



REPORTS ON THE ACTIVITIES OF THE AUDIT COMMITTEE AND THE APPOINTMENT AND REMUNERATION COMMITTEE

This report has been prepared in compliance with the sixth recommendation of the Code of Good Governance of listed companies and includes the reports on the functioning of the Audit Committee and the Appointment and Remuneration Committee, on related-party transactions and on the independence of the auditors, and will be published on the website sufficiently in advance of the Ordinary General Shareholders' Meeting.

Acciona submits the Sustainability Report, which is equivalent to the report on the corporate social responsibility policy, for approval by the General Meeting as a specific item on the agenda.

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1. REPORT ON THE FUNCTIONING OF THE AUDIT COMMITTEE

In accordance with Article 40 of the Articles of Association, the Board of Directors of Acciona, S.A. (hereinafter, "**Acciona**" or the "**Company**") has set up an Audit Committee to supervise accounting and financial information, internal and external audit services and corporate governance for the better performance of its functions.

The rules governing the Audit Committee, in addition to those established by the Articles of Association, the Regulations of the Board of Directors and current legislation, are contained in the Regulations of the Audit Committee approved by the Board of Directors on 15 November 2018 (the "**Regulations**") and accessible through the Company's website (www.acciona.com). The Articles of Association and the Regulations of the Board and the Audit Committee shall hereinafter be collectively referred to as the "**Governance Rules**".

1. Composition

The Audit Committee shall consist of a minimum of three and a maximum of five directors, all of them external directors, and at least the majority of them must be independent directors.

The Chairman of the Audit Committee shall be elected by the Board of Directors from among the members of the Audit Committee who are independent directors.

The Chairman shall be replaced every four years, and may be re-elected once a period of one year has elapsed since he left office.

The Secretary of the Audit Committee shall be the Secretary of the Board of Directors and, in his absence, the Deputy Secretary of such body.

The members of the Audit Committee, and in particular its Chairman, shall be appointed taking into account their knowledge and experience in accounting, auditing or risk management.

At the end of fiscal year 2018, the Audit Committee was made up of the directors indicated below, who continue to hold office thereon as at the date of this report:

| OFFICE | DIRECTOR | CATEGORY |
|-----------------|-------------------------------------|----------------------|
| Chairman | Mr. Juan Carlos Garay Ibargaray | Independent Director |
| Member | Ana Inés Sainz de Vicuña Bemberg | Independent Director |
| Member | Ms. Karen Christiana Figueres Olsen | Independent Director |

Until 30 May 2018, the Audit Committee was made up of a total of four directors: Juan Carlos Garay Ibargaray, Ana Inés Sainz de Vicuña, Jaime Castellanos Borrego and Javier Entrecanales Franco.

2. Functioning

In accordance with Article 4 of its Regulations, the Audit Committee shall meet whenever called by its Chairman, either on his own initiative or at the request of any of its members, and as often as is necessary for the performance of its functions.

Every year, the Audit Committee shall establish its own calendar of meeting (9 meetings in 2019) and a specific Work Programme.

Notice of a meeting shall be given by the Chairman himself or by the Secretary following instructions from the Chairman. If the Chairman is absent or unable to act, the notice shall be given by the Secretary at the request of any of the members.

The managers in charge of the Accounting and Financial Reporting, Internal Audit and Compliance areas may be summoned to attend the meetings, as well as, at their request, those employees within such areas who have knowledge of or responsibility for the matters included in the agenda, and the external auditors of any Group company.

Likewise, with regard to risk control and mitigation, the heads of the different business areas may be summoned to explain the business trends and the associated risks.

The Audit Committee may also procure external advisory services and obtain the personal contributions and reports of any employee or member of the Group's senior management, when it considers that they are necessary for the performance of its functions in relevant matters.

The Audit Committee shall meet regularly according to its needs and at least four times a year, before the financial information is publicly disclosed by Acciona. One of the meetings will necessarily include an evaluation of compliance with Acciona's governance rules and procedures and of the Committee's effectiveness. The Audit Committee shall be quorate when at least half of its members are present or represented at the meeting.

Members may attend the meeting via videoconference, telephone or any other means of telecommunication that allows the director to be unequivocally identified and to preserve the confidentiality of their discussions. Members participating in the meeting in such a way shall be deemed to be present. Resolutions shall be adopted by an absolute majority of the members attending the meeting, either in person or by proxy. The Chairman of the Audit Committee shall have a casting vote.

The Secretary shall take minutes of each meeting of the Audit Committee. The Board of Directors may access the minutes at any time.

3. Powers

The functions of the Audit Committee, without prejudice to those established in the Spanish Companies Act and the Governance Rules, are detailed in Article 5 of the Regulations of the Audit Committee.

The primary function of the Audit Committee is to serve as an instrument of, and provide support to, the Board of Directors in the supervision of accounting and financial information, the internal and external audit services and corporate governance.

The Audit Committee shall have the following powers for the discharge of its duties, without prejudice to any other powers which may be established in current legislation and in the Articles of Association or delegated to it by the Board of Directors:

- a)** Report to the General Shareholders' Meeting on the issues raised by the shareholders in matters within its competence.
- b)** Report to the Board of Directors on any transactions involving structural and corporate changes that the Company plans to carry out and to analyse their financial terms and conditions and their accounting impact and, in particular, where appropriate, on the proposed exchange ratio.
- c)** In relation to the internal reporting and control systems:
 - (i)** Supervise the preparation process, the completeness and the presentation to the market of the regulated financial information relating to Acciona and its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
 - (ii)** Regularly review the internal control and risk management systems so that the main risks are properly identified, managed and disclosed.
 - (iii)** Oversee the independence and effectiveness of the internal audit function referred to in Article 6 of the Regulations; propose the selection, appointment, re-election and termination of the person in charge of internal audits; propose the budget for such service; approve its guidelines and work plans, ensure that its activities are mainly focused on the relevant risk; receive regular information on its activities; and verify that senior management takes the conclusions and recommendations in its reports into account.
 - (iv)** Establish and supervise a mechanism that allows employees to report, confidentially and, if deemed appropriate, anonymously, any irregularities they detect, in particular financial or accounting irregularities, with potentially serious implications for the Company.
 - (v)** Review, analyse and discuss the Financial Statements and other relevant financial information with senior management and internal and external auditors in order to confirm that such information is complete and that the criteria followed is consistent with the close of the previous fiscal year.
 - (vi)** Approve the internal auditing plan for the evaluation of the System of Internal Controls over Financial Reporting and receive regular information about the results of the work undertaken and the action plan to correct any deficiencies observed.
 - (vii)** Supervise the development process by senior management to make meaningful judgements and estimates and their impact on the financial statements.

- (viii)** Supervise the decisions of senior management regarding adjustments proposed by the external auditors, as well as be apprised of, and mediate in any disagreements between them.
- d)** In relation to the external auditors:
 - (i)** Examine the circumstances leading to the resignation of the external auditors, if this should happen.
 - (ii)** Ensure that the external auditors' remuneration for their work does not compromise their quality or independence.
 - (iii)** Ensure that the Company reports any change in the auditors to the Spanish Securities Market Commission (CNMV) as a significant event, and accompanies it with a statement on the possible existence of disagreements with the outgoing auditors, and if so, the reasons thereof.
 - (iv)** Ensure that the external auditors hold an annual meeting with the full Board of Directors to inform it about the work carried out and the evolution of the accounting and risk situation of the Company.
 - (v)** Ensure that the Company and the external auditors comply with current regulations on the provision of non-audit services, the limits on the focus of the auditors' business and, in general, other regulations on the independence of auditors.
 - (vi)** Encourage the Group auditors to assume responsibility for the audits of the companies that make up the Group.

Inform and advise the Board of Directors on compliance with the rules of corporate governance and the rules of conduct applicable to the Company and its Group.

In order to ensure optimum discharge of its duties, the Audit Committee is specifically entrusted to:

- a)** Review the financial statements of Acciona and, if appropriate, of its Group, before they are made public.
- b)** Serve as a communication channel between the Board of Directors and the external auditors, evaluate the results of each audit and the management team's response to any recommendations, and mediate and arbitrate in the event of any dispute between the former and the latter regarding the accounting principles and criteria used to prepare the financial statements.
- c)** Advise on any modifications suggested by management to the accounting principles and criteria.
- d)** Oversee compliance with the auditing contract, ensuring that the opinion on the annual financial statements and the main contents of the Auditor's Report are written in a clear and accurate manner.
- e)** Review the prospectuses, financial statements and any periodic financial information to be supplied by Acciona to the financial markets and their supervisory bodies.
- f)** Evaluate and monitor the effectiveness of Acciona's internal control systems and their suitability and integrity.
- g)** Monitor the internal audit services of Acciona and its Group, approve the department's annual budget, be familiar with the internal audit plan, and oversee the systems for selecting and hiring internal audit personnel.
- h)** Advise on the appointment of the head of the internal audit department.

- i) Oversee the effectiveness of the risk management systems and discuss with the external auditors any significant weaknesses in the internal control system that may have been detected in the course of the audit.
- j) Gather information and, if necessary, issue a report regarding any disciplinary measures against members of Acciona's management team.
- k) Gather information on the activity of the Code of Conduct Committee as often as agreed.
- l) Monitor compliance with the legal requirements applicable to the corporate organisation and operation of Acciona.
- m) Establish and supervise a mechanism that allows employees to report, confidentially and, if deemed appropriate, anonymously, any irregularities they detect, in particular financial or accounting irregularities, with potentially serious implications for the Company.
- n) Ensure compliance with the Governance Rules, the Regulations of the General Shareholders' Meeting and the Internal Code of Conduct in matters relating to the Securities Market, and make the necessary proposals for improvement.

The Audit Committee shall report to the Board, prior to the adoption by the Board of the relevant resolutions, on the following matters indicated in the Regulations:

- a) The financial information that the Company must periodically disclose due to its status as a listed company. The Audit Committee shall ensure that interim accounts are prepared using the same accounting criteria as the Annual Financial Statements and, to this end, consider the need for a limited review by the external auditors.
- b) The creation or acquisition of holdings in special purpose vehicles or entities domiciled in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, may impair the transparency of the Group.
- c) Transactions with related parties when they must be submitted for approval by the Board of Directors.

4. Activity of the Audit Committee

The Audit Committee carries out its functions with full operating autonomy and is led by its Chairman, who is responsible for calling meetings, deciding on the matters to be included on the agenda based on the previously approved calendar of meetings and Work Programme, and requiring the attendance of those employees or members of the Company's Senior Management or third parties who are necessary to better perform its functions. In any event, the Audit Committee has the full collaboration of Acciona's executive areas and the support of the Board of Directors, to whom it reports on its activities on a regular basis.

The Audit Committee met eight times in fiscal year 2018.

Of the eight meetings held by the Audit Committee, there were a total of three absences at different meetings. The heads of the external auditing firm participated in four meetings and the internal auditor, the Compliance Manager and the Group's Tax Manager participated in three meetings.

The main activities carried out by the Audit Committee throughout fiscal year 2018 until the 2019 General Shareholders' Meeting was called are described below:

4.1 Performance Evaluation

The Audit Committee evaluated the quality and efficiency of the operation of the Shareholders' Meeting, the Board of Directors and the Committee itself, paying special attention to their Chairmen and the Chairman and Executive Vice Chairman in fiscal year 2018. For the evaluation of the Board, Committees and Officers, an individual form was approved and filled in anonymously by each Director. The outcome of the evaluation was attached as an Appendix to the minutes.

In addition, the Audit Committee evaluated compliance with governance rules and procedures and their quality and efficiency, issued a report on the matter and submitted it to the Board.

The evaluation of the quality and efficiency of the Committee's operations in 2017 was carried out with the assistance of an external consultant (E&Y). The evaluation consisted of an analysis of the operations of the Committee and its officers. The process was carried out by holding working meetings with the members of the Committee and reviewing the minutes and internal documentation and the individual questionnaires filled in anonymously by each member of the Committee. The result of such process demonstrated the correct performance of the Board, its Committees and their respective Chairmen. Some aspects that needed improvement were identified and have already been addressed and corrected by the Company (among others, the amendment of the Regulations of the Board of Directors and the approval of the Regulations of the Audit Committee in order to favour the independence of the Audit Committee and to determine, separately, the operational principles and the rules governing its internal functioning). The new Committee Regulations establish, as a supplement to the existing "welcome programme" for Directors, a specific welcome and training programme for the members of the Audit Committee.

4.2 Financial and accounting information. Statement of non-financial information

As in previous fiscal years, prior to their presentation to the Board and their disclosure to the securities markets, the Audit Committee analysed the financial statements of both Acciona and its Group, contained in the annual, half-yearly and quarterly reports, with the necessary depth to verify their correctness, reliability, sufficiency and clarity, having all the necessary information, at whatever level of aggregation it deemed appropriate. To this end, the Audit Committee had the necessary support from the Group's Senior Management, especially from the area in charge of the Accounting functions, as well as from the statutory auditors of the Company and its Group.

In this regard, the Committee was aware of and agreed to the accounting principles, policies and practices and valuation criteria followed by Acciona and the Group in the process of preparing and presenting the required financial information and verified that such principles and practices were correctly applied, and also reviewed the appropriate delimitation of the scope of consolidation.

In addition, the Committee monitored the evolution of the main items of the balance sheet and income statement of Acciona and its Group and analysed the additional information it considered appropriate to clarify any doubts that might have arisen in its reviews prior to presenting the information to the Board of Directors.

Accordingly, the Audit Committee offered the Board of Directors its opinion on the Annual Financial Statements of Acciona and the Group for 2018, which were drawn up in accordance with the best national and international practices and recommendations in this area and with current legislation.

Likewise, and in accordance with current legislation, the Audit Committee verified the existence and content of the new statement of non-financial information included in the consolidated management report for approval by the Board of Directors, as well as the report issued by the independent auditors with respect

thereto. The statement of non-financial information shall be submitted to the vote of the General Shareholders' Meeting as a separate item on the agenda.

Consequently, the Audit Committee proposed to the Board of Directors of Acciona that it prepare the Group's individual and consolidated Annual Financial Statements in the same terms in which they are submitted to the vote of the General Shareholders' Meeting, and that they are accompanied by the corresponding report issued by the auditors, KPMG Auditores, S.L., in which their favourable opinion appears without qualifications. Likewise, the Audit Committee ensured that, in accordance with recommendation 42 of the Code of Good Governance of listed companies, the external auditors met with the Board of Directors to present their report on the Annual Financial Statements in person and to report on the work carried out in relation thereto, which took place at the meeting held on 28 February 2019.

4.3 Internal control systems

The Audit Committee was informed of the internal control systems established by the Group, the results of the internal audit activity and the risk management systems in the process of preparing the required financial information, including tax risks.

Moreover, in relation to the internal control systems, the Audit Committee:

- supervised and was aware of the various reports drawn up by both the internal audit function and the Group's external auditors on the effectiveness of the internal control relating to the Financial Reporting Systems and Crime Prevention Model;
- supervised the updating of the Risk Map as well as the methodology used;
- supervised the activity carried out by the Code of Conduct Committee and received detailed information on the cases in progress and those processed in 2018, during which a total of 83 reports were received through the Ethics Hotline:
 - Financial reports (13)
 - Reports relating to employment/ discrimination/ harassment at the workplace/ sexual harassment (41)
 - Other reports (21)
 - Concerns (8)

Of the 83 reports received, 45 were investigated, 17 by an investigator outside the Group and 28 by an internal investigator. Cases were shelved either ex officio because they did not fall within the scope of the powers of the Code of Conduct Committee or after additional information was received from the relevant department.

The Audit Committee supervised the activity carried out by the Corporate Compliance Department as well as by the Code of Conduct Committee and submitted a favourable proposal to the Board on the Crime Prevention and Anti-Bribery Policy.

4.4 Relations with the external auditors

In view of the fact that external audit is one of the fundamental elements of the chain of control mechanisms established to ensure the quality and completeness of financial information, the Audit Committee established the appropriate relations with the heads of the external auditors, KPMG Auditores, S.L., who provided the Audit Committee with direct information on the performance of their activity.

Thus, in relation to the performance of the audit work and the role played by the Audit Committee in this process:

- The Audit Committee was made aware of the work carried out and the results of its implementation through the reports submitted to the Committee. The Audit

Committee also analysed and agreed to the proposal for the Group's external auditors' fees for fiscal 2018.

- The Audit Committee ensured that internal procedures were applied so as to avoid any situation that could conflict with the independence and objectivity required from the external auditors, and also ensured that the external auditors had access to all the information required for their work and that they received the greatest possible cooperation from all the Group's units. The Audit Committee checked with the external auditors, in the absence of members of the management team, the quality of their relationship with them and the auditors' confidence in the Group's systems and information.

In addition, the Audit Committee verified the external auditors' statements regarding their independence from the Company and its affiliates, received a declaration of independence from the external auditors and issued the relevant report on the independence of the auditors.

The Audit Committee was also made aware of the recommendations made by the external auditors and the plans adopted by the Group entities for their implementation, and assessed the quality of the services provided by KPMG Auditores, S.L. as the external auditors of Acciona and its Group.

4.5 Corporate Governance

As a preliminary step for approval by the Board of Directors, the Audit Committee prepared the Annual Corporate Governance Report for fiscal year 2018.

The Audit Committee took note of the degree of compliance with the 64 Recommendations contained in the Code of Good Governance of Listed Companies. In fiscal year 2018, Acciona fully complied with 57 and partially complied with three of such Recommendations. Three Recommendations were not applicable, and the Company explained the reasons why it did not follow one Recommendation.

Following the recommendation of the CNMV's Technical Guide dated 27 June 2017, the Audit Committee approved its new regulations, which include a specific training programme for its members.

Finally, the Audit Committee was informed of the contacts made and work carried out with the Proxy Advisors who analyse the Company.

4.6 Internal Audit Department

With regard to the functions performed by the Group's Internal Audit Department, which reports directly to the Audit Committee in relation thereto, the Audit Committee analysed and approved the work plan drawn up by such department for fiscal year 2018, regularly monitored its implementation and was directly informed of any incidents arising during such implementation.

While overseeing the effectiveness of the Group's Internal Audit Department, the Audit Committee was informed of the reports issued by such department upon completion of its activities and concluded that none of them gave rise to any situation involving significant weaknesses in the Financial Reporting System.

In addition, the Audit Committee was made aware of the recommendations made by the Internal Audit Department as a result of its review work, as well as of the specific action plans defined and implemented to resolve any issues, and regularly monitored the plans that were more significant for the Company.

Finally, the Audit Committee ensured that the Internal Audit Department had the necessary organisational independence and capacity to better perform its functions.

4.7 Tax policy and strategy

Pursuant to the provisions of the Spanish Companies Act, the Audit Committee analysed the corporate principles in the field of taxation and Acciona's tax strategy, which has been prepared following the best practices and recommendations of the

OECD in this area, prior to their consideration and approval by the Board of Directors, as well as Acciona's adherence to the Code of Good Tax Practices approved and promoted by the forum of large companies and the Spanish Tax Agency.

The Audit Committee also monitored the implementation of the aforementioned tax policy and strategy, which is available on the Company's website, and analysed the relevant issues relating to the legal and tax risks applicable to the Group.

4.8 Other functions

In addition, throughout the fiscal year the Audit Committee supervised the activities of the Company's subsidiary Acciona Financiación Filiales, S.A. as a public interest entity. The Audit Committee reviewed and approved the response to the CNMV's request for clarification of certain aspects of the Annual Financial Statements, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration for fiscal year 2017, as well as the responses to the general request submitted to public interest entities in relation to audit committees.

The Audit Committee approved a calendar of meetings and a work programme for 2019.

1.1. REPORT OF THE AUDIT COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITORS

1. INTRODUCTION

To the Board of Directors of Acciona, S.A.

Pursuant to Section 529 quaterdecies, Paragraph 4.f), of the Spanish Companies Act, as amended, approved by Royal Legislative Decree 1/2010, of 2 July, listed companies will issue each year (prior to the auditor's report), a report in which an opinion will be expressed as to whether the independence of the auditors is compromised.

In addition, Article 5.2d) of the Regulations entrusts the Audit Committee itself with the responsibility of ensuring the independence of the Auditors.

2. EXTERNAL AUDITORS

At the General Shareholders' Meeting held on 17 May 2017, the shareholders of Acciona S.A. resolved, at the request of the Board of Directors and following a proposal from the Audit Committee, to appoint KPMG Auditores, S.L. as auditors of the Annual Financial Statements of Acciona, S.A. and its subsidiaries for fiscal years 2017, 2018 and 2019.

The partner responsible for auditing the Consolidated Annual Financial Statements of the Acciona Group is Mr. Borja Guinea López.

3. SCOPE

The purpose of this report is to issue an opinion on the independence of the external auditors for fiscal year 2018 in relation to Acciona, S.A. and its subsidiaries, and in accordance with applicable legislation governing the independence of auditors. Specifically:

- Spanish Auditing Act 22/2015
- Regulation (EU) 537/2014

4. INDEPENDENCE ANALYSIS

In order to guarantee the independence of the external auditors, the Audit Committee has overseen, with support from the managers of the Corporate Internal

Audit Department of the Acciona Group, compliance with current regulations governing independence in the provision of non-auditing services, and authorised the provision of services other than those prohibited in accordance with the provisions of Spanish Auditing Act 22/2015 and EU Regulation 537/2014.

Section 15.2 of Spanish Auditing Act 22/2015 provides as follows:

“Threats to independence may originate from factors such as self-review, self-interest, advocacy, familiarity or trust, or intimidation, which arise from the existence of conflicts of interest or from a commercial, financial, employment, family or other relationship, whether direct or indirect, actual or potential.”

The Audit Committee has analysed the foregoing threats on the basis of the information submitted by the External Auditors, taking into account, inter alia, the “causes of incompatibility” (Section 16 of Act 22/2015) as detailed below:

- 1.** Circumstances arising from personal situations involving the statutory auditor, the Auditing Firm or those primarily responsible for the audit work.
- 2.** Circumstances arising from services provided.
 - i.** The physical management or preparation of the financial statements or other accounting records of the audited company.
 - ii.** The provision of valuation services to the audited company,
 - a.** that do not have a direct impact or have a relatively minor impact, either separately or in aggregate, on the audited financial statements.
 - b.** where the estimation of the impact on the audited financial statements is thoroughly documented in the working papers corresponding to the audit work.
 - iii.** The provision of internal audit services to the audited company, unless the management body of the audited company is responsible for the overall internal control system, for determining the scope, risk and frequency of internal audit procedures and for considering the outcome and implementing the recommendations made by the internal audit.
 - iv.** The simultaneous provision of legal services to the audited company, unless such services are provided by different legal persons and with different boards of directors and provided that such services are not related to the resolution of disputes on matters that may have a significant impact, measured in terms of relative importance, on the financial statements for the audited period or fiscal year.
 - v.** The provision to the audited company of services for the design and implementation of internal control or risk management procedures related to the preparation or control of financial information, or for the design or implementation of financial reporting IT systems used to generate the data that make up the audited company's financial statements, unless the audited company assumes responsibility for the overall internal control system or the service is provided in accordance with the specifications established by such company, which must also assume responsibility for the design, implementation, evaluation and operation of the system.

If the importance of such factors in relation to the safeguard measures adopted were such that their independence would be compromised, the Statutory Auditor or the Auditing Firm would refrain from conducting the audit.

The Audit Committee has not identified any situation described in points 1 and 2 above which could not be properly controlled by implementing safeguard measures.

The Audit Committee has obtained from KPMG Auditores, S.L., as the Auditors of Acciona, S.A. and its subsidiaries, a report confirming that they are independent.

In addition, the managers of the Corporate Internal Audit Department of the Acciona Group, by virtue of the delegation of authority granted by the Audit Committee on 27 July 2017, have evaluated the different audit services provided by the Auditors or the members of their network since the date of their appointment, and authorised, where appropriate, those services not prohibited under Article 5.4 of Regulation EU 537/2014 which cannot be considered a cause of incompatibility or a threat to the Auditors' independence that the Company has not been able to reduce to an acceptable level by implementing safeguard measures.

The Audit Committee has verified that the fees paid do not represent a significant percentage of the audit firm's total revenues.

The policies and procedures established by the firm for the observance of the applicable ethical and independence standards have also been verified.

The fees payable by Acciona S.A. and its subsidiaries are detailed below:

| Services performed by KPMG Auditores, S.L. (fiscal year 2018) | Amount in Euros |
|--|------------------|
| Audit Services | 3,754,663 |
| Other Audit-Related Services | 391,047 |
| Total Audit and Related Services | 4,145,710 |
| | |
| Tax Advisory Services | 241,618 |
| Other services | 1,881,294 |
| Total Other Professional Services | 2,122,912 |

5. CONCLUSION

Based on the foregoing information, in the opinion of the Audit Committee, the independence of KPMG Auditores, S.L. during fiscal year 2018 and until the date of issue of this report has not been compromised.

This report was prepared by the Audit Committee of Acciona, S.A. at the meeting held on 28 February 2019, with the affirmative vote of all its members.

1.2. REPORT ON RELATED-PARTY TRANSACTIONS

Pursuant to the provisions of the Spanish Companies Act, Article 41 of the Articles of Association and Article 46 of the Board Regulations, the Board of Directors of the Company is responsible for learning about any transactions carried out by one or more companies in its Group with its Directors, under the terms of the Act and the Board Regulations, with shareholders who hold a stake equal to or greater than 3% or who have proposed the appointment of one of the company's Directors, or with persons related to them.

The authorisation of any such transaction must necessarily be granted by the General Shareholders' Meeting when the value of the transaction is greater than ten percent (10%) of the company's assets.

The performance of said transactions, except in the excluded cases indicated below, shall require the authorisation of the Board, following a report from the Audit Committee, without prejudice to those cases where the law requires approval by the General Shareholders' Meeting. Affected directors or directors representing or related to affected shareholders may not exercise or delegate their right to vote

and shall be absent from the meeting room while the Board deliberates and votes on the relevant transaction.

Such transactions will be valued from the point of view of equality of treatment of shareholders and market conditions, and will be included in the Annual Corporate Governance Report and in the periodic public information under the terms set forth in the applicable regulations.

Pursuant to applicable regulations, the authorisation of the Board will not be required when transactions simultaneously meet the following three conditions:

1. That they are carried out under agreements whose terms and conditions are basically standardised and are normally applied to customers who purchase the relevant goods or services;
2. That they are carried out at generally established prices or rates by the person acting as the supplier of the relevant goods or services or, when the transactions refer to goods or services for which there are no established rates, under normal market conditions, similar to those applied in commercial relations maintained with customers of similar characteristics; and
3. That the amount thereof is not higher than 1% of the annual revenues of the company.

Furthermore, in the case of transactions carried out in the ordinary course of business that are of habitual or recurring in nature, it will be sufficient to obtain a generic authorisation for the type of transaction and its general conditions of execution, i.e. from those responsible for each specific business, without prejudice to their notification to the Appointment and Remuneration Committee for review. The Board of Directors has established that it is not necessary to report transactions with related parties whose annual aggregate amount is equal to or less than 50,000 euros.

As an exception, when so advised for reasons of urgency, related-party transactions may be authorised by the Executive Committee and subsequently ratified by the Board.

A) Transactions with Directors

During fiscal year 2018 and until the date of publication of this report, no member of the Board of Directors, no person represented by a Director and no company where such persons or other persons related to them are directors, members of senior management or significant shareholders has reported having carried out relevant transactions with the Group or under unusual market conditions other than those which have been reported on other occasions.

The Directors timely complied with their reporting duties by responding to the questionnaires that include a section on related-party transactions and are prepared and sent each year by the Secretary General.

The Appointment and Remuneration Committee verified that the transactions with related parties carried out during fiscal year 2018 met the conditions established in the Regulations of the Board of Directors so as not to require authorisation from the Board of Directors since they were transactions performed in the ordinary course of the Company's business, were of a habitual or recurring nature and were generally awarded through tender procedures where several bids were requested or which involved small amounts.

The Audit Committee examined the information relating to transactions with related parties contained in the Annual Financial Statements and in the Annual Corporate Governance Report, as well as its consistency with the contents of this report. The

Audit Committee was also made aware of the related transactions when reviewing the half-yearly financial statements.

The transactions verified in 2018 with regard to existing contracts with companies related to Directors were as follows:

- A.** Supervision and control services for the execution of works in 2018 for an amount of 127,000 euros.
- B.** Execution of works for Inmobiliaria Colonial, S.A. amounting to 6,550,000 euros.
- C.** Advertising agency services provided by Revolution Publicidad, S.L. to Group companies involving payment of approximately 102,000 euros in fees to the agency.
- D.** Provision of low-voltage electricity supply services to Grifols, S.A. amounting to 55,000 euros.

B) Transactions with shareholders

In fiscal year 2018 there were no significant transactions involving a transfer of resources or obligations between the Parent Company or the companies within its Group and the Company's significant shareholders.

2. REPORT ON THE FUNCTIONING OF THE APPOINTMENT AND REMUNERATION COMMITTEE

In accordance with Article 40 ter of the Articles of Association, the Board of Directors of Acciona, S.A. (hereinafter, "**Acciona**" or the "**Company**") has set up an Appointment and Remuneration Committee to evaluate remuneration and, where appropriate, report on the renewal of the Board or Committees for the better performance of its functions.

The rules governing the Appointment and Remuneration Committee, in addition to those established by current legislation, are contained in Article 32 of the Regulations of the Board of Directors, which regulates its composition, functions, powers and operation (and may be accessed through the Company's website at www.acciona.com).

1. Composition

In accordance with the Board Regulations, the Appointment and Remuneration Committee shall consist of a minimum of three and a maximum of five Directors, all of them external directors, and at least two of them must be Independent Directors.

The members of the Appointment and Remuneration Committee shall be appointed ensuring that their knowledge, skills and experience are commensurate with the duties entrusted to them.

The Chairman of the Appointment and Remuneration Committee shall be elected by the Board of Directors from among those members of the Appointment and Remuneration Committee who are Independent Directors.

At the end of fiscal year 2018, the Appointment and Remuneration Committee was made up of the directors indicated below, who continue to hold office thereon as at the date of this report:

| OFFICE | DIRECTOR | CATEGORY |
|-----------------|--|----------------------|
| Chairman | Mr. Juan Carlos Garay Ibargaray | Independent Director |
| Member | Mr. Javier Sendagorta Gómez del Campillo | Independent Director |
| Member | Mr. Jerónimo Marcos Gerard Rivero | Independent Director |

As of 30 May 2018, the Appointment and Remuneration Committee was made up of a total of four directors: Jaime Castellanos Borrego, Fernando Rodés Vila, Juan Carlos Garay and Daniel Entrecanales Domecq.

2. Functioning

The meetings of the Appointment and Remuneration Committee shall be held on the dates set by the Committee as its calendar of meetings, and whenever called by its Chairman, either on his own initiative or at the request of two of its members.

Notice of a meeting shall be given by the Chairman himself or by the Secretary following instructions from the Chairman. If the Chairman is absent or unable to act, the notice shall be given by the Secretary at the request of any of the members.

The Appointment and Remuneration Committee shall meet at least once a year to evaluate remuneration and, if appropriate, report on the renewal of the Board or Committees, and shall hold such other meetings as may be appropriate to meet the requests of the Board, the Chairman or the Managing Director within the scope of its powers.

The Appointment and Remuneration Committee shall be quorate when at least half of its members are present or represented at the meeting. Members may attend the meeting via videoconference, telephone or any other means of telecommunication that allows the Director to be unequivocally identified and to preserve the confidentiality of their discussions. Members participating in the meeting in such a way shall be deemed to be present. Resolutions shall be adopted by an absolute majority of the members attending the meeting, either in person or by proxy.

The Secretary shall take minutes of each meeting of the Appointment and Remuneration Committee. The Board of Directors may access the minutes at any time. The Appointment and Remuneration Committee may request, by resolution of its members, or by decision of its Chairman, participation in their meetings by any officer of Acciona or of a company over which Acciona exercises significant influence. The Committee may also request participation in its meetings by external advisors or by the statutory auditors of Acciona itself or of any company over which Acciona exercises significant influence, the cost of which shall be borne by Acciona.

3. Powers

The Appointment and Remuneration Committee shall perform the following functions, without prejudice to those established in the Spanish Companies Act and Article 40 ter of the Articles of Association, in accordance with the provisions of Article 32.b) of the Board Regulations:

I. The Appointment and Remuneration Committee shall have the basic responsibilities established in the legislation in force and in the Articles of Association, as well as those listed below, without prejudice to any other task that may be entrusted to it by the Board of Directors:

- a.** Evaluate the skills, knowledge and experience required from Board members and, accordingly, define the functions and skills required from the candidates

to fill each vacancy, and evaluate the time and dedication required for them to properly perform their duties;

- b.** Formulate and review the criteria to be followed for the composition of the Board of Directors, as well as to select the candidates;
- c.** Propose to the Board of Directors the appointment of Independent Directors for submission to the General Shareholders' Meeting or for approval by the Board itself using the co-optation procedure, and to report on the proposals for the appointment of the rest of the Directors;
- d.** Oversee the selection processes to ensure that there is no implicit bias preventing the appointment of Directors due to personal circumstances;
- e.** Review or organise, in the manner deemed appropriate, the succession of the Chairman and the Chief Executive Officer and, where appropriate, make proposals to the Board so that such succession takes place smoothly and in a well-planned manner;
- f.** Report on the appointment and removal of the Secretary and Deputy Secretary of the Board of Directors;
- g.** Propose to the Board of Directors the Directors to be appointed as Chairman, Managing Director and members of the Executive Committee and of each of the Committees, establishing the conditions to be met by the Chairman of the Board in the performance of his duties;
- h.** Formulate and review the criteria to be followed for the selection of Acciona's Senior Officers;
- i.** Report on the appointments and removals of Senior Officers that the Chief Executive Officer proposes to the Board;
- j.** Evaluate the system and the amount of the annual remuneration of Directors and Senior Officers;
- k.** Periodically review the variable remuneration programmes, weighing their appropriateness and performance;
- l.** Propose to the Board of Directors the remuneration policy for Directors and Senior Officers, the individual remuneration of Executive Directors and the other conditions of their contracts, and the basic conditions of the contracts with Senior Officers;
- m.** Ensure the transparency of remuneration and compliance with the remuneration policy established by Acciona;
- n.** Be aware of any transactions that may be carried out by Directors or persons related to them with the Company or Group companies in order to determine whether they are performed in the ordinary course of business and on arm's length terms and meet the requirements set forth in the Regulations of the Board of Directors;
- o.** Be aware of the other professional obligations of the Directors in order to ensure that they do not interfere with the dedication required for the execution of the office;
- p.** Ensure that any conflicts of interest do not impair the independence of the external advice provided to the Committee;
- q.** Verify the information on Directors' and Senior Officers' remuneration contained in the various corporate documents, including the Annual Report on Directors' Remuneration.

II. The Appointment and Remuneration Committee shall consult the Chairman and Chief Executive Officer of Acciona when performing its functions, especially when dealing with matters relating to Executive Directors, if any, and Senior Officers. Any

Director may request the Appointment and Remuneration Committee to take into consideration potential candidates to fill vacancies for the position of Director if it finds them suitably qualified.

4. Activity of the Committee

The Appointment and Remuneration Committee carries out its functions with full operating autonomy and is led by its Chairman, who is responsible for calling meetings, deciding on the matters to be included on the agenda and requiring the attendance of those employees of Acciona or third parties who are necessary to better perform its functions. The Audit Committee has the full collaboration of the Company's executive areas and the support of the Board of Directors, to whom it reports on its activities on a regular basis.

The Appointment and Remuneration Committee met a total of six times in fiscal year 2018. All the members of the Committee participated in five of the meetings and one of them was not attended by one of its members.

Two of the meetings were attended by the top executives of the areas responsible for the matters submitted for their consideration.

The main activities carried out by Acciona's Appointment and Remuneration Committee throughout fiscal year 2018 until the 2019 General Shareholders' Meeting was called are described below:

4.1. Performance Evaluation

The Appointment and Remuneration Committee evaluated the quality and efficiency of the Board of Directors and of the Committee itself, paying special attention to their Chairmen, reviewed the performance of the duties of the Chairman and Vice-Chairman of the Board in fiscal year 2018, and issued and submitted the relevant report to the Board. The evaluation was carried out using an individual form filled in anonymously by each Director.

The Appointment and Remuneration Committee evaluated the operations carried out in fiscal year 2017 with the assistance of an external consultant (E&Y). The process was carried out by holding working meetings with the members of the Committee and reviewing minutes, internal documentation and the individual questionnaires filled in anonymously by each member of the Committee.

The result of such process demonstrated the correct performance of the Committee and its Chairman, although some aspects that needed improvement were identified and have already been addressed and corrected by the Company (among others, the amendment of the Regulations of the Board of Directors in order to channel through the Secretary of the Board and Committees the need for sufficient resources so that the Committees can fulfil their mission).

4.2. Related-party transactions

The functions of the Appointment and Remuneration Committee also include that of being aware of any transactions that may be carried out by Directors or persons related to them with the Company or Group companies in order to determine whether they are performed in the ordinary course of business and on arm's length terms and meet the requirements set forth in the Regulations of the Board of Directors.

Throughout fiscal year 2018, the Appointment and Remuneration Committee was made aware of the performance of related-party transactions and verified that they were carried out in the ordinary course of business and on arm's length terms and met the requirements set forth in the Regulations of the Board of Directors.

4.3. Directors' remuneration policy

The functions entrusted to the Appointment and Remuneration Committee under the Regulations of the Board of Directors include that of proposing to the Board of Directors, for submission to the General Shareholders' Meeting, the Directors' Remuneration Policy, which will be adjusted in accordance with the system of remuneration established in the Articles of Association and will be approved by the General Shareholders' Meeting at least every three years and as a separate item on the agenda.

The Directors' remuneration policy currently in force for 2018, 2019 and 2020 was approved by the General Shareholders' Meeting held on 18 May 2017 with the affirmative vote of 88.80% of the votes cast at such meeting. In 2018, the Committee reviewed the remuneration received by the members of the Board of Directors in their capacity as such in accordance with such policy.

The Annual Report on Directors' Remuneration for fiscal year 2017 was approved in a consultative manner by the General Shareholders' Meeting held on 30 May 2018 with the affirmative vote of 93.48% of the votes cast at such meeting.

The Appointment and Remuneration Committee has reviewed and submitted to the Board a favourable proposal for the approval of the Annual Report on Directors' Remuneration for fiscal year 2018, which will be submitted to a consultative vote at the 2019 General Shareholders' Meeting.

4.4. Management remuneration policy

The Appointment and Remuneration Committee also reviewed the remuneration policy applicable to the first and second levels of the management team, taking into account their organisational responsibilities and their contribution to business results.

The Company has relied on market analysis in order to evaluate the alignment of the policy with market practice among comparable companies.

4.5. Appointment and re-election of Directors

In 2018, the Appointment and Remuneration Committee proposed the re-election of Ana Sainz de Vicuña Bemberg as External Independent Director. The Committee also proposed to the General Shareholders' Meeting the appointment of Mr. Javier Sendagorta Gómez del Campillo as External Independent Counsellor and Mr. José María Pacheco Guardiola as External Independent Director, replacing Mr. Fernando Rodés Vila and Mr. Jaime Castellanos Borrego, both external independent directors until 30 May 2018, the date on which their terms of office ended without a proposal for re-election. The Committee also reported favourably on the re-election of Directors Mr. José Manuel Entrecañales Domecq as Executive Director, Mr. Juan Ignacio Entrecañales Franco as Executive Director, Mr. Javier Entrecañales Franco as External Proprietary Director, and Mr. Daniel Entrecañales Domecq as External Proprietary Director.

The resolutions for re-election and appointment proposed at the General Shareholders' Meeting held on 30 May 2018 were adopted with the affirmative vote of at least 96.60% of the shareholders entitled to vote who attended the General Shareholders' Meeting.

Likewise, the Appointment and Remuneration Committee submitted to the Board a favourable proposal to renew the delegation of authority to the Chairman and Vice-Chairman of the Board after their re-election, and to renew the positions in the different Committees, establishing that such Committees would consist of three members.

In accordance with the Policy for the Selection of Directors, the Appointment and Remuneration Committee considered the professional proficiency of the proposed Directors, their merits to hold the office of Director, their experience in relevant

sectors for the Company and the Group and their in-depth knowledge in various business fields, which guarantees the contribution of plural points of view to the discussion of matters on the Board of Directors.

The Appointment and Remuneration Committee submitted a favourable proposal to the Board of Directors for amendment of the Policy for the Selection of Directors in compliance with the recommendations regarding diversity.

Finally, in 2019 the Appointment and Remuneration Committee has proposed the re-election of Mr. Juan Carlos Garay Ibarra and the appointment of Ms. Sonia Dulá, both as independent external directors, and submitted the proposal to the Board through the relevant report.

4.6. Review of the classification of Directors

The Appointment and Remuneration Committee reviewed the status of each Director when preparing the 2018 Annual Corporate Governance Report and stated the reasons why it considered that each Director was correctly classified as at the date of issue of such report.

Likewise, on the 10th of May, the Appointment and Remuneration Committee took note of the reclassification of Director Ms. Belén Villalonga Morenés as "other external directors" in compliance with the provisions of Section 529.4.i) duodecies of the Spanish Companies Act, i.e., due to the fact that the Director has been continuously serving as an independent director for more than 12 years.

4.7. Contracts with Executive Directors

The Appointment and Remuneration Committee checked whether the fixed and variable remuneration to be received by the Executive Directors was in accordance with the terms and conditions of the signed contracts and unanimously resolved to submit the final favourable proposal to the Board of Directors.

4.8. Appointment of Directors

The Appointment and Remuneration Committee analysed the proposals for the appointment of the members of the Group's Management that were submitted by the Chairman during the year and issued a favourable report on the proposed changes.

4.9. Stock Plan and increase in the number of available shares, Replacement Plan and Shareholders' Plan

The Appointment and Remuneration Committee took note of the deferred distribution of shares to the Executive Directors (a total of 8,675 shares distributed in December 2018) in compliance with the approved objectives for the first three years covered by the 2014 Stock and Performance Share Plan. Likewise, the Committee approved the amendment of the Plan's Regulations in order to adapt it to the best practices in Corporate Governance, issued the relevant Report and submitted the appropriate proposal to the Board.

The Committee also approved and submitted to the Board a proposal for the distribution of shares to company officers, excluding executive directors, in accordance with such Plan, and reported favourably on the Plan for the Replacement of Variable Cash Remuneration with shares and on the Shareholders' Plan.

Finally, the Committee proposed to increase the number of shares available for distribution under the Stock Plan by 100,000 shares in order to achieve the strategic business objectives of Acciona and its Group and, at the same time, strengthen the loyalty and retention of officers.

The proposal to increase the number of shares will be submitted to the 2019 General Shareholders' Meeting for approval.

4.10 Advice

In the decision-making processes regarding remuneration and benefit plans, the Appointment and Remuneration Committee has relied on the information and advice provided by the Company's specialised internal services as well as on the external advice of specialised advisors.
