Meeting shall be required when shareholders representing twenty-five per cent or more of the subscribed capital with the right to vote are in the second call without reaching fifty per cent.

The Articles of Association may raise the quorums and majorities provided for in the preceding paragraphs.

Electronic voting systems may be established, in accordance with Chapter III of these Regulations, to the extent that they allow the identity and status – shareholder or representative – of voters to be recorded, the number of shares with which they vote, and the way the vote is cast.

For each agreement put up for vote at the General Meeting, at least the number of shares for which valid votes have been cast, the proportion of the share capital represented by those votes, the total number of valid votes, the number of votes in favour and against each agreement and, where appropriate, the number of abstentions must be determined".

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Fecha Junta General	Attendance data			Total %
	% of people present	% of people represented	% of votes cast remotely	
22/05/2019	7.07%	74.59%		81.66%
1/06/2018	5.35%	76.64%		81.99%
16/05/2017	4.65%	75.50%		80.15%

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes No

Points on agenda not approved % votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes No

Number of shares required to attend General Meetings	10
Number of shares required for distance voting	10

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes No

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

All information concerning the Corporate Governance of the Company is available through the "Corporate Governance" section of the "Shareholders and Investors" section of its website, "www.elecnor.com", and can be downloaded and printed in full.

All information concerning the Company's General Meetings is available through the "Corporate Governance" section of the "Shareholders and Investors" section of its website, "www.elecnor.com", and can be downloaded and printed in full.

C) COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1. Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

C.1.2. Please complete the following table on directors:

Nombre o denominación social del Consejero	Repr.	Categoría en el Consejo	Cargo en el Consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección	Fecha de nacimiento
MR. JAIME REAL DE ASÚA ARTECHE		Proprietary Director	Chairman	19/12/2001	01/06/2018	General Meeting Election	09/09/1954
MR. FERNANDO LEÓN DOMEQ		Proprietary Director	Deputy Chairman	20/05/1986	01/06/2018	General Meeting Election	21/08/1954
MR. IGNACIO PRADO REY-BALTAR		Proprietary Director	Deputy Chairman	01/06/2018	01/06/2018	General Meeting Election	21/08/1952
MR. JOAQUÍN GÓMEZ DE OLEA Y MENDARO		Proprietary Director	Secretary	15/10/2009	18/05/2016	General Meeting Election	02/05/1964
MR. CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO		Proprietary Director	Deputy Secretary	18/03/2015	22/05/2019	General Meeting Election	23/11/1954
MR. FERNANDO AZAOLA ARTECHE		External	Member	18/06/1998	01/06/2018	General Meeting Election	04/12/1940
MR. MIGUEL CERVERA EARLE		Proprietary Director	Member	25/10/2017	01/06/2018	General Junta General	29/09/1963
MS. ISABEL DUTILH CARVAJAL		Independent	Member	20/05/2015	22/05/2019	Elección Junta General	13/09/1963
MS. IRENE HERNÁNDEZ ÁLVAREZ		Independent	Member	01/06/2018	01/06/2018	Elección Junta General	03/01/1965
MR. JUAN LANDECHO SARABIA		Proprietary Director	Member	05/10/2005	01/06/2018	Elección Junta General	04/08/1956
MR. RAFAEL MARTÍN DE BUSTAMANTE VEGA		Executive	Member and CEO	18/05/2011	16/05/2017	Elección Junta General	27/01/1958
MR. MIGUEL MORENÉS GILES		Proprietary Director	Member	23/07/1987	01/06/2018	Elección Junta General	03/03/1948
MR. GABRIEL DE ORAA Y MOYÚA		Proprietary Director	Member	20/07/1989	01/06/2018	Elección Junta General	09/04/1938
MR. RAFAEL PRADO ARANGUREN		Proprietary Director	Member	18/11/1993	01/06/2018	Elección Junta General	27/06/1965
MR. EMILIO YBARRA AZNAR		Independent	Member	20/05/2015	22/05/2019	Elección Junta General	12/07/1964

Total number of directors 15

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
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Reason for leaving and other remarks

C.1.3. Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisational chart of the company	Profile
MR. Rafael Martín de Bustamante Vega	Managing Director	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website

Total number of executive directors 1

Percentage of Board 6.66 %

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
Mr. Jaime Real de Asúa Arteché	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Fernando León Domecq	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Ignacio Prado Rey-Baltar	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Joaquín Gómez de Olea y Mendaro	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Cristóbal González de Aguilar	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Miguel Cervera Earle	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Juan Landecho Sarabia	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Miguel Morenés Giles	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Gabriel de Oraa y Moyúa	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Rafael Prado Aranguren	CANTILES XXI, S.L.	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Total number of proprietary directors	10	
Percentage of the Board	66.66 %	

INDEPENDENT DIRECTORS

Name of director	Profile
Ms. Isabel Dutilh Carvajal	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Ms. Irene Hernández Álvarez	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Mr. Emilio Ybarra Aznar	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Number of independent directors	3
Percentage of the Board	20 %

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
Mr. Fernando Azaola Arteché	He does not have a shareholding legally considered as significant and was Executive Director of the Company until 31/12/2016	-----	In accordance with current legislation, the profile and curriculum vitae of the Director is on the Company's website
Total number of other external directors	1		
Percentage of the Board	6.66 %		

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C.1.4. Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

2016 financial year: 1 Independent Director.
 2017 financial year: 1 Independent Director.
 2018 financial year: 2 Independent Directors.
 2019 financial year: 2 Independent Directors.

C.1.5. State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

On 22 November 2017, the Board of Directors approved the “Policy for the Selection of Directors and Diversity of the Board of Directors”, which is accessible on the Company’s website and which contains all the measures taken in relation to the selection of directors, policies on gender diversity, age, experience, etc.

The bodies in charge of the selection processes for Board members shall be the Board of Directors and the Appointments and Remunerations Commission.

The procedures for such selection shall ensure that they favour the diversity of experience, knowledge, skills and gender; and that, in general, they do not suffer from implicit biases that may lead to discrimination of any kind.

In particular, it will be ensured that selection procedures cannot involve discrimination in the selection of female Directors, bringing us closer to the objectives of Corporate Governance.

For this purpose, when the Appointments and Remunerations Commission or the Board itself, as the case may be, seeks a professional profile, the corporate interests shall first be taken into consideration, without prejudice to the fact that, when faced with two similar professional profiles, the one with the least-represented gender will be chosen.

Within the framework of this policy, in 2018, a second Independent Director, Ms. Irene Hernández Álvarez was appointed as the Chairwoman of the Audit Committee in May 2019. Likewise, on the same date, Ms. Isabel Dutilh was re-elected as an Independent Director.

C.1.6. Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

The “Policy for the Selection of Directors and Diversity of the Board of Directors” already mentioned in the previous point, states that the people responsible for the processes of selecting members of the Board of Directors shall be the Board of Directors itself and the Appointments and Remunerations Commission.

The procedures for such selection, in line with the aforementioned Policy for the Selection of Directors and Diversity of the Board of Directors, shall ensure that they favour the diversity of experience, knowledge, skills and gender; and that, in general, they do not suffer from implicit biases that may cause discrimination of any kind.

In particular, it will be ensured that selection procedures cannot involve discrimination in the selection of female Directors, bringing us closer to the objectives of Corporate Governance.

For this purpose, when the Appointments and Remunerations Commission or the Board of Directors itself, as the case may be, seeks a professional profile, the corporate interests shall first be taken into consideration, without prejudice to the fact that, when faced with two similar professional profiles, the one with the least-represented gender will be chosen.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

See the explanation in section C.1.5., considering that the Company is promoting a gradual increase in the number of female Directors as soon as possible.

C.1.7. Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

Since the incorporation in 2015 of the first woman as a member of the Board of Directors, the adaptation of Article 15b of the Articles of Association in 2016 and the adoption of the “Policy for the Selection of Directors and Diversity of the Board of Directors” in 2017, the Company continues to work toward achieving Corporate Governance Recommendations in this area.

Ms. Irene Hernández Álvarez has been appointed as the second Independent Director at the Company’s General Shareholders’ Meeting held on 1 June 2018, and Ms. Isabel Dutilh has been re-elected as Independent Director at the General Meeting held on 22 May 2019.

With regard to the objective of ensuring that in 2020 the number of female Directors represents at least 30% of the total membership of the Board of Directors, the Company’s Board continues to work in this regard, relying on the Appointments and Remuneration Commission to do so, and promoting the actions necessary to ensure that this objective is achieved as soon as possible.

C.1.8. If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
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State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes No

There has been no formal request in this regard.

C.1.9. State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
MR. RAFAEL MARTÍN DE BUSTAMANTE VEGA	All powers except the Company’s debt and those non-delegable by Law or the Articles of Association.
EXECUTIVE COMMITTEE	All powers of the Board of Directors except those which, legally or statutorily, are non-delegable, and the following: <ul style="list-style-type: none"> (i) The ability to approve investments or operations of all kinds, which leads to the Company’s debt; (ii) The power to approve investments or operations of all kinds of value greater than EUR 6,000,000 per operation. <p>The power to approve investments or operations of all kinds worth less than EUR 6,000,000 per operation also cannot be delegated when this power cannot be delegated by the Board of Directors and/or falls within the competence of the General Meeting.</p> <ul style="list-style-type: none"> (iii) The power to approve the constitution, merger, split, global transfer of assets and liabilities, dissolution, and/or liquidation of any type of entity having its own legal personality, as well as the power to approve operations that produce effects on those entities that are similar to those of said operations.

The power to approve the above operations is delegated to entities that do not have their own legal personality, such as, for information purposes, but not limited to, joint ventures or joint ownership arrangements.

C.1.10. Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Title	Code
CHAIRMAN	C
SECRETARY	S
DEPUTY SECRETARY	DS
MEMBER	M
JOINT AND SEVERAL ADMINISTRATOR	JSA
TITLES HELD BY REPRESENTATIVES	X
EXECUTIVE FUNCTIONS	e
WITHOUT EXECUTIVE FUNCTIONS	ne

Board members holding the position of administrators or executives in companies of the Elecnor Group	Mr. MIGUEL CERVERA EARLE	Mr. JOAQUÍN GÓMEZ DE OLEA Y MENDARO	Mr. CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	Mr. JUAN LANDECHO SARABIA	Mr. FERNANDO LEÓN DOMEQ	Mr. RAFAEL MARTÍN DE BUSTAMANTE VEGA	Mr. MIGUEL MORENÉS GILES	Mr. GABRIEL DE ORAA Y MOYUA	Mr. RAFAEL PRADO ARANGUREN	Mr. IGNACIO PRADO REY-BALTAR	Mr. JAIME REAL DE ASÚA ARTECHE
ELECTRIFICACIONES DEL NORTE, ELECNOR, S.A.						JSA e					
ELECRED SERVICIOS, S.A.U.						JSA e					
ENERFIN SOCIEDAD DE ENERGIA, S.L.U.	M	DS	M	M	S	M	M	M	M	M	M

C.1.11. List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Mr. Jaime Real de Asúa Arteché	VISCOFAN, S.A.	Member of the Board of Directors and Chairman of the Appointments and Remunerations Commission
Ms. Isabel Dutilh Carvajal	Millenium Hotels Real State I SOCIMI	Independent Director. Member of the Audit Commission and Member of the Appointments and Remunerations Commission
Ms. Irene Hernández Álvarez	Saint Croix Holding Immobilier SOCIMI, S.A.	Coordinator Director, Chairwoman of the Audit Commission and Member and Secretary of the Appointments and Remunerations Commission
	ENCE ENERGIA Y CELULOSA, S.A.	Independent Director, Member of the Executive Committee and Member of the Audit Commission
Mr. Emilio Ybarra Aznar	TUBOS REUNIDOS, S.A.	Deputy Chairman of the Board of Directors and member of the Executive Committee

C.1.12. State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes No

Explanation of the rules and identification of the document where this is regulated

Article 18 of the Regulations of the Board of Directors establishes that: "The Directors of the Company may not sit on the Board of Directors of more than THREE listed companies, in addition to that of Elecnor, S.A."

C.1.13. State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	5,199.6
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

C.1.14. Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mr. Francisco Javier Cruces López	General Manager of Infrastructure
Mr. Argimiro Ramón Rodríguez	General Deputy Director of Facilities and Networks
Mr. Eduard Pinyol Escardo	General Deputy Director of International Development
Mr. José Martí Soler	General Deputy Director of Engineering
Mr. Pablo Díaz Miguel Sánchez	General Deputy Director of Energy
Mr. Armando Pérez Medina	General Deputy Director of Major Networks
Mr. José Castellanos Ybarra	General Deputy Director
Mr. Luis Alcibar Villa	General Deputy Director of Finances and Internal Audit
Ms. Úrsula Albizuri Delclaux	Director of Corporate Development
Mr. Pedro Enrile Mora-Figueroa	General Secretary

Total senior management remuneration (thousand euros) 4,661

C.1.15 State whether the Board rules were amended during the year:

Yes No

Description of amendment

On 27 March 2019, the Board of Directors unanimously amended Articles 5 "General oversight function", 14 "Appointments and Remuneration Commission" and 24 "Director of Remuneration" of the Regulations of the Board of Directors, to adapt the Regulations of the Board of Directors of the Company to the interpretation contained in Supreme Court Ruling 98/2018 of 26 February and adjust the profit-based remuneration system to the reality of the Company and its Group (understood in the terms of Article 42 of the Code of Commerce), reducing the commercial and tax risks that could materialise in the future.

These amendments were subject to the approval of the amendment to Article 12 of the Company's Articles of Association, for the same purpose, as was the case at the Company's General Meeting, held on 22 May 2019, in which this amendment was unanimously approved, and therefore, the amendments to the Regulations of the Board of Directors were approved.

Also, on 18 December 2019, the Board of Directors approved the amendment to Articles 3 ("Interpretation"), 5 ("General

oversight function”, 7 (“Qualitative composition”), 9 (“The Chairman of the Board”), 11 (“The Secretary of the Board”), 11 bis (“Deputy Secretary of the Board”), 12 (“Delegated Bodies of the Board of Directors”), 13 (“The Audit Commission”), 14 (“The Appointments and Remuneration Commission”), 15 (“Meetings of the Board of Directors”), 16 (“Conducting meetings”), 17 (“Use of telematic means”), 18 (“Appointment of Directors”), 19 (“Re-election of Directors”), 20 (“Duration of role”), 21 (“Removal of Directors”), 22 (“Powers of information and inspection”), 23 (“Expert advice”), 26 (“General obligations of the Director”), 27 (“Duty of confidentiality”), 28 (“Conflicts of interest”), 29 (“Use of corporate assets”), 31 (“Business opportunities”), 35 (“Relations with shareholders”), 36 (“Relations with markets”) and 37 (“Relations with auditors”) of the Regulations of the Board of Directors, for the purpose of incorporating the principles of both Technical Guide 3/2017 on Audit Commissions and Technical Guide 1/2019 on the Appointments and Remuneration Commissions of Spanish National Securities Market Commission, the developments introduced in the Capital Companies Act (LSC) by Law 11/2018 in relation to the diversity in the composition of the Board and with the non-delegable powers of this body, as well as to introduce certain amendments of a technical nature.

C.1.16. Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

The Company is governed by the provisions set forth in its Articles of Association, Articles 13 (requirements for membership of the Board, duration of the role and re-election) and 15 (Appointment, removal and appointment by co-optation), the content of which is reproduced below:

“Article 13.-

The Board of Directors shall not comprise fewer than five nor more than 15 Directors.

Being a Director requires having at least 5% of the Company's shares with the right to vote at least five years prior to appointment. The above-mentioned advance of at least five years in the possession of the shares and the requirement to hold at least 5% of the Company's capital shall not be necessary when the appointment, re-election or ratification of the Director shall be carried out by the General Meeting with a quorum of attendance of 25% of the capital subscribed in the first call or without a minimum quorum in the second call, and shall be approved – in both cases – by a simple majority of the capital present or represented. The appointment, re-election or ratification of Independent Directors, which in all cases must comply with the provisions of the applicable regulations, these Articles of Association and the Regulations of the Board of Directors, shall be exempt from the foregoing.

Administrators shall serve for a term of four years, and may be re-elected, once or several times, for periods of equal duration.

The appointment of administrators shall expire when, following expiry of the term, the next General Meeting has been held or the legal period has lapsed to hold the Meeting to resolve the approval of accounts for the previous financial year.

To be a member of the Board of Directors, it is necessary not to be subject to any of the statutory grounds for incompatibility or prohibition established by Law.

Article 15.-

With regard to the Board of Directors, it may appoint an Executive Committee and/or one or more Chief Executive Officers and delegate to them, permanently, all or some of the powers it has been conferred, except those which are especially reserved for it by Law.

The Chairman of the Board of Directors shall be the Chairman of the Company. The election of the Chairman, Deputy Chairmen, Secretary and Deputy Secretary shall be the responsibility of the Board of Directors, which, if deemed appropriate, may appoint as Secretary and/or Deputy Secretary a person who does or does not have the status of Director.

In the absence of the Chairman, the Deputy Chairman shall perform this role, and in the absence of the Deputy Chairman, the Member designated by the Board shall perform this role. Likewise, in the absence of the Secretary, the Deputy Secretary shall perform this role.

The Directors are freely appointed and separated by the General Meeting.

If vacancies occur during the term for which the Administrators were appointed, the Board may appoint people to occupy them until the first General Meeting.

The Board of Directors shall meet at least quarterly. The Board of Directors shall also meet whenever necessary for the best progress of the Company, and when so ordered by the Chairman. In addition, Directors who constitute at least one third of the members may call meetings of the Board directly, stating the Agenda of the meeting to be held in the location of the registered address if, after the request to the Chairman, the latter, without justified causes, fails to call the meeting within one month. The Chairman shall conduct the debate and give the floor in order of request.

The Board of Directors shall be validly constituted when a half of its members are present or represented at the meeting, plus one.

The Board's agreements shall be adopted, subject to legal exceptions, by an absolute majority of the Directors attending the session.

The Board of Directors shall be governed by the provisions of the Articles of Association, the Regulations of the Board of Directors and the current Capital Companies Act”.

In addition, on 22 November 2017, the Board of Directors of Elecnor approved the “Policy for the Selection of Directors and Diversity of the Board of Directors”, which sets out the objectives, procedures, requirements and supervision of the policy for the selection of Directors. This policy has been made public through the Company's website.

C.1.17. Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

The annual evaluation carried out by members of the Board of Directors during the 2019 financial year has led to preparing an Action Plan proposal, which highlights the implementation of a specific and personalised training and knowledge update programme for Directors, in accordance with Recommendation No. 30 of the Good Governance Code Code of Listed Companies of the Spanish National Securities Market Commission (CNMV).

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Company's Board of Directors evaluates, through several questionnaires to be completed by all its members and by the members of its Commissions, its activity and that of all its Commissions, as well as the activity and actions carried out by the Chairman, the Secretary and the Chief Executive Officer, detecting the strengths and points to improve and applying the appropriate corrective measures. These questionnaires are reviewed by the respective Commissions and, in addition, the Appointments and Remuneration Commission reviews the questionnaire of the Board and that of the Chairman.

The questionnaires mentioned include the evaluation of areas such as the degree of achievement of the objectives, the creation of value and strategy, the composition and dynamics of the Board, risk management, transparency and the relationship with shareholders, Corporate Governance and Corporate Social Responsibility, the functioning of the Commissions of the Board, the performance of the functions of the Board Chairman, etc.

Continuing the action plan resulting from the evaluations of the Board and its Commissions and to advance the implementation of recommendation 36 of the Good Governance Code Code, a work assessment was carried out in 2019 and, as already reported in the previous year, the consultant Russell Reynolds was hired in 2018 for the questionnaires of that year, to analyse the best practices regarding the performance of the Board, its Commissions, the Chairman, CEO and Secretary.

C.1.18. Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

C.1.19. State the situations in which directors are required to resign.

The Directors who were involved in any of the prohibitions in Article 213 of the Capital Companies Act shall be immediately dismissed, at the request of any shareholder, without prejudice to the liability that they may incur, in accordance with Article 236 of the same legal text, due to their disloyal conduct.

Directors who were from another competing company and people who in any way have interests contrary to those of the Company shall step down from their position at the request of any member and by agreement of the General Meeting.

For its part, Article 21 of the Regulations of the Board of Directors establishes in this respect:

“Directors shall resign either voluntarily or when the period for which they were appointed has lapsed and when so decided by the General Meeting by virtue of the powers conferred to it by law or statute.

Without prejudice to the foregoing, Directors who are considered proprietary shall submit their resignation when the shareholder whom they represent sells their shareholding in full.

Directors must make their role available to the Board of Directors and, if the latter deems it appropriate, formalise the corresponding resignation in cases where they may harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors may only propose the removal of an Independent Director to the General Meeting before the statutory deadline when there is just cause, as assessed by the Board of Directors after advance notification to the Appointments and Remuneration Commission.

When a Director ceases from his role before the end of their term of office, due to resignation or any other reason, he must send a letter to all members of the Board of Directors explaining the reasons for ceasing”.

C.1.20. Are qualified majorities other than those established by law required for any specific decision?

Yes No

C.1.21. Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes No

C.1.22. State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes No

C.1.23. State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes No

Additional requirements and/or maximum number of term limits

12 years (Art. 20 of the Regulations of the Board of Directors)

C.1.24. State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Within the Company’s Board of Directors, there are formal processes for delegating the vote in the event that any of the Directors cannot personally attend the meetings. The Regulations of the Board of Directors, in its Article 16, establishes the following:

“Article 16.-

The Directors may delegate for each session and in writing to have any other Director represent them in said session for all purposes, and the same Director can hold several delegations”.

The Board of Directors has no specific limitation on the categories of Director in which it is possible to delegate the vote

C.1.25. State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	12
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	--
--------------------	----

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings of the Executive Committee	22
Number of meetings of the Audit Commission	11
Number of meetings of the Appointments and Remunerations Commission	10
Number of meetings of the Boards of the Subsidiaries	45

C.1.26. State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings when all directors attended	12
% of attendance over total votes during the year	100%
Number of meetings in situ or representations made with specific instructions of all directors	12
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100%

C.1.27. State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

C.1.28. Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

In the 30 years in which Elecnor's annual financial statements have been audited by internationally recognised firms, annual financial statements with exceptions in the Audit Report have never been submitted to the General Meeting. The Company, through the Audit Commission and its Internal Audit, has the necessary mechanisms to avoid exceptions in the Audit Report of its individual and consolidated annual financial statements.

C.1.29. Is the secretary of the Board also a director?

Yes No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Not applicable.	

C.1.30. State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 15 bis of the Company's Articles of Association and Article 13 of the Regulations of the Board of Directors, as well as the Internal Regulations of the Audit Commission itself, establish the powers of the Audit Commission.

With regard to the Accounts Auditor, the Audit Commission shall have the following functions:

- Send to the Board of Directors for submission to the General Shareholders' Meeting the proposals for the selection, appointment, re-appointment and replacement of the accounts auditor, taking responsibility for the selection process, in accordance with the provisions of the applicable regulations as well as the conditions for their hiring, and regularly collect information on the audit plan and its implementation.
- Establish appropriate relations with the external auditor to receive information on any issues that may pose a threat to their independence for consideration by the Commission, and any other information related to the process of auditing the accounts, and, where appropriate, the authorisation of services other than those prohibited under the terms of the applicable rules for the independence regime, as well as other communications set out in the account audit legislation and audit standards. In any case, the external auditors shall provide them with an annual declaration of their independence with regard to the Company or entities directly or indirectly linked to it, as well as detailed and individualised information regarding additional services of any kind provided and the corresponding fees collected from these entities by the external auditor or by the persons or entities linked to it, in accordance with the provisions of the governing regulations on account audit activity.
- Issue an annual report, prior to the issuance of the account audit report, expressing an opinion on whether the accounts auditor's independence has been compromised. In any event, this report shall contain the reasoned assessment of each and every additional service provided as referred to in the previous paragraph, considered individually and as a whole, other than the legal audit and in relation to the independence regime or the governing regulations on account audit activity.

- Preserve the independence of the external auditor in exercising their functions and, in particular:
 - should the external auditor resign, examine the circumstances that may have led to this resignation;
 - ensure that the Company formally reports any change of auditor to the CNMV accompanied by a statement regarding the existence or absence of disagreements with the outgoing auditor and, if applicable, the subject matter thereof;
 - ensure that the remuneration the external auditor receives for their work does not compromise their quality or independence; and
 - ensure that the Company and the external auditor comply with existing rules on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other applicable rules to ensure the auditor's independence.
- Ensure that the external auditor has at least one annual meeting with the Board of Directors in full to inform them of the work executed and developments in the company's risk and accounting situation.

C.1.31. State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes No

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

C.1.32. State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	1,494	13	1,507
Amount invoiced for non-audit services/Amount for audit work (in %)	91.1%	3.5%	74.9%

C.1.33. State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes No

C.1.34. State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	7	7
	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	23.33%	23.33%

C.1.35. State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes No

Explanation of procedure

Article 9 of the Regulations of the Board of Directors determines that one of the Chairman's functions is to:

"Ensure that the Directors receive the necessary information in advance in order to deliberate on the items on the agenda and diligently carry out their role".

Thus, the Directors have a digital platform in which the relevant information on the items contained in the Agenda of each meeting of the Board and its Commissions is made available.

C.1.36. State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes No

Explain the rules

Article 21 of the Regulations of the Company's Board of Directors specifies that:

"Directors must make their role available to the Board of Directors and, if the latter deems it appropriate, formalise the corresponding resignation in cases where they may harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors may only propose the removal of an Independent Director to the General Meeting before the statutory deadline when there is just cause, as assessed by the Board of Directors after advance notification to the Appointments and Remunerations Commission.

When a Director ceases from his role before the end of their term of office, due to resignation or any other reason, he must send a letter to all members of the Board of Directors explaining the reasons for ceasing".

C.1.37. State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes No

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes No

C.1.38. Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

They do not exist.

C.1.39. Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

There are no indemnities agreed upon between the Company and its non-executive management positions, nor executives or employees.

With regard to the Executive Director, their contract provides for indemnification in their favour, provided that the termination is not the result of a violation attributable to them nor is it due to their exclusive will, except in the cases of death or invalidity of the Executive Director, which do not provide any right to indemnification.

The amount of indemnification amounts, as a general rule, to an amount equivalent to two (2) years of their total remuneration, including fixed and variable remuneration, but excluding that which is obtained in annual or multiannual programmes or incentives, without prejudice to the fact that, depending on the type of assumption that results in the termination of contracts, it may reach an amount equivalent to three (3) years of their total remuneration.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	Yes	

Are these clauses notified to the General Shareholders' Meeting?

Remarks

C.2. Committees of the Board of Directors

C.2.1. Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category
Mr. Jaime Real de Asúa Arteche	Chairman	Proprietary Director
Mr. Fernando Azaola Arteche	Secretary	External
Mr. Cristóbal González de Aguilar Alonso-Urquijo	Member	Proprietary Director
Mr. Fernando León Domecq	Member	Proprietary Director
Mr. Rafael Martín de Bustamante Vega	Member	Executive
Mr. Miguel Morenés Giles	Member	Proprietary Director

% of executive directors 16.67 %

% of proprietary directors 66.66 %

% of independent directors 0 %

% of external directors 16.67 %

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

In accordance with the constitution of the Company's Executive Committee, it shall have the following

Rules of Procedure:

- The members of the Executive Committee shall step down from their role when they do so in their capacity as Director or when agreed upon by the Board of Directors.
- In the absence of the Chairman of the Executive Committee, or having vacated this office, their functions shall be exercised by the member who is elected for that purpose by the majority of the attendees of the meeting.
- The Executive Committee shall be convened by its Chairman, at their own initiative, or at the request of two of its members, by letter, telegram, e-mail or fax, addressed to each of its members at least 48 hours before the date of the meeting, but may, however, be convened for reasons of urgency, in which case the agenda shall be limited to the points which were the grounds for the meeting.
- The Executive Committee shall be validly constituted when at least a majority of its members are present and represented.
- The Executive Committee shall, through its Chairman, inform the Board of Directors of the matters dealt with and of the decisions made by the Committee.

The activity of the Executive Committee in 2019, a year in which it held 22 meetings, was mainly as follows:

Analysing the progress of the Company and its business, in accordance with the strategic policies established by the Board of Directors, reporting the contents of its meetings to the full Board of Directors and, all of this, in accordance with the rules of operation of said Committee.

AUDIT COMMISSION

Name	Post	Category
Ms. Irene Hernández Álvarez	Chairman	Independent
Mr. Miguel Morenés Giles	Secretary	Proprietary Director
Ms. Isabel Dutilh Carvajal	Member	Independent
Mr. Ignacio Prado Rey-Baltar	Member	Proprietary Director
Mr. Emilio Ybarra Aznar	Member	Independent
% of Executive Directors	0 %	
% of Proprietary Directors	40 %	
% of Independent Directors	60 %	
% of External Directors	0 %	

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Board of Directors must appoint an Audit Commission from among the members of the Board that do not have the category of Executive Directors.

The Audit Commission shall act as the Permanent Commission of the Board of Directors and shall consist of a minimum of three and a maximum of five Directors, two of whom, at least, must be Independent Directors and one of whom shall be appointed taking into account their knowledge and experience in accounting, auditing or both.

Except as provided in the following point, and unless expressly stated to the contrary, Commission members shall be appointed

for the term for which they have been nominated by the Company's Directors.

The Audit Commission shall designate a Chairman from among the Independent Directors as set forth in this article. The appointment must be made for a maximum of four years, for which they may be re-appointed for the same term once a period of one year has elapsed from the date on which their role expires or the date their removal had been agreed upon.

The Audit Commission shall be validly constituted when half plus one of its members are present or represented.

The loss of Director status will also result in the loss of the status of a member of the Audit Commission.

Appointments shall be agreed upon with the quorum and majorities set forth in Article 15 of these Articles of Association and shall be registered for their effectiveness in the Commercial Registry.

The Audit Commission shall meet at least three times per year and, in addition, as often as required in the interest of the Company, at the request of any of the Commission's members.

The Audit Commission shall have at least the powers listed below, without prejudice to those whose delegation the Company itself, through the Governing Body, considers necessary:

- 1) Report to the General Shareholders' Meeting on the issues raised by shareholders in matters within their competence.
- 2) Propose to the Board of Directors for submission to the General Shareholders' Meeting the appointment, re-election and replacement of the external account auditors referred to in Article 264 of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Act, as well as the terms of their procurement, and regularly collecting information on the audit plan and its implementation from the external account auditors, in addition to preserving their independence in exercising their functions.
- 3) Monitor the effectiveness of the Company's internal control, internal audit, where appropriate, and risk management systems, including tax risks, as well as discussing with the account auditors or audit companies the significant weaknesses of the internal control system detected during the audit.
- 4) Monitor the preparation and submission of regulated financial information.
- 5) Establish appropriate relations with the account auditors or audit companies to receive information on any issues that may pose a threat to their independence for consideration of the Commission, and any other information related to the process of auditing the accounts, as well as other communications set out in the account audit legislation and audit standards. In any case, the account auditors or audit companies shall provide them with a written, annual declaration of their independence with regard to the Company or entities directly or indirectly linked to it, as well as information regarding additional services of any kind provided to these entities by the external auditors or audit firms or by the persons or entities linked to the auditors or audit firms, in accordance with the provisions of the governing regulations on account audit activity.
- 6) Issue an annual report, prior to the issuance of the account audit report, expressing an opinion on whether the independence of the accounts auditor or audit companies has been compromised. In any event, this report shall contain the reasoned assessment of each and every additional service provided as referred to in the previous paragraph, considered individually and as a whole, other than the legal audit and in relation to the independence regime or the governing regulations on account audit activity.
- 7) Inform the Board of Directors, in advance, regarding all matters provided for by Law, in the Company Articles of Association and the Regulations of the Board, and, in particular:
 - a) the financial information that the Company must regularly report;
 - b) the creation or acquisition of holdings in special-purpose entities or entities with registered offices in countries or territories classified as tax havens; and
 - c) related-party transactions.

The Audit Committee shall record all agreements adopted in a book of minutes, indicating the date of the session, attendees, and adopted agreements.

The Audit Commission's activity in 2019, during which it held 11 meetings, mainly involved the following:

1. Review of the annual, half-year and quarterly economic information disclosed to the markets and of the objectives and forecasts at year-end.

The Commission monitors the preparation and completeness of all financial reporting on the Company and the consolidated group.

Prior to submission to the Board of Directors, the Commission reviews the quarterly (March and September), half-year (June, subject to limited review by the Group's auditor) and annual (December, subject to review by the Group's auditor) earnings reports to be sent to the CNMV and to be disclosed to the markets (key financials, performance versus the previous period, performance of the main businesses and geographical areas, etc.). With regard to this information, the General Internal Audit and Finance Sub-division provides the Audit Commission with appropriate explanations regarding the income statement and information on the composition and changes in the main balance sheet headings and cash flows.

Throughout the year, reassessments of year-end objectives and forecasts are presented and any deviations from the objectives are explained.

2. Monitoring of the main risks with a potential impact on the income statement and other significant issues affecting the annual financial statements, the Risk Management System and Internal Audit activity.

The main risks with a potential impact on the income statement are exhaustively monitored in conjunction with the General Internal Audit and Finance Sub-division. The risks are structured by Business Areas and General Sub-divisions and Elecnor Group's exposure to them is quantified. In addition, and in particular, contingent trade receivables and receivables from public entities, as well as financial exposure in certain countries considered to be high risk are presented and reviewed. The appropriateness of recognising a provision for these risks is considered on a case-by-case basis once the risks are known.

The Audit Commission also monitors the most significant judgements and estimates with an impact on the financial information, especially those relating to impairment tests of goodwill, intangible and tangible assets and deferred tax assets, as well as the recognition, control and measurement of derivative financial instruments.

Various meetings have been held to analyse the proposed accounting treatment of certain extraordinary transactions, as well as the tax treatment of certain material transactions, which is previously discussed with the Group's auditors and/or advisers.

The Audit Commission also continuously monitors the main risks to which the Group is exposed (governance, strategic and environmental, operational, reporting and compliance) by overseeing the Risk Management System and, in particular, the risks identified, evaluation of their potential impact and probability of occurrence and of the action plans established to better manage them.

The Audit Commission monitors the Internal Audit work plan and oversees its monitoring and reviewing of the main risks affecting the organisation and its processes and controls. To do this, it invited the Internal Audit Officer to attend nine of its meetings.

3. Relations with the Group's external auditors, supervision of their independence and approval of fees.

The Audit Commission met with the Group's external auditors three times in 2019, without other members of the organisation being in attendance.

The main issues discussed with the external auditors at these meetings are as follows:

- Annual audit planning and strategy (materiality, scope, main audit risks identified, schedule, etc.) for the individual annual financial statements of Elecnor, S.A. and the Group's consolidated annual financial statements.
- Results of the annual audit of the individual and consolidated annual financial statements and the limited review of the Group's half-year condensed financial statements.

- Any internal control weaknesses identified and improvement points, where appropriate.
- Written statement and confirmation by the external auditors of their independence and detailed information on any non-audit services provided by them.

The Audit Commission reviews proposals for non-audit services submitted by the external auditor or the external auditor's related parties and pre-approves them in terms of independence under the law.

The Commission has concluded that the auditor of the Company's individual and consolidated accounts has carried out their audit work independently.

The proposed fees submitted by KPMG for the 2019 audit of the individual and consolidated annual financial statements were also reviewed and it was decided to submit them to the Board of Directors for approval.

4. Monitoring of the compliance system and activity of the Compliance Committee.

Six of the meetings held in 2019 were attended by members of the Group's Compliance Committee, who reported on the Committee's activity and on the initiatives, actions and/or incidents arising in the field of compliance, obtaining the Commission's approval and authorisation when necessary.

In summary, the tasks carried out by the Audit Commission in this area in 2019 have been as follows:

- Review and approval of the 2018 Annual Compliance Report.
- Monitoring of the main risks to which the Group is exposed.
- Approval and follow-up of compliance targets for 2019.
- Approval and follow-up of the 2019 Compliance Training Plan.
- Monitoring of the campaign to confirm compliance with the principles and values set out in the Code of Ethics and Compliance Policy by the Group's staff in 2019.
- Follow-up of the implementation and embedding of the Compliance System in the Group's various subsidiaries and branches and, in particular, of the project to obtain UNE-ISO 37001 and UNE 19601 certification for the Deimos Space Compliance System.
- Project monitoring of the review and improvement of established procedures and controls to prevent and avoid anti-competitive practices (advice from Deloitte).
- Follow-up of the work carried out by the Working Group set up to improve compliance risk management within the Management Committee and within the framework of the Group's Risk Management System.
- Follow-up of the launch and initial stages of the IE-Elecnor Observatory on Sustainable Compliance Cultures.
- Follow-up of complaints and/or concerns submitted through the Code of Ethics Channel, analysis of findings and decision on action to be taken.

In addition, the Commission monitors developments in various judicial and administrative proceedings with a potential impact on legal persons belonging to the Elecnor Group.

5. Follow-up of the Group's Digital Transformation Project.

The Group's Chief Information and Technology Officer, in conjunction with the General Internal Audit and Finance Sub-division, has reported on the degree of progress of the digitisation and process re-engineering project under way at Elecnor since 2016. The project aims to achieve operational excellence, understood as the capacity of the organisation, processes and systems to contribute to efficiency, information control, quality of service and regulatory compliance.

6. Reporting to the General Shareholders' Meeting.

Ms Isabel Dutilh Carvajal, Chairwoman of the Audit Commission, informed Elecnor shareholders at the General Meeting on 22 May 2019 of the Commission's activity in 2018 and up to that date.

7. Preparation of new regulations for the Commission and submission to the Board for approval.

In compliance with the recommendations of the CNMV and the Good Governance Code, new internal regulations for the Commission were drawn up and subsequently approved by the Board of Directors on 18 December 2019.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience

Ms. Irene Hernández Álvarez

Mr. Miguel Morenés Giles

Ms. Isabel Dutilh Carvajal

Mr. Ignacio Prado Rey-Baltar

Mr. Emilio Ybarra Aznar

Date of appointment of the chairperson

22-05-2019

APPOINTMENTS AND REMUNERATION COMMISSION

Name	Post	Category
Mr. Emilio Ybarra Aznar	Chairman	Independent
Mr. Fernando León Domecq	Secretary	Proprietary Director
Ms. Isabel Dutilh Carvajal	Member	Independent
Mr. Jaime Real de Asúa Arteche	Member	Proprietary Director

% of Executive Directors 0 %

% of Proprietary Directors 50.00%

% of Independent Directors 50.00%

% of External Directors 0 %

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Board of Directors must appoint an Appointments and Remuneration Commission from among the members of the Board that are not Executive Directors. The Appointments and Remuneration Commission will be composed of a minimum of three and a maximum of five Directors, at least two of whom must be Independent Directors.

The Appointments and Remuneration Commission shall appoint the Chairman thereof from among the Independent Directors. The Secretary of the Board of Directors may be appointed as the Secretary of the Appointments and Remuneration Commission, provided they are not an Executive Director.

The Appointments and Remuneration Commission shall have the following functions:

- Evaluating the required skills, knowledge and experience for the Board of Directors. For this purpose, it shall define the necessary functions and aptitudes for the candidates to fill each vacancy and shall evaluate the time and dedication required so they may effectively perform their functions.
- Establishing a target representation number for the less represented gender on the Board of Directors and drawing up guidelines for achieving that target.
- Submitting to the Board of Directors proposals for the appointment of Independent Directors for appointment by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-appointment or removal of said Directors by the General Shareholders' Meeting.

- Reporting the appointment proposals of the remaining Directors for their designation by co-option or for submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.

- Reporting proposals for the appointment and removal of senior executives and the basic terms of their contracts.

- Examining and organising the succession of the Chairman of the Board of Directors and the CEO of the Company and, where appropriate, making proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.

- Proposing to the Board of Directors the remuneration policy for Directors and General Managers or those who perform their senior management duties under the direct supervision of the Board, Executive Committees or Managing Directors, as well as individual remuneration and other contractual and statutory conditions of Executive Directors, confirming their observance.

These duties shall be understood as non-limiting and without prejudice to others that the Board of Directors may assign to the Committee. The Board may request that the Commission prepare reports on matters lying within the Commission's remit.

The Commission met on 10 occasions in 2019. In addition, when the Commission considered it appropriate, the Managing Director and members of the management team were invited to attend.

The activity of the Appointments and Remuneration Commission in 2019 mainly involved the following:

The Commission fulfilled all its own duties of both a regulatory nature and those contained in the Company's Articles of Association and the Regulations of the Board of Directors, and carried out actions related to the recommendations to comply with the principles of good corporate governance.

The Commission examined the qualification or status of the Directors. Responses to the questionnaire sent to all Directors on any potential conflicts of interests in 2019 were also reviewed; no conflicts were detected.

Continuing the action plan resulting from the evaluations of the Board and its Commissions and to advance the implementation of recommendation 36 of the Good Governance Code, a work assessment was carried out in 2019 and, as already reported in the previous year, the consultant Russell Reynolds was hired in 2018 for the questionnaires of that year, to analyse the best practices regarding the performance of the Board, its Commissions, the Chairman, CEO and Secretary.

During the year, the Commission continued with the work to examine the Board of Directors' structure, which began in mid-2017, the year in which Spencer Stuart was appointed as an international top-tier external consulting firm.

A preliminary analysis was performed of the Board of Directors' needs including the necessary expertise, knowledge and skills required on the Board. This analysis was considered when preparing proposals and reports for the appointment and re-election of Directors submitted to the Board of Directors.

In particular, the Commission agreed to propose the re-election of Ms. Isabel Dutilh Carvajal and Mr. Emilio Ybarra Aznar as Independent Directors for a term of four years. The General Shareholders' Meeting approved the appointment of these two Directors.

As recommended by the Board of Directors, it was also proposed that Mr. Cristóbal González de Aguilar Alonso-Urquijo be re-elected as Proprietary Director for a term of four years. The General Shareholders' Meeting approved the appointment of this Director.

The Directors' Remuneration Policy for the years 2020-2021 and 2022 was submitted for approval at the Shareholders' General Meeting on 22 May 2019. The policy follows on from the previous version running from 2017 to 2019 but has been adapted to the current situation. In this regard, supporting reports had to be prepared for the Board relating to both the amendment of Article 12 of the Articles of Association and to several articles in the Regulations of the Board of Directors, all of which relate to the Directors' remuneration. These were also approved at the General Meeting.

Similarly, in the area of remuneration, the annual fixed and variable remuneration for the Executive Director was proposed, and the Annual Directors' Remuneration Report for 2018 prepared, which the Board of Directors submitted to the General Meeting for its advisory vote.

The Commission also proposed the remuneration policy for the management team and the application thereof, including its proposal for variable remuneration tied to specific objectives.

The succession plan for the Chairman, Managing Director and management team was revised, including a management performance assessment of the Management Commission, the latter being carried out with the support of the external consulting firm, Pedersen and Partners.

The Group's performance vis-à-vis work-life balance, equality, assignments and international mobility for expatriates in the Group, along with the Talent Plan was also reviewed.

In addition, a proposal was prepared with the Chairman of the Board of Directors, approved by the Board, and a training plan put in place for the Board.

Moreover, in compliance with the recommendations of the CNMV and the Good Governance Code, new regulations for the Commission were approved.

Finally, the Commission reported all its activities to the Board of Directors, providing all Directors with the minutes of its meetings with their corresponding annexes.

C.2.2. Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

2016:

Isabel Dutilh Carvajal was the Chairwoman of the Audit Commission and a Member of the Appointments and Remunerations Commission, which equates to 33% of the Audit Commission and 20% of the Appointments and Remunerations Commission being female.

2017:

Isabel Dutilh Carvajal was the Chairwoman of the Audit Commission and a Member of the Appointments and Remunerations Commission, which equates to 33% of the Audit Commission and 25% of the Appointments and Remunerations Commission being female.

2018:

Ms. Isabel Dutilh Carvajal was the Chairwoman of the Audit Commission and a Member of the Appointments and Remunerations Commission and Ms Irene Hernández Álvarez was a Member of the Audit Commission, which equates to 40% of the Audit Commission and 25% of the Appointments and Remunerations Commission being female.

2019:

Ms. Irene Hernández Álvarez was the Chairwoman of the Audit Commission and Ms Isabel Dutilh Carvajal was a Member of this Commission, which equates to 40% of that Commission being female. Ms Isabel Dutilh Carvajal was also a Member of the Appointments and Remunerations Commission, which equates to 25% of that Commission being female.

C.2.3. State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

On 18 December 2019, the Board of Directors approved the new internal Regulations of the Audit Commission and the Regulations of the Appointments and Remunerations Commission, as per the recommendations of both Technical Guide 3/2017 on Audit Commissions and Technical Guide 1/2019 on Appointments and Remunerations Commissions of the CNMV.

The functions of the Audit Commission and the Appointments and Remuneration Commission are laid down in Articles 15 bis and 15b of the Articles of Association, as well as in Articles 13 and 14 of the Regulations of the Board of Directors and the aforesaid Commissions' respective regulations.

The existence and functions of the Executive Committee, meanwhile, are regulated in Article 15 of the Articles of Association, in Article 12 of the Regulations of the Board of Directors, as well as in its own deed of incorporation.

Both the Regulations of the Board of Directors, the Regulations of the Audit Commission and the Regulations of the Appointments and Remunerations Commission are available on the Company's website (www.elecnor.com).

Reports on the activities of the Appointments and Remunerations Commission and the Audit Commission were voluntarily prepared in 2019.

D) RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Procedures and bodies for reporting on the approval of transactions with related parties

This matter is covered in Article 33: "Transactions with significant shareholders" of the Regulations of the Board of Directors:

"Any relevant transaction between the Company and its significant shareholders shall be authorised by the Board of Directors.

Exempt from this approval are operations that simultaneously meet the following three characteristics:

1. They are carried out under contracts whose conditions are standardised and apply en masse to a large number of customers.
2. They are carried out at prices or rates generally established by the person acting as a supplier of the goods or services concerned.
3. Their value does not exceed one percent of the Company's annual income".

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

They do not exist.

D.3. DETALLE LAS OPERACIONES SIGNIFICATIVAS POR SU CUANTÍA O RELEVANTES POR SU MATERIA REALIZADAS ENTRE LA SOCIEDAD O ENTIDADES DE SU GRUPO, Y LOS ADMINISTRADORES O DIRECTIVOS DE LA SOCIEDAD.

They do not exist.

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

Not applicable.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

They do not exist.

D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

There are **Internal Code of Conduct in Matters Relating to the Securities Markets (RIC)**, approved by the Company's Board of Directors on 21 May 2003 and amended through successive resolutions of the Company's Board of Directors on 16 June 2004, 21 March 2007, 19 December 2007, 20 July 2016 and 20 February 2019, all duly reported to the CNMV. The latest version is available on the Company's website and explicitly and exhaustively sets out these mechanisms.

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

Yes No

Identify the other companies that are listed in Spain and their relationship to the company:

They do not exist

E) RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

BOARD OF DIRECTORS, CHIEF EXECUTIVE OFFICER

In its monthly meetings, the Board of Directors reviews the Company's key economic indicators, the general market situation, and the position and business strategy of the Company and its Group, to identify any risks in the economic and business environment, adjusting the Company's strategic approach where necessary; all within its general supervisory remit.

In this regard, the Group performs continuous and preventive management of these risks, so that the probability of them occurring and their potential impact, as the case may be, on turnover, profitability and efficiency, reputation and sustainability is reduced to acceptable levels.

To this end, the Group has a structured and dynamic risk management system whose main pillars are as follows:

- Continuous risk identification and assessment and prioritisation in terms of impact and probability of occurrence.
- Identification of the mechanisms and tools in place to manage and control the main risks, and evaluation of their effectiveness.
- Continuous improvement of risk management through the development and implementation of initiatives and projects aimed at improving management mechanisms and tools.
- Ongoing monitoring and oversight of the system.

To ensure better identification and management of the main risks, these are grouped into five major categories:

- Governance risks,
- Strategy, planning and environment risks,
- Operational risks,
- Reporting risks,
- Compliance risks.

On the other hand, the Chief Executive Officer takes decisions following the guidelines established by the Board of Directors in its meetings.

As to the powers granted to the Board of Directors, these are conferred, taking into account the specific functions and needs of the Company's general divisions and sub-divisions and the different business areas.

Decisions on the Company's overall strategy or on the use of its resources, as well as those involving a risk due to the Company becoming indebted – such as the arrangement of credit facilities, loans, guarantees, sureties, asset disposals, etc. – are adopted in resolutions of the entire Board of Directors by an absolute majority of its members.

Management (General Managers and General Deputy Directors) are responsible for the Company's operational and management decisions, such as the signing of contracts, management of human resources, etc., always pursuant to the instructions of the Chief Executive Officer and the strategic guidelines of the Board of Directors.

MANAGEMENT OF RISKS DERIVING FROM PARTICIPATION IN TEMPORARY JOINT OPERATIONS, CONSORTIA AND JOINT VENTURES

The risks to which the Company may be exposed through its involvement in a temporary joint operation, joint ventures, economic interest group or any other form of joint arrangement, whether it be Spanish or foreign, to carry out a particular project or business, are controlled, on the one hand, by management (with the support of the business areas and other productive units

and, where applicable external advisers) analysing the viability of the business to be developed and assessing the potential associated risk, and authorising, if applicable. On the other hand, the powers of the governing and management bodies of the joint arrangement are agreed with representatives of all its members to ensure they are consistent with Elecnor's internal risk control systems.

MANAGEMENT OF RISKS DERIVING FROM THE COMPANY'S CORPORATE PURPOSE IN THE DOMESTIC MARKET

In relation to the specific risks arising from the Company's activity (construction, operation and maintenance of all kinds of facilities), all business arms are adequately insured through appropriate insurance policies offering the necessary cover (public liability insurance, assembly insurance, construction insurance, etc.).

MANAGEMENT OF RISKS DERIVING FROM THE COMPANY'S CORPORATE PURPOSE IN THE INTERNATIONAL MARKET

A significant part of Elecnor's business is conducted outside Spain, so special mechanisms have been put in place to control the potential risks stemming from this activity:

All powers conferred on Company representatives to sign contracts outside Spain or manage such contracts are granted by the Company's CEO on a case-by-case basis for each operation and subject to prior analysis of all the risks that could affect the Company. Monthly meetings of the Board of Directors are held to monitor these activities when they involve significant operations for the Company.

Likewise, all the Company's international business arms, deriving from its corporate purpose, are also adequately insured through appropriate insurance policies offering the necessary cover (public liability insurance, assembly insurance, construction insurance, etc.).

ENVIRONMENTAL RISK MANAGEMENT

Environmental protection and efficient consumption of energy resources are at the top of Elecnor's agenda whilst carrying out all of its business activities. These objectives have put respect for the environment and sustainability at the heart of our culture and values throughout the organisation.

The environmental control mechanisms currently in place at the Company are based on AENOR-certified Environmental Management and Energy Management systems that are ISO 14001 and ISO 50001 compliant. These systems offer excellent benefits, including analysis and mitigation of environmental risks. Environmental liability insurance has also been taken out covering all the activities of Elecnor and its subsidiaries.

Climate change is a long-standing challenge for Elecnor. Thus, it has calculated its carbon footprint since 2013 according to internationally recognised standards, and has rolled out greenhouse gas (GHG) emission reduction measures across its business. In March 2019, AENOR verified for the fifth consecutive year the inventory of greenhouse gas emissions in accordance with the UNE ISO 14064-1:2012 standard, for direct and indirect emissions of all the Company's activities. The Company has been awarded the "Calculate and Reduce" seal from the Spanish Office of Climate Change (OECC by its Spanish acronym), as part of the process to register its carbon footprint and the carbon offset and absorption projects established by the Ministry for Ecological Transition (MITECO by its Spanish acronym).

As part of its staunch battle against climate change, Elecnor developed a Climate Change Strategy in 2018 to reduce its impact, increase its resilience and unlock the potential opportunities arising from climate change, thereby growing as a group in a sustainable manner. It has also joined the international sustainability CDP (Carbon Disclosure Project) ranking, earning a B rating. This is international recognition of its strategy to combat climate change because it means that in 2018, Elecnor was seen as having among the best levels of climate change management. Elecnor's B score is above average for the electricity sector and for the European region.

Our Group aims to contribute actively and decisively to a sustainable, low-carbon future in a world in which, increasingly, we must all play an active part in protecting the environment.

COMPLIANCE RISK MANAGEMENT

The Elecnor Group's Compliance System forms part of Elecnor's principles and values in force since its foundation, and the continuous improvement of its management practices and procedures to enhance its corporate governance. Thus, in the context of the reform of the Spanish Penal Code in 2010 introducing the criminal liability of legal persons for the first time in Spain's legislative system, Elecnor began a process in 2011 to adapt its compliance system to the new circumstances. The aim of this work was to reinforce the Company's guarantee to detect, react to and prevent potential non-compliance and/or criminal acts by its staff and related parties.

The key features of this system are as follows:

- Elecnor Group Code of Ethics (initial approval by Elecnor's Board of Directors in November 2011; last revision approved by Elecnor's Board of Directors in September 2016).
- Elecnor Group Compliance Policy (initial approval by Elecnor's Board of Directors in September 2016; last revision approved by Elecnor's Audit Committee in September 2017).
- Compliance Management System Manual (initial approval by Elecnor's Board of Directors in November 2011; last revision approved by Elecnor's Compliance Committee in November 2018).
- Compliance Committee.
- Crimes, Risk Behaviours and Controls Catalogue.
- Code of Ethics Channel.
- Annual Compliance Report.

All these documents and bodies are approved by the Governing Body (where applicable, through the Audit Committee) or by the Compliance Committee, by delegation of the aforementioned bodies. The Audit Committee oversees the effectiveness of the system through its meetings with representatives of the Compliance Committee and approval of the Annual Compliance Report. In addition, the management team oversees the system through the Compliance Committee and, at least annually, by receiving and reviewing the Annual Compliance Report.

The scope of this system is the set of countries in which Elecnor and its subsidiaries and investees operate, although it is adapted where necessary to the specific circumstances of these countries.

Elecnor's Compliance System is designed to identify and prioritise the compliance risks to which it is exposed. In this sense, Elecnor's objective is that this system is perfectly tailored to the organisation and its specific risks to ensure that it is an effective risk management tool. For this purpose, both the risks identified and their importance are continuously monitored and updated, where appropriate, by the Compliance Committee – a collegiate body entrusted with supervising, monitoring and controlling the Compliance System. The main risks identified and managed through the Compliance System include those related to: bribery, influence peddling and corruption in business; tax and social security (fiscal); foreign citizens and people trafficking; money laundering and terrorist financing; market scams; industrial and intellectual property; and discovery and disclosure of secrets, etc.

As explained beforehand, the aforesaid Compliance System is underpinned additionally by the raft of procedures, protocols and controls established in the various areas.

The Compliance Committee continuously monitors the Compliance System and periodically verifies, through various audit tests, that the controls associated with the identified compliance risks are effective.

Elecnor's Compliance System is aligned with the highest domestic and international standards in this field, having received certification pursuant to the international ISO 37001 Anti-bribery Management Systems standard and the domestic UNE 19601 Criminal Compliance Management Systems standard.

TAX RISK MANAGEMENT

The Elecnor Group has established a Corporate Tax Policy setting out its Tax Strategy, as well as the principles and core aspects of tax risk management.

As part of this, it has a tax oversight, control and management procedure containing guidelines for identifying, assessing, managing as well as monitoring risks.

Obligations and responsibilities within the organisation are regulated through this strategy, including a description of the measures that must be in place to mitigate any tax risks identified.

INTERNAL AUDIT AND CONTROL SYSTEMS

Internal control: in the Elecnor Group rests on two pillars that are considered fundamental to ensuring decisions are made based on accurate information:

The System: a raft of computer applications and procedures.

Internal Audits: audits **arranged** with the business areas covering the most relevant components of working capital such as, work in progress, receivables, inventories, etc. and the recognition of margins, among others. In addition, the Internal Audit area periodically reviews the main procedures and controls in place.

All the internal audits of Elecnor's businesses are scheduled so that at least two audits are conducted per division every year; if not of all, at least of the most important ones: The aim is to have conducted the first audit before the end of the first half of the calendar year, and the second before year-end.

These internal audits are supplemented by the review of other documentation carried out by Central Administration and, above all, by controls over banking transactions involving sharing data with banks (importing of bank entries, expense settlement payments through files, etc.), centralisation of the payment process, and monthly reconciliations of bank balances, among other control mechanisms.

This document includes information on "INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFRS)", which has also been verified by the External Auditor.

As part of the Digital Transformation project, progress has been made during the year to develop and roll out tools for the consolidation and reporting of the annual financial statements and accounting close simulations.

The System

The procedures and manuals that make up the System are designed to ensure there is a general control environment that is fit for purpose and that good governance principles in the field of administration are adhered to.

All tasks are set out in procedures based on **audit criteria**. There is an **operating manual** for each task (explaining the objective pursued, applicable criteria, etc.), along with a **user manual** (which includes the steps to be taken when inputting data into the appropriate computer application).

The **software** used is based on the **FICOS-38** application purchased from Arthur Andersen in 1984, which has been heavily developed to tailor it to the Company's requirements at any point in time (need for more information, changes in accounting standards, etc.).

The IT system works in **real time** and is **end-to-end**. Very powerful interfaces are used to integrate all systems so as to minimise data entry errors.

The initial version of the **FICOS-38** system offers a **General Accounting** system and an **Analytical Accounting** system, serving Elecnor's specific needs and requirements.

Compared to the General Accounting system (covering the Company's assets and liabilities and outward-facing aspects), the Analytical Accounting system can be used to carry out budget controls of overheads or expenses, fixed or structural, through income and expense accounts at various levels (corporation, business area, production centre, work centre), as well as detailed bottom-line analysis (value added at factor cost, Tajo margin, net margin) to meet internal management needs and forecast future scenarios using standards.

The Analytical Accounting system includes a specific module on the perpetual inventory account: the **project costs** system. This system can be used to generate cost reports for different items (labour, materials, sub-contractors, equipment, etc.) for each project in progress and calculate their value at sales price, while also controlling costs and income compared to the estimates made at the start of each project.

This system is used to **recognise results using the Tajo margin**.

The criterion for recognising results is based on the accounting standards in force, as disclosed in the notes to Elecnor's separate and consolidated annual financial statements.

In addition, there is a set of **peripheral systems** created around the primary system. These are designed to manage the various work areas (Treasury, Procurements, Invoicing, Fixed Assets, etc.) and capture data and report back to the primary system **in an integrated and real-time** manner.

Data reliability

The Central Administration departments adhere to permanent audit criteria with respect to transactions reported to the system by the various local offices.

An Ordering System based on segregation of duties (expenses are approved, invoices logged, administrative approvals given and payments ordered by different people in the organisation) and a Collections and Payments Registration System involving the computerised importing of bank statement entries into the system form the basis of controls over the Company's procurements and payments.

Inputting of transactions can be decentralised because all transactions are registered using **standard documentation and transaction keys**. In other words, local offices do not need to have knowledge of accounting. Each document used to input data into the system has mandatory fields (customer code, work centre, project, VAT rate, etc.) which, as systems are integrated, prevents any information mismatches.

On the other hand, the system limits which sources are authorised to make changes to the accounting records (for example: transactions from the fixed assets system cannot be added to the receivables accounts). These restrictions ensure that potential errors are reduced.

Once the "daily close" (validation of transactions) has been performed, all entries are verified by Central Administration and any erroneous entries corrected.

All supporting documentation for the registered transactions is archived at Central Administration, and reviewed according to the criteria established in the procedures, in full or randomly depending on the channel through which it has been inputted. A high percentage of transactions are reviewed.

Exceptions to the procedure are registered by inputting "**manual**" entries, solely processed by the corporate departments reporting to the General Internal Audit and Finance Sub-division and by authorised persons.

As the Group's primary external auditor, **KPMG AUDITORS** through personnel specialised in annual auditing verify that the IT environment ensures data reliability and that no significant risks are detected.

KPMG AUDITORES, como auditor externo principal del Grupo, a través de personal especializado en la materia y dentro del proceso de auditoría anual, verifica que el entorno informático soporta la confiabilidad y que no se detectan riesgos significativos.

Controlled access

Each local office can only report on the areas of activity within its jurisdiction, while each user only accesses the tasks assigned to them through their **user profile**.

Tasks are organised based on the **segregation of duties** principle.

For security reasons, passwords for local offices to log in to the Central System are automatically changed every two months by the system itself.

The system detects any access made from a different place than usual, even if authorised, by generating a daily list of incidents.

Access security

All access to the system is protected with **firewalls** and **antivirus software** both on **web servers** and local workstations.

Digitisation

In late 2015, Elecnor launched a process to assess the suitability of its systems and the need to evolve to fulfil business demands today and in the future.

While it was concluded as a result of this analysis that the current systems were robust and adequately met the information and operational needs of the organisation, findings of this assessment included the recommendation to develop existing processes, the organisation (people) and systems, without necessarily having to change ERP. As has already been mentioned, this resulted in the design and roll-out of a Digital Transformation process.

The Group's Digital Transformation process continued throughout 2019, which is involving the re-engineering and digitisation of a significant part of the organisation's processes.

Domestic and foreign subsidiaries

As in the case of the parent company, all or at least the most significant subsidiaries are subject to two internal audits each financial year.

Following the same criterion adopted in Elecnor, the aim is to conduct a first audit before the close of the first half of the year, and a second before the year-end close.

It was considered that it would not be reasonable to roll out the Elecnor IT management system across all the Group's companies on a wholesale basis because of the varying sizes of the subsidiaries compared to Elecnor, the different accounting standards applicable to foreign subsidiaries and the varying management needs.

Two IT solutions were therefore adopted in order to maintain a certain level of standardisation between the systems to be rolled out.

Domestic subsidiaries

The **general accounting** system adopted as a common solution was **LOGIC CLASS**.

An **analytical accounting system** was developed and bolted on to this general accounting system. This secondary system is similar to that used by Elecnor, S.A., which was developed by **IPARTEK** and generates information similar to that produced in Elecnor as per the same criteria.

The Group's Financial Reporting and Consolidation Department and Internal Audit team are responsible for the monitoring and control of all domestic subsidiaries, both ultimately reporting to the General Internal Audit and Finance Sub-division.

Foreign subsidiaries

In general, the **SCALA** General Accounting System (**ERP**) was rolled out in the foreign subsidiaries, as it allows tax reporting to be tailored to the requirements in each country.

As with the domestic subsidiaries, an analytical accounting module similar to that used in Elecnor – also developed by **IPARTEK** – was also bolted on to the **SCALA** system.

The Financial Reporting and Consolidation Department and Internal Audit team are responsible for the monitoring and control of all foreign subsidiaries, both ultimately reporting to the General Internal Audit and Finance Sub-division.

Elecnor's Board of Directors monitors each and every subsidiary of the Group.

Internal audit

The Internal Audit area, which lies within the General Internal Audit and Finance Sub-division, identifies and continuously monitors the main risks to which the organisation is exposed and is responsible, among others, for contributing to the continuous improvement of established control procedures and mechanisms. It also works with the Consolidation and Management Control departments to coordinate the audits of the Business Areas and control and monitor all subsidiaries.

On a regular basis, it informs the Audit Committee of the outcome of its work, making it easier for the Audit Committee to fulfil its own supervisory duties.

External audit

A professional relationship is maintained, at all levels, with the members of the **KPMG Auditors** team.

All the team's work revolves around analysing the organisation's degree of "**internal control**", which is evaluated annually through a **software audit** and a **financial audit** (substantive testing and procedures).

Regarding the financial audit, both the individual annual financial statements and consolidated statements are subject to external audit at the close of each financial year. In addition, the consolidated interim financial statements (first half) are also subject to review by the external auditor.

All testing of procedures is random, which means they must be kept permanently up-to-date.

In all its work, Elecnor's administration adopts the same criteria as those applied by the external auditors, remaining in close contact with them to discuss any matters that could give rise to different interpretations. The criteria to be adopted are agreed in advance.

FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks, which it manages through the grouping of identification, measurement, concentration limitation and supervision systems. The management and mitigation of financial risks is carried out in a coordinated manner by the Corporate area and the different business units and subsidiaries of the Group. Measures to manage financial risk are approved at the highest decision-making level and in accordance with the established rules, policies and procedures.

Exchange rate risks

The market risk due to exchange rate risk stems from the Group's operations in international markets in the course of its business. Some of its revenue and expenses are denominated in currencies other than the functional currency, and so there is a risk that fluctuations in the exchange rates of these currencies against the functional currency could impact the Group's bottom line.

In order to manage and minimise this risk, Elecnor uses hedging strategies, given that the objective is to generate results exclusively through the development of the ordinary activities it carries out, and not through speculation on exchange rate fluctuations.

The instruments used to achieve this hedging are basically debt referenced to the contract's collection currency, exchange rate insurance and cross currency swaps through which Elecnor and the Financial Institution exchange the flows of a loan expressed in euros for the flows of another loan expressed in another currency, as well as the use of "currency baskets" to cover mixed financing indexed to different currencies.

Interest rate risk

Changes in interest rates change the fair value of assets and liabilities that accrue a fixed interest rate, as well as the future flows of assets and liabilities linked to a variable interest rate. Elecnor has external financing to carry out its operations, mainly in relation to the promotion, construction and operation of wind farms, solar thermal projects and electricity infrastructure tenders, which are carried out through "Project Financing". This type of financing requires that interest rate risk be contractually closed by the arrangement of interest rate hedging instruments.

Both project financing and corporate financing are mostly arranged at floating (variable) interest rates, using, where appropriate, hedging instruments so as to minimise the interest rate risk of the financing. The hedging instruments, which are specifically assigned to financial debt, have at most the same nominal value and the same maturity dates as the hedged items, and are basically interest rate swaps (IRSs) whose purpose is to have a fixed interest cost for financing originally arranged at floating interest rates. In any event, interest rate hedges are contracted subject to accounting efficiency criteria.

Other price risks

The Group is also exposed to the risk that cash flows and results will be affected by, inter alia, energy price trends and the price of oil. The Group manages and minimises this risk through effective hedging strategies.

Liquidity risk

Liquidity risk is mitigated by a policy of maintaining a highly liquid treasury position, holding non-speculative, short-term instruments, such as the temporary acquisition of treasury bills in non-optional reverse repurchase agreements and very short-term US dollar deposits at leading banks, ensuring we can meet our obligations. We also contract credit facilities with a suitable limit and terms to meet projected needs.

Credit risk

Our main credit risk relates to counter parties or customers not meeting their contractual obligations with regard to accounts receivable for commercial transactions. In order to minimise this risk, we work with customers with an appropriate credit history; moreover, given the activity and the sectors in which we operate, Elecnor has customers with high credit ratings. However, we use mechanisms such as advances, irrevocable letters of credit and take out credit insurance policies for international sales to non-recurring customers. We also analyse the financial solvency of the customer, stipulating specific contract conditions to ensure collection of monies due.

Under the current Spanish regulatory framework, the electricity generated by our wind farms is sold into the Iberian Electricity Market (MIBEL by its Spanish acronym) and we collect revenues from the market operator, OMIE, subject to a payment guarantees system, and the National Markets and Competition Commission (CNMC), the Spanish energy-market regulator, which reports to the Ministry of Industry. Ventos do Sul Energia, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energia, S.A. and Ventos dos Índios Energia S.A. (Brazil) have signed 20-year electricity sales contracts for their output with the corresponding Brazilian electricity distribution companies. Éoliennes de L'Érable has also signed a 20-year contract with the Canadian electricity company Hydro-Québec for the sale of the electricity it generates.

With regard to transmission lines, specifically those that provide their services in Brazil under concession arrangements, the National Electricity System Operator (ONS) is responsible for the system's collections and payments and informs the concessionaire on a monthly basis of the companies that must pay it: generators, large-scale consumers and distributors connected to the system. Prior to their connection to the system, these companies deposited a guarantee which will be executed in the event of non-payment, resulting in immediate disconnection from the system and distribution of the payment liability among other users of the system. In this way, the concessionaire is guaranteed to be paid by the national electricity system. As a result, in the years in which the Group has been operating these lines, there has been no default on the part of users.

The transmission lines in Chile belong to the national transmission system (formerly known as the trunk system), where the National Electricity Coordinator (CEN) is responsible for coordinating the flow of payments to the transmitters. Until December 2018, a scheme was in place whereby generators were responsible for making payments to transmitters. From 2019 onwards, distributors are incorporated into those responsible for making payments and, therefore, from that date onwards, there is a more diversified portfolio of payers. The payment guarantee of the national transmission system is underpinned by a CEN Procedure that establishes that in the event of possible non-payment by a coordinator (company subject to coordination by

the CEN), the defaulting generator is disconnected from the system, distributing the payment obligation among the rest of the coordinated companies.

Elecnor is always striving to take the utmost measures to mitigate this risk and periodically analyses its exposure to credit risk, making the corresponding accumulated impairment losses.

Regulatory risk

Elecnor pays close attention to regulatory risks, particularly with regard to renewable energies, so as to monitor potential impacts on its consolidated income statement.

Other risks

In addition to the risks described above, the Elecnor Group is exposed to various risk factors (governance, strategy, planning and environment, operating, reporting and compliance risks) relating both to the industries in which it operates and to the wide range of countries in which it operates, either on a stable basis or through specific projects. The Group, through its Risk Management System, carries out continuous and preventive management of these risks, so as to reduce the likelihood of their occurrence and their potential impact, if any, in terms of turnover, profitability and efficiency, reputation and sustainability, to acceptable levels. The pillars of this Risk Management System are the continuous identification and evaluation of the risks to which the Group is exposed, the improvement of the related management mechanisms and tools and the permanent supervision and monitoring of the whole process.

OCCUPATIONAL HEALTH AND SAFETY/OHS MANAGEMENT

Continuing with the commitment contained in our Integrated Environmental Management, Quality and **Occupational Health and Safety** Policy, approved and implemented in our Group, of continuous improvement of working conditions in order to raise the level of health and safety protection of all persons involved in our works and projects, the following noteworthy activities have been undertaken in 2019:

- In 2019, 21 internal audits were carried out in accordance with the requirements of OHSAS 18001, for a total of 60 days. During these, several Deviation Notes were opened, related to divergent points from the standard, most of them due to specific errors/non-compliance.

In the Foreign Market, nine internal audits were carried out in accordance with the requirements of OHSAS 18001, for a total of 27 days.

- In terms of external audits, those of Elecnor (25 days) and the subsidiaries ATERSA, AUDECA, EHISA, ENERFIN and JOMAR SEGURIDAD (10 days) were carried out, with a satisfactory result, with one non-conformity in the multisite certification that includes Elecnor and all the aforementioned subsidiaries, except AUDECA and ENERFIN, which have an independent certificate and no non-conformities.

In the Foreign Market, as far as external audits are concerned, six audits were carried out in various countries, for a total of 20 days.

- A total of 1,236 internal site audits were carried out, as a control measure by a central, independent SPM Department, which enables an in-depth analysis of the on-site safety situation. Significantly, these audits were also conducted in countries with a stable presence in Europe: Italy, Portugal and the United Kingdom.

- More than 62,300 safety inspections have been carried out in the Group to monitor the current conditions in which work is performed. As a result, 20,350 corrective measures were taken to improve safety conditions.

- The scheduled training and informational activities for workers continued, with activities conducted in Spain for an overall group of 23,000 attendees who, for the most part, attended more than one training activity. The total number of training hours in the area of Occupational Health and Safety amounted to 129,750 hours, an increase of 7.7% compared to 2018. There are also other technological and management training areas that also have a significant impact on Occupational Health and Safety, which are not included in this total (electrical qualifications/authorisations, work equipment operators, etc.).

Abroad, actions have been organised for an overall group of more than 26,800 people, most of whom attended more than one training event. The total number of training hours in the area of Occupational Health and Safety amounted to more than 145,500 hours.

- A **Special Campaign for the International Day for Occupational Health and Safety** was held on 28 April 2019, to raise workers' awareness of Health and Safety issues. This year, workers have been made to reflect that they are not superheroes and that they truly need the power of prevention to return home from work unharmed, with the campaign video reflecting the difference between one idea and another.

One of the Campaign's main events was held in the Beatriz Madrid Auditorium, which was attended by representatives of client companies, employers' associations and trade unions, in addition to our CEO, General Manager, Directors, Command Line and employees of Elecnor and its subsidiaries. At this event, recognition was given to 19 TPPs that demonstrated excellent safety results in 2018 compared to previous years. Endesa was also recognised for its work in the field of health and safety in the electricity sector. An acknowledgement was also given to a subcontractor for its commitment and improvement in Health and Safety.

As a side note, three new employees, one from Spain, one from Angola and one from the Dominican Republic, joined the "Blue Jackets" Club, a club for workers who stand out for their commitment to Health and Safety.

Also present were the nine workers who had won four "Estrellas PES" (PES Stars) in Spain, to pay tribute to them for this achievement among more than 6,000 workers.

Workshops were held in all Units, where workers were shown a video and a presentation prepared for the campaign. The campaign poster and video were translated into English, French, Italian, Portuguese, Brazilian Portuguese and Arabic and distributed throughout the Group for workers to see.

- In addition to the day-to-day activities determined by the Management System, which enables us to comply with the legislation in force with the numerous tasks that are carried out, we are working on two major lines of action that will enable us to continue to make progress towards our goal of zero accidents:

- The **"Excellence in Safety" project** continued its development. The six lines of action defined have been developed by the Working Groups for each of them, and most of them are in the final phase of development and implementation.

This year, the second phase of the PES assessment was carried out in Spain, and the report was presented in September, defining the Working Groups to develop the new lines of action.

At the same time, the International Phase of the "Excellence in Safety" project has begun, with assessments having been made in Angola, Argentina, Chile, the United Kingdom and Uruguay, and the Working Groups in each country having begun their work, which will be completed in 2020.

- **"Digital Transformation" project**, aimed at Prevention, which seeks to improve day-to-day responsibilities by eliminating bureaucratic tasks which add no value, allowing Safety Officers and Line Managers to instead spend this time on visiting sites, training, etc., thus generating added value.

Thus, in 2019, some initiatives that were foreseen in the Digital Transformation project have been launched or strengthened. Among the most significant of these are as follows:

In Spain, the "Notific@" app and web environment are already used as the only means of notification and investigation of accidents. It has also begun to be implemented in several countries in the Foreign Market.

Likewise, since 01/01/2019, the "SegurT" app and web environment has also been exclusively used in Spain. This means that the traditional way of carrying out safety inspections, i.e. on paper, has been abandoned in favour of carrying them out using the app and following them up using the web environment.

Likewise, the tool for carrying out MR.Ps has been implemented virtually throughout Spain, with an app for carrying them out and a web environment for their management and control. MR.Ps, which stands for "Main Risk Permits", are a computerised checklist to be carried out before work commences, allowing the brigades to identify key aspects to avoid risks that could cause them serious accidents, and to avoid errors in carrying out the work.

There have also been other initiatives of a lesser scope that have assisted in the development of activities: implementation of "e-coordina" in various units, restructuring and reform of the Intranet, etc.

- Control measures on subcontractors continued, with a large part of the inspections carried out being directed at work performed by these companies, with coordination and information meetings being held with them.

Within the **Excellence in Safety** project, there is a line of action dedicated to improving the control and monitoring of subcontractors. As part of this, the system for evaluating and monitoring subcontractors has been updated to allow for the detection of those that are less committed, and to take action for their improvement, giving priority to those that are larger and/or pose a greater risk. This system is based on a pre-qualification process based on the data from "e-coordina", an evaluation process carried out by the SPM technicians, and a subsequent monitoring and control system, visible in a computer application called "evalu@" based on the safety inspections, accidents, incidents and improvement actions of the subcontractors, which determine a score that, in the event of a significant decrease, makes it possible to activate Action Plans or even suspend contracts with the subcontractor in question.

- In the Foreign Market, in addition to continuing with the preparation of indexes with the data on subsidiaries and branches, and tending towards a greater approximation of the activities developed in the Domestic Market, and the actions framed within the PES Project in its internationalisation phase mentioned above, various visits were made to Foreign Market countries.

All these activities have been reflected in **the obtaining of the best injury frequency index values** since 1967, when these indexes were first compiled by our company. In the Domestic Market, the injury frequency index closed at 4.1 compared to 5.8 in 2018.

In the Foreign Market, the injury frequency index closed at 2.6 this year, while in 2018 it was 2.7.

With regard to the Elecnor Group total, the injury frequency index reached a value of 3.4 this year, compared with 4.6 in 2018.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The purpose of the Audit Commission is to supervise the effectiveness of the Company's internal control, internal audit and risk management systems, including tax systems, and to discuss with the account auditors or audit firms the significant weaknesses in the internal control system detected during the course of the audit.

In particular, the Audit Commission supervises the process of preparing and presenting the regulated financial information.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

As indicated in point E.1.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Section E.1. describes all the policies and actions developed by the Company in the area of risk management, to ensure that it has an adequate tolerance level for the risks that may arise in the course of its business.

E.5. State which risks, including tax compliance risks, have materialised during the year.

The following are the policies and actions we consider most relevant:

1.- In relation to Legal Risks

The Company has a Legal Department and legal services in its main Business Areas and Subsidiaries, which provide a multidisciplinary advisory service (corporate, powers of attorney, industrial property, review of contracts, joint venture-consortia, trials, claims, arbitration, subcontracting, etc.), both for domestic and international business. However, despite this advisory service, the Group is currently involved in several proceedings whose resolution is not expected to affect its income statement.

On 31 May 2017, the CNMC notified the Company of the initiation, together with 15 other companies, of a sanctioning procedure for a possible infringement in the field of construction and maintenance of electrification systems and electromechanical equipment on railway lines. On 14 March 2019, the Council of the CNMC issued a decision reducing the penalty with respect to the draft resolution dated 31 August 2018 to EUR 20.4 million. In May 2019, the Company filed an appeal which was accepted and on 16 July 2019 the Spanish National Court of Justice announced the suspension of the execution of the CNMC's decision of 14 March 2019, subject to the provision of guarantees in the form of a bank guarantee.

On 26 September 2019, Elecnor, S.A. received a Measure of Organisation from the Spanish National Court of Justice summoning it to file a lawsuit, which it submitted on 11 November 2019 in a timely and proper manner.

In view of these facts and, based on the assessments of the Company's legal advisers, despite considering that there are still solid arguments to challenge the CNMC's inspection activities, due to recent events in the framework of other appeals against the resolution, as well as the development of other proceedings in the Spanish National Court of Justice in the last 12 months, where the arguments presented by the parties have been rejected, thus confirming the CNMC's decision, the Company's administrators have recorded a provision to cover this risk for an amount of EUR 20.4 million.

On 17 January 2020, the Central Court of Investigation No. 5 issued an order for the opening of oral proceedings with respect to a former employee of the Group and with respect to the company Deimos Space, S.L., due to its alleged criminal liability as a legal person for possible corruption offences in international commercial transactions and money laundering, and the institution is required to provide bonds amounting to EUR 1,460,000 for civil liability, as well as additional bonds amounting to EUR 10,240,000 and EUR 2,625,000, the latter in order to respond to possible and future pecuniary and commissary responsibilities.

The Group is in complete disagreement with the aforementioned court decision and is exercising its rights in the proceedings, appealing against the bond issued and requesting its full acquittal, as is the former Group employee, with their own legal defence, and deems that there is no evidence in these proceedings to support the conviction of Deimos Space, S.L. to a sufficient degree of certainty beyond all reasonable doubt, nor of its former employee, and, therefore, the Administrators of the Company, in accordance with the terms of the defence brief presented, consider that the probable result of the oral proceedings will be acquittal, which, consequently, will not entail criminal or civil liability.

2.- In relation to the Fiscal Risks

In 2018, the inspections carried out by the Central Office of High-Income Taxpayers at the Spanish Tax Agency were concluded, with the signing of disputed assessments with the settlement agreements, which entailed an obligation to pay a total amount of EUR 14,208,000.

Contrary to settlement agreements arising from the signed disputed assessments, the Company filed economic-administrative claims with the Central Economic-Administrative Tribunal on 28 December 2018, which, having been the subject of suspension of the obligation to pay while the proceedings are being processed, Administrative proceedings have been pending at the date of the creation of the annual financial statements for the financial year 2019, without the record being revealed and the processing of allegations by the Central Economic and Administrative Tribunal having been granted.

In addition to the above, the Company currently has a new open inspection process covering the following taxes and periods:

- Income tax for the years 2014 to 2016,
- Value added tax for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for personal income and professional activities for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for income from movable capital for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for property capital income for the tax period 09/2015 to 12/2016 and,
- Withholding taxes on non-residents for the tax period 09/2015 to 12/2016.

In view of this situation, the Company's Directors, in collaboration with its tax advisers, consider that although there are relevant arguments to support the Company's position, following a criterion of prudence, they have decided to make a provision this year for the amounts claimed in the contested settlement agreements relating to interpretative discrepancies in the area of related-party transactions, since they consider that the possibility of retroactive action has been ruled out for 2019 and, therefore, there is a greater probability that the review bodies will validate the Tax Authorities' approach than they would have done otherwise.

In addition, and taking into account the results of the previous inspection, this year a provision was recorded to cover the potential impact on 2014 to 2019 of the assessments issued in disagreement due to interpretative discrepancies in related-party transactions, since the same transfer pricing policies were applied as in previous years.

3.- In relation to the Financial Risks

The syndicated financing contracted between Elecnor and a group of financial institutions was novated on 27 June 2019, in order to: i) Divide the financing credit tranche (Tranche B), with a pre-novation limit of EUR 200 million and maturing in July 2024, into two sub-tranches: A B1 sub-tranche, with a limit of EUR 134.18 million and maturity in July 2024 and a B2 sub-tranche with a limit of USD 75 million and maturity in January 2022, at which time the distinction between the two sub-limits will cease to operate and a single sub-limit of EUR 200 million will be applied again and (ii) the company Electrificaciones del Ecuador will be added as an additional accredited party of the B2 sub-tranche.

4.- In relation to the Economic Risks

Certain risks of an economic and financial nature have emerged, most notably those relating to the management, negotiation and collection of claims submitted in the context of project execution, delays in the collection and/or non-payment of commercial debts, the correction of margins expected at the end of the work, the management of discrepancies and disputes at project closure and changes in the exchange rates. The Company, within the framework of its Risk Management System, identifies and continuously monitors these risks, evaluating the impact that they may have on its economic and financial performance, taking the measures that, in each case, and based on these analyses, are deemed appropriate. In this regard, and by virtue of this ongoing analysis and monitoring, the Company records the appropriate entries and breakdowns in its annual financial statements so that they accurately reflect the impact of these risks, and adjusts its cash forecasts and plans its financial needs and identifies the causes that have given rise to the occurrence of these risks, implementing measures that reinforce its risk monitoring and control activities in a process of continuous improvement.

5.- In relation to Occupational Health and Safety/OHS

During the 2019 financial year, the biggest issue that has been observed in the Group is the serious occupational accidents of construction workers, both the Group's own workers and those of subcontractors, in the performance of their tasks, many of which are the result of non-compliance or errors on the part of the workers themselves.

In order to reduce this accident rate, the development of the "Excellence in Safety" project has made significant progress in 2019. The fundamental objective of this project is to achieve a behavioural change in all our workers in order to raise the level of risk perception and reduce the number of accidents. The second phase of this Project has begun in Spain, which will be implemented in 2020, and the International Phase of this Project has also begun this year. The health and safety initiatives developed as part of the "Digital Transformation" Project have also contributed to raising the level of health and safety standards in our works and projects.

In any case, when a significant accident occurs, regardless of the result of the injuries, action plans continue to be implemented in the event of these accidents, with the implementation of additional training measures, work supervision and the organisation of the necessary human and material resources.

6.- In relation to Labour Relations.

It should be noted that massive labour inspections are taking place (self-employed workers and subcontractors). At present, there are inspections monitoring the situation of the self-employed and subcontractors, in order to detect false self-employment and illegal transfer of labour. These inspections, which were becoming more widespread and more stringent in the companies that work for Telefónica, have been extended to all companies that work for the major telecommunications companies.

In 2019, important regulatory changes were made which, depending on how they are interpreted by the courts, may represent a new way of understanding labour relations. The main changes are focused on the work-life balance through different measures (adaptation of the schedule in an individual fashion and without a reduction of the working day, daily record of the working day, etc.). It seems that these normative changes, together with the membership of the New Government, will result in institutions pursuing and promoting measures to help with this balance.

7.- In relation to all the other Compliance risks.

In 2019, there were no compliance risks that had a significant impact on the Group's results, image and/or reputation.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The supervision of the Risk Control and Management System indicated in point E.1 is carried out at the highest level in the Company, i.e. by the Chairman, the Managing Director, the Audit Commission and the Board of Directors.

Notwithstanding the above, and in order to mitigate or redirect the risks described in section E.5, the Company has the necessary Corporate Organisations, resources and working methods, which analyse, supervise and propose specific actions so that any risks detected affect the Company as little as possible, reporting their conclusions and suggestions to the affected Areas and informing the persons and bodies mentioned in the previous paragraph.

F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The responsibility for the existence and maintenance of an adequate and effective Internal Control System in relation to the process of issuing Financial Information (ICFRS), as well as its supervision, is assumed by the Audit Commission, a body which has delegated the tasks of designing and verifying the effective implementation and operation of the ICFRS to Elecnor's General Internal Audit and Finance Sub-division, by means of the relevant audits.

To this end, the Regulations of the Board of Directors of Elecnor expressly establish that one of its functions is to identify the main risks of the Company and to implement and monitor the appropriate internal control and information systems. Furthermore, these Regulations, as well as the Company's own Articles of Association, establish among the responsibilities of the Audit Commission the supervision of the effectiveness of the Company's internal control, internal audit, where appropriate, and risk management systems, including tax systems, as well as the process of preparing and presenting the regulated financial information. The Audit Commission is also responsible for establishing appropriate relations with the account auditors in order to receive information on any matters that may jeopardise their independence and any other matters related to the account auditing process. In the specific area of auditor independence, the Audit Commission, through the internal procedure established in this respect, is responsible for pre-approving, directly or indirectly through the Internal Audit and from an independent perspective, any proposal for non-audit services submitted by the Group's external auditor. It also obtains, on an annual basis, written confirmation from the auditors of their independence and information on the additional services provided by them, and issues the required report in this respect prior to issuing the account audit report.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The General Internal Audit and Finance Sub-division, together with the heads of each department, with regard to functions related to the process of preparing financial information, is responsible for designing the organisational structure and the lines of responsibility and authority in their respective areas of action. Any changes to the organisational structure made during the financial year are reported to the Communications Area, which periodically updates the organisational charts, which are then incorporated into the common computer directory to which all employees have access.

Persons responsible for the administration and recording of transactions with a direct impact on the process of preparing financial information (corporation, delegations and subsidiaries) are functionally dependent on the General Internal Audit and Finance Sub-division.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Elecnor Group's Compliance System is structured through a series of documents and management tools, including the Code of Ethics and the Group's Compliance Policy. These documents were initially approved by Elecnor's Board of Directors and are available on Elecnor's website, in the Corporate Responsibility section, which is available to all employees and interested third parties.

The Code of Ethics and the Compliance Policy are applicable to all the companies that make up the Elecnor Group and to all the businesses and activities it carries out in each country in which it operates.

The Elecnor Group's Code of Ethics and the documents that implement it have the core mission of extending its business philosophy to all employees and collaborators and determining the expected behaviour of the same in matters of an ethical nature, in relation to the organisation's commitments in this field or to the applicable regulations. Among the documents that implement the Code of Ethics is the Compliance Policy, which was approved by the Board of Directors in 2016, and which outlines the expected behaviour of Elecnor employees and of the individuals or legal entities that are routinely associated with the Company in order to guarantee compliance with the law.

Elecnor enforces a zero-tolerance policy for bad practices in terms of ethics and integrity, and expects its employees and people with whom it has dealings to conduct themselves in accordance with the principles of its Code of Ethics, the rules on which it is based and the procedures that govern it.

Among the "Principles of Action in relation to shareholders" included in the Code of Ethics, the Elecnor Group includes the commitment to "favour among its shareholders – and, in general, in the investment and financial community – the creation of an opinion based on truthful data and facts regarding the development of its businesses, the main lines of its strategy and its future prospects. To this end, the Elecnor Group assumes as a principle of behaviour the transparency and reliability of financial information and compliance with the applicable regulations. Employees must transmit such information in a truthful, complete and understandable manner... The dissemination of this information is done in an expeditious manner and by means of common and simultaneous access to guarantee equity, mainly communications to the CNMV on relevant facts and press releases to the media".

The body responsible for analysing possible breaches of these principles or of the law is the Compliance Committee, which reports its conclusions to the Audit Committee so that the latter may determine, where appropriate, the possible corrective actions and disciplinary measures to be adopted. The Compliance Committee is the collegiate body entrusted with the functions of supervision, monitoring and control of the Compliance System, guaranteeing its permanent review and updating and effective operation, and is currently composed of five people, mostly from corporate areas. This body depends organically and functionally on the Audit Committee, to which it periodically reports its activity.

The Compliance Committee is in charge of organising recurring annual training cycles, which are intended for as many of the organisation's employees as possible, covering the organisation's values and unwanted risk behaviour. Training cycles are carried out through classroom sessions, on-line training or the delivery of outreach brochures. This training plan is part of the organisation's training programme. When new employees are hired, including temporary ones, the Elecnor Group provides them with a copy of the Code of Ethics.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

Employees may communicate any concerns or questions in the area of Compliance or about irregular, illegal or contrary conduct in terms of the Code of Ethics, including financial and accounting matters that occur in the course of the activities carried out by the Company, through an Intranet and/or postal address, which are fully operational and explained in the Code of Ethics, the Compliance Policy and other communications or publications of a public nature, such as the Integrated Report.

Only named communications are admitted and all of them are analysed and treated in a confidential manner and with respect for the regulations on personal data protection. Notwithstanding the above, and in the case of receiving anonymous communications, these will be analysed by the Compliance Committee, which, in view of the soundness of the arguments, will propose their processing in order to further the investigation. The Elecnor Group does not tolerate any retaliation against people who make use of the procedures established for the communication of irregular behaviour.

The Compliance Committee, which is responsible for processing communications received through this channel in the first

instance, will identify and determine the nature and importance of the complaints received. Based on this analysis, it will determine the most appropriate department or unit for their resolution.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

The training and development policy is integrated into the Human Resources Integrated Management System.

The Department of Performance Management, Training and Development is responsible for designing and configuring training itineraries for Elecnor's structural personnel, based on the results of performance management and the training needs identified by the different areas. In particular, for staff with responsibilities in the financial field or who need to improve their skills in this area, there is a specific financial training programme. Elecnor also provides its employees with regular training in the field of compliance, which, among other issues, provides them with a better understanding of the main risks of this nature and the internal control elements established for their adequate prevention and management.

In addition, the heads of the departments most directly involved in the preparation and review of the financial information as well as in the evaluation of the ICFRS maintain permanent and fluid communication with the external auditors and other accounting experts, who inform them promptly of new developments in accounting matters and risk management and internal control of financial information and provide them with material and assistance for its updating. If necessary, depending on the extent and importance of the new developments, as well as the group concerned, specific courses are designed on the subject.

F.2. Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.
- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.
- The governing body within the company that supervises the process.

The process of identifying risks in relation to the process of generating and issuing financial information falls within the responsibilities attributed to the General Internal Audit and Finance Sub-division by the Audit Commission.

This risk identification process has, in summary, the following characteristics:

- An analysis of the consolidated annual financial statements for the year in order to identify the relevant headings in the financial statements and breakdowns.
- On the basis of this information, those processes from which transactions are processed are identified and finally reflected in the aforementioned relevant headings and breakdowns.
- Lastly, the relevant risks that may lead to errors in the process of generating and issuing financial information are identified and prioritised for each of the aforementioned processes. Accordingly, each risk identified relates to one or more of the potential errors in the process of generating and issuing financial information, such as integrity, accuracy, occurrence, cut-off, valuation and allocation, and classification and comprehensibility.

The operation of the ICFRS Oversight Model is structured around the Elecnor Group's Annual Internal Audit Work Plan. The Annual Plan is prepared by the General Internal Audit and Finance Sub-division and presented to the Elecnor Audit Commission for approval. Once approved, the Annual Plan is executed by the corporate areas of the Elecnor Group (General Accounting, Management Control, Consolidation, Financial Area, Internal Audit and Tax Advisory). One of the tasks included in this Annual Plan is the review of significant risks.

The review of the scope of consolidation is carried out twice a year to coincide with the consolidation process. Corporate transactions are approved by the Board of Directors and reported to the General Internal Audit and Finance Sub-division for the updating of the Group's scope of consolidation.

The General Internal Audit and Finance Sub-division, in the performance of its tasks, continuously monitors the Group's activity, which enables it to identify any significant risk in the different areas of business and activity that could have a significant impact on the financial statements. These risks, as well as their potential impact on the financial statements, are reported to the Audit Commission by the General Internal Audit and Finance Sub-division in the various meetings held by the former.

F.3. Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

With respect to the accounting closing procedure, the General Internal Audit and Finance Sub-division draws up the annual closing calendar which includes the closing dates, rules and instructions. This calendar is made available to all staff involved through the computer directory. Furthermore, Elecnor's General Accounting Department supports the accounting closing process by means of a monthly and annual accounting closing checklist.

With respect to subsidiaries, the Management Control, Consolidation and Internal Audit Departments permanently monitor the subsidiaries that make up the Elecnor Group, assigning the monitoring of the various investees to the Subsidiary Controllers. In addition, regular meetings are held to monitor subsidiaries, in which the financial information of these subsidiaries and any other relevant aspects are analysed.

The Management Control and Consolidation departments prepare all the documentation relating to the analysis of the Group's performance on a monthly basis for presentation to the Board of Directors, which is previously reviewed by the General Internal Audit and Finance Sub-division. A checklist is available to carry out this review, indicating the control tasks and the persons responsible for each task.

With regard to the procedures for reviewing and authorising financial information to be published on the securities markets, a distinction is made between three levels of relevant information:

- Annual financial statements and interim financial statements

The head of Elecnor's General Accounting Department is responsible for preparing the individual annual financial statements. The Head of Consolidation is also responsible for preparing the consolidated annual financial statements and the interim consolidated financial statements.

Subsequently, the individual and consolidated annual financial statements are reviewed by the heads of the various corporate areas of Elecnor by the General Internal Audit and Finance Sub-division, by the Audit Commission and by the Board of Directors. The Audit Commission receives the annual financial statements sufficiently in advance to ensure their adequate review and meets with the external auditors prior to the Board of Directors where the annual financial statements are prepared.

- Description of the ICFRS

Elecnor periodically reviews the financial information prepared, as well as the description of the ICFRS, in order to ensure the quality of the information. The General Internal Audit and Finance Sub-division is responsible for preparing the description of the ICFRS. This process culminates in a review by the Audit Commission and its approval through the Annual Corporate Governance Report that is validated by the Board of Directors.

- Relevant facts reported to the CNMV

The department or subsidiary in which the operation to be communicated originates prepares a note that is reviewed by the General Secretary and the Communications Area. The relevant facts are also reviewed by the General Internal Audit and Finance Sub-division in the case that they include financial or accounting information.

- Uploading of information to CNMV applications

The burden of information on CNMV applications is the responsibility of the General Secretary, which is supported in this process by the General Internal Audit and Finance Sub-division. The validation and sending of this information is the responsibility of the General Secretary, who has exclusive use of a cryptographic card for sending the information.

Elecnor has documented accounting and administrative procedures for "Purchases and Payments", "Contracting, Invoicing and Collection", "Control of Fixed Assets", "Treasury Control" and "Cash Control", among others. These procedures include the type of transactions for each process, the procedures for recording and accounting for them and the corresponding controls as established by Elecnor.

These procedures are reviewed annually by Elecnor's General Accounting Department, which updates them if necessary.

In addition, the General Internal Audit and Finance Sub-division has a matrix of risks and controls of financial information, which includes controls related to fraud risks. The risks and controls are reviewed within the Annual Internal Audit Plan, and the matrix is updated annually.

With regard to the procedures and controls established in relation to the relevant trials, estimates and projections, the Group has identified the main risks related to these aspects. In particular, the main areas exposed to trials and estimates have been identified as those related to:

- The recognition of income from construction contracts under the percentage-of-completion method.
- The registration of provisions of any nature.
- The recoverable value of goodwill.

All significant estimates are reviewed by the General Internal Audit and Finance Sub-division and, where appropriate, are submitted to the Board of Directors for analysis and approval.

Elecnor's Board of Directors meets on a monthly basis. Beforehand, the Group's financial information is analysed by the General Internal Audit and Finance Sub-division and the Managing Director.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Currently, Elecnor has a series of controls that mitigate the main risks related to the integrity, availability, validity and confidentiality of accounting and financial information. In addition, Elecnor has procedures related to Information Security and System Operation.

The management of access to the systems is carried out in accordance with procedures established for this purpose. Elecnor has a documented Contingency Plan in the event of a Disaster, as well as a Backup Policy and Procedures for the organisation's critical systems.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The Elecnor Group participates in various temporary joint ventures (UTEs by its Spanish acronym). Although the Elecnor Group itself manages and administers most of them, sometimes the other partner is in charge of these tasks. In these cases, when the Elecnor Group does not manage the administration, it is the Elecnor Group that assumes the management. Once the joint venture has been legally constituted, its Management Committee, in which all the partners participate, meets and agrees on the accounting and analytical criteria for the management of the works. The partner in charge of management sends the monthly financial information (balance sheet, profit and loss account and worksheet) to Elecnor for review. On 30 June and 31 December, the Elecnor Group integrated the UTEs. This process is carried out by the Management Control Department, once the information sent by the other partner has been reviewed and the corresponding homogenisation entries have been made in the event that there are accounting criteria different from those assumed by Elecnor.

With respect to the assessments, judgements or calculations made by third parties, the Elecnor Group arranges interest rate and exchange rate hedging derivatives, the valuation of which is entrusted to leading financial institutions.

The identification of the need or convenience of contracting a financial instrument is the ultimate responsibility of the General Internal Audit and Finance Sub-division. Once the need has been determined, the application for the contract is sent to the Board of Directors for approval. The Board only approves hedging derivatives.

The Treasury Area receives monthly valuations of the derivatives from financial institutions and evaluates their reasonableness. In the event of a discrepancy, the financial institutions are contacted for clarification and, if necessary, to obtain new valuations.

F.4. Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The responsibility for defining and keeping the Group's accounting policies up-to-date is attributed to Elecnor's General Internal Audit and Finance Sub-division. The Management Control and Consolidation departments permanently monitor subsidiaries and branches. The resolution of doubts and queries regarding accounting policies is primarily the responsibility of the Corporate Controllers of each of the subsidiaries. In the event that the query is not resolved or there is a conflict of interpretation, these are raised with the Head of Consolidation and/or Internal Audit, both of which are part of the General Internal Audit and Finance Sub-division.

If necessary, queries are made to the external auditor by the Head of Consolidation of the General Internal Audit and Finance Sub-division.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

All transactions are recorded at Elecnor on a documentary basis and using an operation key format. Each document used to report data to the system has some mandatory data (customer code, centre, work, VAT rate, etc.). After the "end of day" (transaction validation) is complete, all the resulting entries are verified by the corresponding corporate departments, correcting, if necessary, those considered erroneous.

As for the reporting tool, a standardised "Consolidation Report Package" is used for all subsidiaries. This "Consolidation Report

Package" is reviewed on an annual basis by the external auditor in order to validate that it includes all the required information and breakdowns. Subsidiaries generally report under IFRS. The consolidation process takes place in the Consolidation Department.

The Consolidation Department prepares a schedule and reporting instructions on an annual basis. Each of the subsidiaries, once the closing has been prepared and supervised by each of the heads of the corresponding Accounting and Financial Departments, sends the required information to the Consolidation Department. The reporting instructions establish the obligation for the information included in the report package to coincide with that obtained from the subsidiary's accounting records, as well as forbidding the inclusion of subsequent entries in the accounts once the report package has been sent to Elecnor. If a significant subsequent entry is detected, the Management Control and Consolidation departments are informed and the corresponding report package is modified.

F.5. Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

Among the functions assumed by the Audit Commission is that of periodically reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and reported. Furthermore, its powers include supervising the preparation process and the integrity of the financial information, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

In carrying out these functions, the Audit Commission relies on the internal audit function. The Elecnor Group's internal audit function is structured around six major control areas: General Accounting, Management Control, Consolidation, Financial Area, Internal Audit and Tax Advice. These departments act, in their respective areas of competence and under audit criteria, as internal corporate control/audit bodies, carrying on their activities with complete independence from both Elecnor's production departments and the domestic and foreign subsidiaries that comprise the Elecnor Group. The internal audit is integrated within the General Internal Audit and Finance Sub-division, whose main functions and activities are the supervision of financial information and internal control. The Elecnor Group prepares an Internal Audit Plan, which is presented to the Audit Commission, and a periodic report on the execution of the plan and on the incidents that have occurred at the various meetings of the Audit Commission by the General Internal Audit and Finance Sub-division.

Elecnor conducts coordinated audits of the Business Areas, the scope of which focuses on the most relevant chapters within the ICFRS, such as Work in Progress, Customers, Warehouses and the recognition of margins, among others. All internal audits of Elecnor's Business Areas are scheduled so that at least two audits are carried out per Area per year, ensuring that the first audit of all the Areas has been carried out before the end of the first half of the calendar year and the second before the end of the financial year. For both types of audit, an audit schedule is made at the beginning of the year and there is a checklist of tests to be performed.

As with the parent company, all subsidiaries are subject to two internal audits each financial year. Following the same criteria as in the case of Elecnor, we try to conduct an initial audit before the closing corresponding to the first half of the year and a second audit before the closing of the fiscal year.

The Elecnor Group's Audit Commission, with respect to the ICFRS, is informed of the internal control structure existing in the organisation, approves the annual internal audit plan, meets at least twice a year with the external auditors and is informed monthly, during the meetings of the Board of Directors, of the developments within the business and its activities. In addition, and if relevant, it is informed of certain judgements or estimates included in the financial information. The Audit Commission reports on all its relevant activities carried out during the year in its annual Activity Report.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The Elecnor Audit Commission meets at least three times a year, in accordance with the provisions of the Company's Articles of Association and the Regulations of the Board of Directors of the Company, and as many times as required according to the interests of the Company.

During the 2019 financial year, the Audit Commission held 11 meetings, three of which were attended by the external auditors. The purpose of the meetings was to:

- Review the planning and scope of audit work.
- Review the annual financial statements and analyse, if they exist, the monitoring weaknesses detected by the external auditor in his review of the main business processes and general controls that are implemented in the Group, as well as the suggested corrective actions. Prior to this meeting, the external auditors meet with the Chairman, the CEO and members of the General Internal Audit and Finance Sub-division.
- Review the interim financial statements.

F.6. Other relevant information

There is no additional relevant information to consider that has not been collected from the previous points.

F.7. External auditor's report

Report from:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

This information in relation to ICFRS has been submitted for review by the external auditor.

G) EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one

shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies Explanation

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies Partially Explanation Not Applicable

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies Complies partially Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies Complies partially Explanation

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies Complies partially Explanation

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions

d) Report on the corporate social responsibility policy.

Complies Complies partially Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies Explanation

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies Complies partially Explanation

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explanation

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies Complies Partially Explanation Not Applicable

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies Complies Partially Explanation Not Applicable

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies Complies partially Explanation

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies Explanation

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.

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

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies Complies partially Explanation

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies Complies partially Explanation

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies Explanation

Elecnor is a company with a long tradition in its sector, and since its inception it has been managed by a variety of family groups, the founders of the company. Through the significant shareholder CANTILES XXI, S.L., and the Directors who represent it in the Company, the Family Groups that make it up are represented in the broadest and most diverse manner possible, with a profile that is suitable for the exercise of their obligations and always with the aim of giving value to the shareholder.

Elecnor's Proprietary Directors perform a supervisory task similar to that attributed to Independent Directors. The composition of Elecnor's Board of Directors corresponds to its shareholder structure.

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies Explanation

Elecnor is a company with a long tradition in its sector, and since its inception it has been managed by a variety of family groups, the founders of the company. Through the significant shareholder CANTILES XXI, S.L., and the Directors who represent it in the Company, the Family Groups that make it up are represented in the broadest and most diverse manner possible, with a profile that is suitable for the exercise of their obligations and always with the aim of giving value to the shareholder.

Elecnor's Proprietary Directors perform a supervisory task similar to that attributed to Independent Directors. The composition of Elecnor's Board of Directors corresponds to its shareholder structure.

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies Complies partially Explanation

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies Complies Partially Explanation Not Applicable

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies Complies Partially Explanation Not Applicable

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies Explanation

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically,

directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies Complies partially Explanation

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies Complies Partially Explanation Not Applicable

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies Complies Partially Explanation Not Applicable

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies Complies partially Explanation

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies Complies partially Explanation

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies Complies partially Explanation

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies Complies Partially Explanation Not Applicable

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies Complies partially Explanation

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies Explanation Not Applicable

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies Complies partially Explanation

The agenda does not specify which items are for decision, although the information is sent sufficiently in advance

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies Complies partially Explanation

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies Complies partially Explanation

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies Complies Partially Explanation Not Applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Good Governance Code and which are applicable to the company.

Complies Explanation

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies Complies partially Explanation

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies Complies Partially Explanation Not Applicable

The Executive Committee is composed of an Executive Director, another External Director, formerly an Executive Director, and four Proprietary Directors, all of whom have extensive knowledge of the business and the sector in which the Company operates.

The Secretary of this Committee is not the same as the Secretary of the Board of Directors.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies Partially Explanation Not Applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies Complies partially Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explanation

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies Complies Partially Explanation Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regard to the external auditor:
- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.
- Complies Complies partially Explanation
43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.
- Complies Complies partially Explanation
44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.
- Complies Complies Partially Explanation Not Applicable
45. That the risk management and control policy identify, as a minimum:
- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.
- Complies Complies partially Explanation
46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of

Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies Complies partially Explanation

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies Complies partially Explanation

The Appointments and Remunerations Commission is made up of two Independent Directors and two Proprietary Directors, and as established in Article 529 quincecies of the Spanish Capital Companies Act (LSC by its Spanish acronym), this commission will be made up exclusively "of Non-executive Directors appointed by the Board of Directors, at least two of whom must be Independent Directors".

The Company fully complies with the provisions of the LSC.

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies Explanation Not Applicable

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies Complies partially Explanation

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies Complies partially Explanation

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies Complies partially Explanation

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies Complies Partially Explanation Not Applicable

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

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

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

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies Complies partially Explanation

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explanation

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies Complies partially Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies Explanation

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies Complies Partially Explanation Not Applicable

59.	That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.	Complies <input checked="" type="checkbox"/>	Complies Partially	Explanation	Not Applicable
60.	That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.	Complies <input checked="" type="checkbox"/>	Complies Partially	Explanation	Not Applicable
61.	That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.	Complies	Complies Partially	Explanation <input checked="" type="checkbox"/>	Not Applicable
	The Company has not deemed it appropriate at this time to establish financial remuneration for its Executive Director through the delivery of shares.				
62.	That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.				
	The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.				
		Complies	Complies Partially	Explanation	Not Applicable <input checked="" type="checkbox"/>
63.	That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.	Complies <input checked="" type="checkbox"/>	Complies Partially	Explanation	Not Applicable
64.	That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.	Complies	Complies Partially <input checked="" type="checkbox"/>	Explanation	Not Applicable
	The amount of the compensation of the Executive Director amounts, as a general rule, to an amount equivalent to two (2) years of their total remuneration, including fixed and variable remuneration, but excluding that obtained in programmes or incentives of an annual or multi-year nature, without prejudice to the fact that, depending on the type of event that leads to the termination of the contracts, it may reach an amount equivalent to three (3) years of their total remuneration.				

H) FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.
3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

In accordance with the provisions of Article 2 of Law 11/2018 of 28 December, which amends the Code of Commerce, the consolidated text of the Law on Corporations approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, in the area of non-financial information and diversity and with the amendment made by this Law in sub-section 6. of Article 540.4.c) of the Spanish Law on Corporations, it is expressly stated that the provisions of points C.1.5 and C.1.6. of this report are exactly applicable to the Commissions of the Board of Directors of the Company and to the Management of the Company.

Shareholders were also provided with the appropriate information on diversity criteria and objectives when electing or reappointing members of the Board of Directors, its Commissions and Management.

Furthermore, on 22 May 2019, the General Shareholders' Meeting of Elecnor unanimously agreed to approve the amendment of Article 12 of the Company's Articles of Association, with regard to the remuneration of Directors for the performance of non-executive and executive duties, in order to adapt it to the interpretation contained in Supreme Court Ruling 98/2018 of 26 February and to adapt the profit-based remuneration system to the reality of the Company and its Group (this being understood in the terms of Article 42 of the Code of Commerce), reducing the commercial and tax risks that may materialise in the future.

Also, at the aforementioned General Shareholders' Meeting it was agreed, by a majority vote, to approve the Policy on the Remuneration of the Directors of Elecnor applicable to the 2020, 2021 and 2022 financial years, as agreed by the Company's Board of Directors in its meeting held on 27 March 2019, on the proposal and following a report from the Appointments and Remunerations Commission, setting the maximum amount of annual remuneration for all Directors, for all the functions they perform, i.e. both executive and non-executive functions, included in the aforementioned Remuneration Policy, in the amount of EUR 10 million. This maximum amount will remain in force until its modification by the General Shareholders' Meeting is approved.

With this new Remuneration Policy, based on the principles of Moderation, Suitability, Profitability and Sustainability, Transparency and Protection of Shareholders' interests, the Company seeks to reduce any possible commercial and fiscal risks that could materialise in the future, in relation to the remuneration of Elecnor's Directors in the event of a possible change in jurisprudence, as has occurred with non-listed companies.

Finally, on 17 December 2019, Elecnor and the Dutch group APG (hereinafter APG) signed a strategic alliance for the development and joint investment in energy transmission and renewable energy projects, except for wind projects, once all the conditions had been met and all the approvals required for the operation had been obtained from both the creditor financial institutions and the corresponding competition authorities.

The agreement implies the entry of APG, with 49%, in the capital of Celeo Concesiones e Inversiones, S.L. (hereinafter "Celeo"), a company which until now has been wholly owned by Elecnor, and which is now jointly managed by Elecnor and APG.

In this regard, it should be noted that, despite Elecnor holding 51% of Celeo's share capital, in accordance with the partners' agreement signed with APG, Elecnor does not hold control of Celeo, either directly or indirectly, in accordance with the provisions of Article 42 of the Code of Commerce.

Consequently, the Celeo Group, of which Celeo is the Parent, no longer consolidates for accounting purposes in the Elecnor Group and will be accounted for by the Elecnor Group using the equity method instead of the full consolidation method.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on **25 March 2020**.

State whether any directors voted against or abstained from voting on this report.

Yes No