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ISSUER IDENTIFICATION DETAILS

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Year-end date:

[ 31/12/2018 ]

TAX Id#:

[ A-36046993 ]

Company name:

[ GRUPO EMPRESARIAL SAN JOSE, S.A. ]

Registered address:

[ ROSALIA DE CASTRO 44, BAJO (PONTEVEDRA) ]

## 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
27/06/2008	1,950,782.49	65,026,083	65,026,083

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

Yes  
 No

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	
MARIA VIRTUDES SÁNCHEZ AVALOS	5.24	0.00	0.00	0.00	5.24
JULIA SÁNCHEZ AVALOS	7.52	0.00	0.00	0.00	7.52
MARIA JOSÉ SÁNCHEZ ÁVALOS	0.00	4.01	0.00	0.00	4.01
PINOS ALTOS XR, S.L.	23.34	0.00	0.00	0.00	23.34

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
MARIA JOSÉ SÁNCHEZ ÁVALOS	CAROVAL HOLDING, S.A.	4.01	0.00	4.01

State the most significant shareholder structure changes during the year:

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 total voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR ROBERTO ÁLVAREZ ÁLVAREZ	0.28	0.00	0.00	0.00	0.28	0.28	0.00
MR JACINTO REY GONZÁLEZ	24.95	23.34	0.00	0.00	48.29	48.29	0.00
MR JACINTO REY LAREDO	0.33	0.00	0.00	0.00	0.33	0.33	0.00
MR JOSE MANUEL OTERO NOVAS	0.03	0.00	0.00	0.00	0.03	0.03	0.00
MR ENRIQUE MARTIN REY	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Total percentage of voting rights held by the Board of Directors</b>	<b>48.93</b>
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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 total voting rights that can be transmitted through financial instruments
DON JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	23.34	0.00	23.34	23.34

Mr. Enrique Martin Rey has 152 shares, since the percentage is very small, the programme does not allow its inclusion for representing 0.00000157%.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**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:

Name of related party	Nature of relationship	Brief description
MS MARÍA VIRTUDES and DOÑA JULIA SANCHEZ AVALOS, MS MARIA JOSÉ SÁNCHEZ ÁVALOS	Family	The three holders of shares are sisters; Ms. Maria Jose is indirect holder of shares through the company Caroval Holding, S.A.

**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:

Name of related party	Nature of relationship	Brief description
NA		

**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 legal-person 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 JACINTO REY GONZÁLEZ	PINOS ALTOS XR, S.L.	GRUPO EMPRESARIAL SAN JOSE, S.A	Mr. Jacinto Rey González is majority shareholders of Pinos Altos XR, S.L.
MR JACINTO REY LAREDO	MR JACINTO REY GONZÁLEZ	GRUPO EMPRESARIAL SAN JOSE, S.A	Family relationship to the first degree, father and son
MR JAVIER REY LAREDO	MR JACINTO REY GONZÁLEZ	GRUPO EMPRESARIAL SAN JOSE, S.A	Family relationship to the first degree, father and son

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 ENRIQUE MARTIN REY	MS MARIA JOSE Y JULIA SÁNCHEZ AVALOS	GRUPO EMPRESARIAL SAN JOSE, S.A	Mr. Enrique Martín Rey is the brother-in-law of MS. Julia Sánchez Avalos and nephew in-law of Ms. María

**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

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

[ The Company is not aware of the existence of covenants or agreements among shareholders. ]

**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
JACINTO REY GONZÁLEZ

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

At year-end:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(\*) Through:

Name of direct shareholder	Number of direct shares
NA	

**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 23 June 2016, the Annual General Meeting authorised the board of directors for the derivative acquisition, whether directly or through subsidiaries, and for the acceptance in guarantee of treasury shares, within the following terms and limitations:

- Methods of acquisition: acquisition through purchase and sale, or through any other inter-vivo act for consideration or any other method permitted by law.
- Maximum number of shares to be acquired: acquisitions may be made up to the maximum amount permitted by law.
- Minimum and maximum price of acquisition: the minimum acquisition price of the shares shall be 75% of its market price and the maximum price shall be 120% of its market price on date of acquisition.
- Term of the authorisation: five years as from the date of this resolution.
- Usage of the authorisation: the board of directors may use the authorisation in the terms set out by the internal regulations of the code of conduct of the Company.
- To handover to employees and directors: the board of directors is authorised to allocate, total or partially, treasury shares acquired to the execution of retributive programmes that handover shares or option rights over shares, in accordance with the provisions under section 1 a) of Article 146 of the Companies Act.

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

**A.11.** Estimated working capital:

	%
<b>Estimated Working Capital</b>	30,00

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**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

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

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

Yes  
 No

If so, please list each type of share and the rights and obligations conferred on each:

List each type of share

Warrants issued on occasion of the finance restructure of Grupo San Jose.

Holders of said warrants are entitled the right of conversion to shares of GESJ in the event the credit associated is not repaid upon its expiry

**B. ANNUAL GENERAL MEETING**

**B.1.** 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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

**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

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

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

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

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

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

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

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

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

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

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

5. Shareholders representing at least three percent (3%) of the share capital may, in the same period prescribed in the preceding paragraph, submit proposals on agreed-on matters already included or to be included on the agenda of the meeting called. The Company shall ensure the dissemination of these proposed resolutions and documentation through its website.

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



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

Date of General Meeting	Attendance data					Total
	%	%	% distance vote			
	physically present	present by proxy	Electronic voting	Other		
23/06/2016	50.97	15.81	0.00	0.00	66.78	
<b>Of which, working capital:</b>	1.76	0.41	0.00	0.00	2.17	
22/06/2017	50.27	14.04	0.00	0.00	64.31	
<b>Of which, working capital:</b>	0.40	1.18	0.00	0.00	1.58	
21/06/2018	50.44	14.78	0.00	0.00	65.22	
<b>Of which, working capital:</b>	0.91	1.01	0.00	0.00	1.92	

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

Yes  
 No

**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	100
Number of shares required for distance voting	100

**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

**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:

Information on Corporate Governance is available on the Company's website ([www.gruposanjose.biz](http://www.gruposanjose.biz)), under "Shareholders & Investors", within "Corporate Governance".

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**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:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5
<b>Number of directors set by the general meeting</b>	11

C.1.2 Please complete the following table on directors:

<b>Name of director</b>	<b>Representative</b>	<b>Director category</b>	<b>Position on the Board</b>	<b>Date first appointed to Board</b>	<b>Last re-election date</b>	<b>Method of selection to Board</b>
MR ROBERTO ÁLVAREZ ÁLVAREZ		Independent	DIRECTOR	27/06/2008	21/06/2018	RESOLUTION AGM
MR RAMÓN BARRAL ANDRADE		Independent	INDEPENT COORDN	30/06/2009	21/06/2018	RESOLUTION AGM
MR JACINTO REY GONZÁLEZ		Executive	CHAIRMAN & CEO	18/08/1987	21/06/2018	RESOLUTION AGM
MR JACINTO REY LAREDO		Executive	VICE CHAIRMAN	31/10/2006	21/06/2018	RESOLUTION AGM
MR JOSE MANUEL OTERO NOVAS		Independent	DIRECTOR	28/08/2014	24/06/2015	RESOLUTION AGM
MR ENRIQUE MARTIN REY		Proprietary	DIRECTOR	28/06/2013	28/06/2013	RESOLUTION AGM
MS ALTINA DE FÁTIMA		Independent	DIRECTOR	27/06/2008	21/06/2018	RESOLUTION AGM

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
SEBASTIÁN GONZÁLEZ						
MR JAVIER REY LAREDO		Executive	DIRECTOR	28/06/2012	21/06/2018	RESOLUTION AGM
MR NASSER HOMAID SALEM ALI ALDEREI		Other External	DIRECTOR	17/12/2015	17/12/2015	RESOLUTION AGM
MR GUILLERMO EMILIO NIELSEN		Independent	DIRECTOR	23/06/2016	23/06/2016	RESOLUTION AGM
MR SUNIL KANORIA		Independent	DIRECTOR	28/07/2015	17/12/2015	RESOLUTION AGM

<b>Total number of directors</b>	11
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

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
NA		//	//		

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

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
MR JACINTO REY GONZÁLEZ	Chairman & CEO	Chairman Grupo SANJOSE (Company listed on the Spanish Stock Exchange) Chairman Carlos Casado S.A. (Company listed on the Buenos Aires and New York Stock Exchange) Previously he has been a member of different boards of directors: Banco Simeón, Banco Caixa General, among others.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director	Post in organisational chart of the company	Profile
MR JACINTO REY LAREDO	Vice Chair	He graduated in Law by the Complutense University of Madrid and was certificated in European Law by the San Pablo CEU University. Mr. Jacinto Rey Laredo majored in International Law at the University of Columbia, in Communication by the New York University School of Continuing Education and participated in a management development programme (PADE) at the IESE. He has almost developed his entire professional career within Grupo SANJOSE, being the Deputy-chairman of the Group and the Chairman of SANJOSE Constructora.
MR JAVIER REY LAREDO	Director	Diploma in Business Science by the European University of Madrid. Postgraduate studies by IED in Top Management He has developed his entire professional career within companies of Grupo SANJOSE. Current positions: Deputy to the Chairman and CEO of Grupo SANJOSE, Member of the Board of SANJOSE Constructora, Executive Chairman of Comercial Udra, Director Carlos Casado S.A. Previous professional experience: Chairman of SANJOSE Desarrollos Inmobiliarios, responsible for the domestic and international management (Douro Atlántico Galicia S.L. and Douro Atlántico S.A. in Portugal), Member of the Board of Comercial Udra. Domestic and international management, Managing Director of SANJOSE Constructora, Branch office of Galicia, Management Director of C&C, regional construction, rehabilitation and conservation company in Galicia.

Total number of executive directors	3
Percentage of the Board	27.27

**PROPRIETARY DIRECTORS**

Name of director	Post in organisational chart of the company	Profile
MR ENRIQUE MARTIN REY	MS MARIA JOSE & JULIA SÁNCHEZ AVALOS	Graduate in Business Science by the Complutense University of Madrid (1993 - 1999), MBA by the Escuela de Negocios Caixanova (2000) and Master Programme in Banking and Finance by the ISTP Banking Scholl (2009). He is the Business Manager and Corporate Business Development Manager of Carrión S.A. Establecimiento Financiero de Crédito. Where he has developed his professional career since 2005, after having worked as strategic counsellor for the Instituto Tecnológico de Galicia (ITG) and for LKS Consultores (Grupo Mondragon Scoop).

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

<b>Total number of proprietary directors</b>	1
<b>Percentage of the Board</b>	9,09

<b>INDEPENDENT DIRECTORS</b>	
<b>Name of director</b>	<b>Profile</b>
DON ROBERTO ÁLVAREZ ÁLVAREZ	Graduate in Economics from the University of Buenos Aires, in International Relations from the Universidad del Salvador, Business Administration Course for Directors from the Argentine Catholic University, and specialised in Futures Market at the London School of Economics and Capital Markets Dean-Witter, in New York. His outstanding career as a Director of Grupo SANJOSE joins his experience in the Boards of various companies in which he currently works: Board Member of the Stock Exchange Agency Aldazabal y Cia since 1980, Director of Mapfre Argentina Seguros Generales since 1998, Board Member of Mapfre labor risks (Mutua) since 2000, Director of Carlos Casado SA since 2008, Director of Pamsa since 2009 to date, Board Member of the Buenos Aires Stock Exchange since 2004 and member of the Board of Directors, Director of the Boldt Group since 2005 and Regular Director of Carlos Casado S.A . Previously he was also a Director of Metrogas (controlled by Repsol from 2002 to 2008) and Director of Banco Caudal (representative of the Dean-Witter Investment Bank).
MR RAMÓN BARRAL ANDRADE	Commercial Law professor at the School of Higher Commercial Studies of A Coruna, degree in Economics and Business and Chartered Accountant (promotion 1976). Within the professional career of Ramón Barral highlights his career at Banco Simeon and his subsequent promotions until becoming Directorate-General (1995 - 2003), he has been member to the Comisión Mixta de transferencias del Estado - Xunta de Galicia (1977 - 1979). Professor at the Escuela de Mandos Intermedios en la Cámara de Comercio de Pontevedra, Member of Editorial Galaxia. Special emphasis should be given to the important and lasting collaboration of Mr. Ramón Barral with Grupo SANJOSE until becoming Member of the Board and Member of the Audit and Appointments and Remunerations Committee and the and Corporate Governance Committee at an earlier stage (2009 - 2012).
MR JOSE MANUEL OTERO NOVAS	Professional Lawyer:> Law Degree, Extraordinary Award. > He entered by Opposition in the Body of State Lawyers in 1967.> He entered by Opposition Contest in Inspectors of the Services of the Ministry of Economy and Finance in 1974.> He practiced State Advocacy in the Province of Lugo, in the National Court, and finally in the Supreme Court. > Also the Inspection of the Services of the Ministry of Finance, in several tasks. > He has been -and still is- Counselor, or

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

INDEPENDENT DIRECTORS	
Name of director	Profile
	<p>sometimes President, of several companies, among which stand out: Cepsa, Grupo SANJOSE, Banco Exterior de España and foreign subsidiaries, Gesca fi x., Euro Transfac, Unión Inversora Internacional, International Technical Union, The Union and the Phoenix, AGF Unión Fénix Seguros y Reaseguros, Transfesa (Including Presidency) and Transfesa UK, International Real Estate Union, Gran Alacant, Costa Canaria Veneguera, Northwest Corporation, Cementos Cosmos, Society for the Development of Galicia (SODIGA), Vocal Executive Committee and Board of Directors of the Independent Business Confederation of Madrid (CEIM). Social:&gt; It has been for the maximum statutory periods Vocal (and Vice President) of the Board of Trustees of the San Pablo CEU University Foundation and of the San Pablo College. &gt; President of the Institute of Studies of Democracy of the San Pablo University-CEU. &gt; Since 1997, he has been a member of the Social Sciences Jury of the Prince of Asturias Awards every year. Honours:&gt; Knight Grand Cross of three Spanish Orders, Carlos III, Isabel the Catholic and Alfonso X the Wise. &gt; Knight Grand Cross of the Order of the Lion of Finland; Idem of the Order of Merit of the Italian Republic; and Idem of the Order of Merit of the Republic of Peru. &gt; Gold Medal of the Ibero-American Organization for Education, Science and Culture. &gt; Gold Medal of the San Pablo University Foundation.</p>
MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	<p>Graduate in Economics and Business Administration from the Catholic University of Lisbon, Ph.D. in Business and Business Management from IESE and a post-doctorate from the Harvard Business School. Currently, she is an Independent Director of Banco Caixa Geral (former Banco Simeón), Chairman of the Audit and Compliance Committee and Chairman of the Appointments and Remuneration Committee; Counselor and Chairman of the Audit Committee of the San José Business Group; Counselor and Chairman of the Audit Committee of the "Instituição Financeira de Desenvolvimento", a Portuguese public bank specialized in financing SMEs; Counselor of the Diaspora of the Portuguese Republic - World Portuguese Network and founding partner of the AB Research and Diagnostic &amp; Solutions Consultants. In the academic field, she is an associate professor in the Department of Financial Economics at the Complutense University of Madrid. In addition, in the field of teaching, he collaborated in the Master Program of Financial Analysis of the Carlos III University of Madrid, in the Master of International Business of the ESCI - Pompeu Fabra University and is Visiting Professor of the Portuguese Catholic University. His experience in executive training is supported by the design, organization and implementation of courses "in company" for: Euroforum Escorial, Telefonica, Hewlett-Packard, Indra, Andersen Consulting, Accenture, Amena, BBVA, Iberia, Santander Central Hispano, Caja Madrid, La Caixa and BCP-Millennium, Banco Espírito Santo, Banking Sector of Angola, Banking Sector of Mozambique, Banco Angolano de Investimentos, Banco de Guayaquil, Banco Amazonas, Banco General Rumiñahui, Banco del Pacífico, among others.</p>
MR GUILLERMO EMILIO NIELSEN	<p>Economist Currently:&gt; President of UNITEC Blue (Argentina) and President of UNITEC Semicondutores (Brazil). &gt; Member of the Board of Directors of Compañía General de Combustibles. &gt; President of Strategic Investments S.A. &gt; GLG Consulting, USA, faculty. &gt; Titular Director Carlos Casado S.A. . Work experience:&gt; Ambassador of the Argentine Republic in the Federal Republic of Germany, (April 2008-September 2010). &gt; Minister of Finance, Government of the Autonomous City of Buenos Aires, (May-November 2006). &gt; Secretary of Finance of the Ministry of Economy and Production (May 2002-December 2005); in this role, he</p>

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

<b>INDEPENDENT DIRECTORS</b>	
<b>Name of director</b>	<b>Profile</b>
	led the negotiating team with the IMF (two Stand-by agreements), and the restructuring of the 2005 Argentine debt, for US \$ 82,000 million. > Representative of the Minister of Economy in the Board of the Central Bank of the Argentine Republic (January-April 2002). He held management positions in Creaurbán S.A., Creafé S.A., Socma Americana S.A., and Swift-Armor S.A. Education:> Ph.D. Candidate and M.A. in Economics, Boston University, 1978. Areas of specialization: International Commerce and Finance, Public Finance and Industrial Organization. > Bachelor of Economics, Faculty of Economic Sciences, University of Buenos Aires, March 1974.
MR SUNIL KANORIA	Entrepreneur. > Deputy-Chairman and co-founder of Srei Infraestructura Finance Limited. Srei started its business activity in 1989 and is one of the leader public finance entities of India within the infrastructure sector, including leasing and financing. > Deputy-Chairman and CEO of VIOM Networks Limited, a joint venture between Tata Teleservices and Quippo, a Srei Group company. VIOM is a pioneer within the passive shared infrastructure industry Telecom in India. > Deputy-Chairman and Director-General of Quippo Infraestructura Equipment Limited. A company devoted to the leasing of infrastructure equipment in order to provide services to high growth markets, such as construction, oil, gas, telecommunications and energy. > President elect of ASSOCHAM, a National Chamber of Leadership Commerce in India. Member of the Board of the Construction Industry Development Council (CIDC). > Member of the board of CPA of India appointed by the Government of India. Further, throughout his professional career he has develop important positions, among which highlight the presidency of the HPLA - Kolkata, the MCC - Kolkata, the FIHPA, and was a member to the prestigious group on the Development of the Tenth Five Year Plan (2002-07) of the Planning Commission of the Government of India.

<b>Number of independent directors</b>	6
<b>Percentage of the Board</b>	54,55

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 director	Description of the relationship	Statement of the Board
NA		

**OTHER EXTERNAL DIRECTORS**

Please identify other external directors and explain why they are not deemed to be proprietary or independent, and their relationship with the company, executives and shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
MR NASSER HOMAID SALEM ALI ALDEREI	Shareholder of San José Contracting, LLC and Tecnocontrol Contracting, LLC, investees of Grupo San José	SAN JOSÉ CONTRACTING LLC	Businessman Commander in the reserve of the Army of the United Arab Emirates. CEO of Gulf Connection. Business consultant / service provider located in Abu Dhabi and with a presence in the United Arab Emirates, which provides support to international companies that intend to establish themselves in their region of influence, an area that due to its growth and financial strength represents an attractive market and great business opportunities for companies in international expansion. This company brings its experience in the strategic planning of implementation, definition of the market of action and of the main objectives. Executive Chairman of New Art. Company specializing in interior design and operating in



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**OTHER EXTERNAL DIRECTORS**

Please identify other external directors and explain why they are not deemed to be proprietary or independent, and their relationship with the company, executives and shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
			the United Arab Emirates, Qatar and Morocco. Currently New Art is part of Gulf Connection. General Director of SANJOSE Contracting L.L.C., an Emirati company specializing in all types of construction projects. Local agent / partner of several companies, among which stand out: SANJOSE Constructora, Lane Middle East Contracting, CPC, Crane Middle East, PMK Consultant, Dal Riada.

Total number of other external directors	1
Percentage of the Board	9,09

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

Name of director	Date of change	Previous Status	Current status
	NA		

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:

	Number of female directors				% of directors for each category			
	Year 2018	Year 2017	Year 2016	Year 2015	Year 2018	Year 2017	Year 2016	Year 2015
<b>Executive</b>					0.00	0.00	0.00	0.00
<b>Proprietary</b>					0.00	0.00	0.00	0.00
<b>Independent</b>	1	1	1	1	16.66	16.66	16.66	16.66
<b>Other External</b>					0.00	0.00	0.00	0.00
<b>Total</b>	1	1	1	1	9.09	9.09	9.09	9.09

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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

El The Board of Directors of Grupo Empresarial San José, S.A. agreed in 2016 on its director selection policy through which the transparency of the director selection process is deemed essential within its corporate governance strategy.

Likewise, corporate regulations on directors establish, among others, the following principles and objectives:

- Maximum attention to people, to the quality of their working conditions, equality and training.
- Respect for diversity through a policy of equal opportunities, as well as human and professional development.
- Information transparency policy.

The management of the human resources of Grupo San José is inspired by the ethical codes of equal opportunities, cultural diversity, internal promotion of the best and demand for values such as merit, ability, involvement, responsibility, perseverance, commitment and honesty.

These commitments should inspire all the policies of selection, promotion and access to training, compensation and conciliation within the Group SANJOSE.

Any form of discrimination within Grupo San José is strictly forbidden (be it for reasons of ethnicity, race or national origin, sex, sexual identity or orientation, for reasons of gender, illness, religion, political option, social origin or disability).

Through a public, specific and verifiable policy, it is ensured that the proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors, while at the same time favouring the diversity of knowledge, experiences and gender in its composition.

The board of directors will choose candidates who meet the qualities and aptitudes for their appointment, with the advice and report of the appointments and remuneration committee. An adequate balance will be sought in order to enrich decision-making and provides plural points of view to the debate on matters within its competence.

The Appointments and Remuneration Committee must also ensure that the selection procedures does not suffer from implicit biases that may imply any discrimination and, in particular, facilitate the selection of female directors. In this sense, in addition to promoting the diversity of knowledge and experience in the board, the policy of selecting directors will ensure that in a few years the number of female directors represents at least 30% of the total number of board members.

The proposal for the appointment or re-election of the members of the board of directors corresponds to the appointments and remuneration committee, in the case of independent directors, and to the board itself in all other cases.

Said proposal must be accompanied in any case by a report on the competence, experience and merits of the proposed candidate. The appointments and remuneration committee will assess the skills, knowledge and experience required in the board of directors. For this purpose, it will define the functions and aptitudes necessary to be fulfilled in each vacancy and assess the time and dedication necessary to perform the tasks effectively.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 Appointment Committee maintains its goal to increase the number of women in the Board of Directors in order to achieve a more balanced presence of women and men, yet, during this year, no vacancies or the need to incorporate new members has arisen.

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 reasons**

As indicated herein, as no vacancies or the need to incorporate new members has arisen, no selection procedures have taken place during year 2018.

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

C.1.7 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.

The Company has applied during 2018. the same criteria as previous years for both the recruitment of Members and personnel.

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

C.1.8 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
NA	

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 or committee	Brief description
JACINTO REY GONZÁLEZ	As CEO of Grupo Empresarial San José he has all Powers delegated by the Board unless those stated by law.

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

Name of director or committee	Name of the Company	Position	Does the director have executive powers?
MR JACINTO REY GONZÁLEZ	San José Peru SAC	Chairman	yes
MR JACINTO REY GONZÁLEZ	San José Contracting LLC	General Manager	yes
MR JACINTO REY GONZÁLEZ	San Jose Constructora Peru, S.A.	Chairman	yes
MR JACINTO REY GONZÁLEZ	Inmobiliaria 2010, S.A.	Chairman	yes
MR JACINTO REY GONZÁLEZ	Carlos Casado, S.A.	Chairman	yes
MR JACINTO REY GONZÁLEZ	Sociedad concesionaria San José Tecnocontrol	Chairman	yes
MR JACINTO REY GONZÁLEZ	San José Tecnologías Peru, SAC	Chairman	yes
MR JACINTO REY GONZÁLEZ	Inmobiliaria Americana de Desarrollos Urbanísticos SAU	Sole Director	yes
MR JACINTO REY GONZÁLEZ	Desarrollos Urbanísticos Udra, S.A.	Sole Director	yes
MR JACINTO REY LAREDO	Constructora San José Cabo Verde, S.A.	Director	yes
MR JACINTO REY LAREDO	San José France, S.A.	Sole Director	yes
MR JACINTO REY LAREDO	Constructora Udra Lda	Sole Director	yes
MR JACINTO REY LAREDO	San José Construction Group	Chairman	yes
MR JACINTO REY LAREDO	SJB Mullroser Baugesellschaft MBH	Sole Director	yes
MR JACINTO REY LAREDO	San Jose BAU GMBH	Sole Director	yes
MR JACINTO REY LAREDO	Constructora san José representação em Portugal	Legal representative	yes

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director or committee	Name of the Company	Position	Does the director have executive powers?
MR JACINTO REY LAREDO	Constructora San José, S.A.	Chairman & CEO	yes
MR JAVIER REY LAREDO	Carlos Casado, S.A.	Director	yes
MR JAVIER REY LAREDO	Constructora San José representação em Portugal	Legal representative	yes
MR JAVIER REY LAREDO	Constructora San José, S.A.	Director	yes
MR JAVIER REY LAREDO	Comercial Udra, S.A.	Chairman & CEO	yes
MR JAVIER REY LAREDO	Cadena de Tiendas SAU	Sole Director	yes
MR JAVIER REY LAREDO	Centro Comercial Panamericano	Chairman	yes
MR JAVIER REY LAREDO	Inmobiliaria sudamericana de desarrollos urbanisticos	Chairman	yes
MR JAVIER REY LAREDO	Tecnoartel	Chairman	yes
MR JACINTO REY LAREDO	Udra Mexico, S.A. CV	Chairman	yes
MR JACINTO REY LAREDO	Udra Obras Integrales	Chairman	yes
MR JAVIER REY LAREDO	San José Concesiones y servicios	Sole Director	yes

C.1.11 List any directors or representatives of 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
NA		

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

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

Board remuneration in financial year (thousand euros)	2,718
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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

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Name	Position
MR JOSÉ ANTONIO SÁNCHEZ DE ROJAS PANFIL	Director of Consolidation
MR JOSÉ LUIS GONZALEZ	General Manager
MR JOSÉ MÁRQUEZ	Managing Director south America
MR MIGUEL ANGEL BRAVO	Middle East Director
MR NILTON RAMOS	Portugal & Cape Verde Director
MR FRANCISCO REY	Managing Director Portugal, Cape Verde & Brazil
MR JUAN ARESES VIDAL	Director General of Civil Works & Procurement Constructora San José
MR PEDRO ALLER ROMÁN	General Manager Carlos Casado
MR JEAN CLAUDE CURELL COSTANZO	Deputy Chairman GSJ Solution
MR FRANCISCO RAMÍREZ SAN EMETERIO	Director Peru
<b>Total senior management remuneration (thousand euros)</b>	1,433

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

- Yes  
 No

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

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

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

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

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

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

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

C.1.17 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 Board of Directors analysed the assessment of the members and agreed there is no need to apply any changes within the internal organisation nor the procedures applicable to its activities.

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

other area or aspect that has been evaluated.

**Description of the evaluation process and evaluated areas**

The chairman of the Appointments, Remuneration and Good Governance Committee has personally carried out several interviews with the directors of the Board, in order to carry out a personal and direct assessment of the performance of the Board and its committees. Once the conclusions of these interviews have been analysed by the appointments, remuneration and good governance committee, the board has been informed so that the latter draws up the self-assessment report.

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.

None

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

Article 25 of the Board of Directors Regulations – Resignation of Directors

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

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

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

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

Yes

No

If so, please explain.

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 or other more stringent requirements in addition to those established by law:

- Yes  
 No

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the rules.

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

Non-executive members can only delegate their representation on non-executive members.

C.1.25 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.

<b>Number of Board meetings</b>	5
<b>Number of Board meetings without the chairman</b>	

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:

<b>Number of meetings</b>	5
---------------------------	---

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

<b>Number of meetings held by the Executive Committee</b>	4
<b>Number of meetings held by the Audit and Risk Supervision Committee</b>	2
<b>Number of meetings held by the Appointments Committee</b>	5
<b>Number of meetings held by the Remuneration Committee</b>	4



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C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

<b>Number of meetings with the attendance of at least 80% of the directors</b>	1
<b>% personal attendance of total votes during the year</b>	73.00
<b>Number of meetings with all directors attending in person or by proxy with specific instructions</b>	
<b>% of votes cast in person and by proxy with specific instructions of all votes cast during the year</b>	0.00

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

- Yes  
 No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

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.

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

Within the internal control system, the internal control system of financial information (ICSFI) gains special importance, whose purpose is to ensure the adequate generation of financial information at an individual and consolidated level within the Group, respecting the criteria and applicable accounting regulations. The Administration and Finance Department is responsible for the application of the SCIF and that it is adequately updated.

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

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

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

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

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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

C.1.29 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
MR FERNANDO CALBACHO LOSADA	

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

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

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

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

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

- Yes  
 No

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

- 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
<b>Amount invoiced for non-audit services (thousand euros)</b>	35	35	66
<b>Amount invoiced for non-audit services/Amount for audit work (in %)</b>	46.97	53,03	100,00

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 to the shareholders at the General Meeting 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
<b>Number of consecutive years</b>	24	24

	Individual	Consolidated
<b>Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)</b>	100.00	100.00

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### Explanation of procedure

#### Article 26 of the Board of Directors Regulations - Disclosure rights

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

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

#### Article 27 – External Advice

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

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

C.1.36 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

### Explanation of procedure

#### Article 25 of the Board of Directors Regulations.

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

C.1.37 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 Companies Act:

- 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.

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to a takeover bid or any other type of transaction.

<b>Number of beneficiaries</b>	4
<b>Type of beneficiary</b>	<b>Description of agreement</b>
Executive directors and the General Manager	The agreement contained in the contract of the executive directors is as follows: In the event of termination of the contract at the company's discretion, the executive director will be entitled to receive severance indemnity, except in the event that such termination is due to a serious breach of any of the obligations of the executive director, in which case he will not be entitled to receive any compensation for the termination of the contract. The termination indemnity shall be equivalent to: (i) Three annual payments of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received, if the aggregate of these two amounts is less than 750,000 euros. (ii) Two annuities of the annual fixed remuneration of the executive director at the time of termination and of the last annual variable remuneration received, if the aggregate of these two amounts is more than 750,000 euros but less than 1,100,000 euros. (iii) Two annuities of remuneration annual of the executive director at the time of cessation and of the last annual variable remuneration received, if the aggregate of these two amounts is greater than 1,100,000 euros. Withdrawal compensation will be deducted on account of Personal Income Tax of and Social Security contributions in charge of the executive director according to current legislation. In the case of the general manager, the terms agreed on his contract are as follows: The Company may terminate the contract unilaterally by means of the withdrawal under Article 11 of the Royal Decree of Senior Management, communicated in writing to the senior manager, with a minimum notice period of 3 months. In this case, the senior manager will be entitled to compensation of 3 annuities of the remuneration that was received at the time of termination of the contract.

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:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Body authorising the severance clauses</b>	√	

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

	Yes	No
<b>Are these clauses notified to the General Shareholders' Meeting?</b>	√	

Information has been made available to the Meeting by means of the Annual Corporate Governance Report.

### 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:

#### Appointment, Remuneration and Good Governance Commission

Name	Position	Category
MR ROBERTO ÁLVAREZ ÁLVAREZ	DIRECTOR	Independent
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	Independent
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR ENRIQUE MARTIN REY	DIRECTOR	Proprietary

% of executive directors	0,00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external directors	0.00

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.

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

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

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

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

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

The functions of the Commission are:

1. To evaluate the competencies, knowledge and experience required for the Board of Directors. For this purpose, it defines the functions and skills of the candidates for each vacancy and assess the necessary time and dedication so that they can effectively play their role.
2. To establish a goal of representation for the under-represented sex in the Board and draw up guidelines on how to achieve this objective.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

3 To raise proposals to the Board of Directors for the appointment of independent directors, for their designation by co-optation or for the submission to the decision of the general meeting of shareholders, as well as to propose candidates for re-election by the general meeting of shareholders.

4 To submit proposals for appointment of the remaining directors by co-optation or for its submission to the decision of the general meeting of shareholders.

5 To inform of the proposals for appointment and cessation of senior managers and the basic terms of their contracts.

6. To examine and arrange the succession of the Chairman of the Board of Directors and the Chief Executive Office and, where appropriate, make proposals to the Board of Directors of such succession in an orderly and planned manner.

7 To propose the remuneration policy of the directors to the Board of Directors, members of the committees or CEOs, as well as the Individual remuneration and other contractual conditions of the Executive Directors.

8 To report to the Board of Directors on transactions with associates.

9. To supervise and monitor transparency in social actions, compliance with the Company's rules and principles and the compliance with applicable standards of all members and directors of the company, informing the board of Directors of any breach of conduct, so as it to be corrected or, if not corrected, to be reported to the general meeting.

10 To propose to the Board of Directors the amendment of its regulations.

11. To raise to the Board of Directors, for consideration and approval, any other proposals deemed appropriate.

12. The Commission should ensure that procedures for the selection of advisors encourage gender diversity, and not suffer from any implicit biases that may involve any discrimination and, in particular, facilitate the selection of counsellors.

### Executive Commission

Name	Position	Category
MR JACINTO REY GONZÁLEZ	CHAIRMAN	Executive
MR JACINTO REY LAREDO	DIRECTOR	Executive
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR JAVIER REY LAREDO	DIRECTOR	Executive

% of executive directors	75,00
% of proprietary directors	0,00
% of independent directors	25,00
% of other external directors	0,00

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 Executive Committee is dealt with in Article 31 of the By-Laws and Article 14 of The Board's Regulations. The Executive Committee will be comprised of a minimum of three (3) and a maximum of five (5) directors, nominated by the Board of Directors among its component, for a period equal to the term in the office of each Member of the Board.

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

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

It is borne to the following performance rules:

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

1. The Executive Committee will meet according to the schedule of meetings to be set at the beginning of each year and whenever the Chairman deems it appropriate in order to ensure the proper performance of the Committee.
2. Insofar, provided not incompatible with their nature, provisions of the Bylaws relating to the convening of meetings shall apply.
3. Executive Committee will be quorate when at least half of its members are present or represented. Whenever Directors Member of the Executive Committee cannot personally attend the meeting, Directors may delegate their representation to another attendee members by letter addressed to the Chairman.
4. Meetings shall be chaired by the Chairman of Board. In the absence of the Chairman, his duties shall be exercised by the Deputy-Chairman, and in the event of being several priorities, these shall be set out by number, and in default of these, the Director appointed by the Committee from among its members to fulfil this function.
5. Secretary and Deputy Secretary of the Board of Directors shall act as Secretary and Deputy-Secretary of the Executive Committee and, in the event of being several priorities shall be set out by priority number, and in the absence of these, the Director appointed by the Commission from among its members to fulfil this function.
6. Agreements shall be adopted by majority Resolutions shall be adopted by an absolute majority of those present at the meeting.
7. The Executive Committee may pass resolutions without a calling a meeting pursuant to the same conditions of the Board.

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

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

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

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

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

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

### Audit Committee

Name	Position	Category
MR RAMÓN BARRAL ANDRADE	CHAIRMAN	Independent
MR JOSE MANUEL OTERO NOVAS	DIRECTOR	Independent
MR ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ	DIRECTOR	Independent

% of executive directors	0,00
% of proprietary directors	0,00
% of independent directors	100,00
% of other external directors	0,00



## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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.

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

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

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

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

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

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

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

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

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

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

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

The responsibilities of the Committee are:

To inform the General Meeting of Shareholders on the issues raised regarding matters within its competence.

To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.

To supervise the elaboration of financial information.

To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.

To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.

To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.

To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:

Financial information to be released regularly.

The creation or acquisition of stakes in special purpose vehicles.

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

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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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.

<b>Name of directors with experience</b>	MR RAMÓN BARRAL ANDRADE / MR JOSE MANUEL OTERO NOVAS / MS ALTINA DE FÁTIMA SEBASTIÁN GONZÁLEZ
<b>Date of appointment of the chairperson</b>	21/06/2018

International Executive Committee		
<b>Name</b>	<b>Position</b>	<b>Category</b>
MR ROBERTO ÁLVAREZ ÁLVAREZ	DIRECTOR	Independent
MR JACINTO REY GONZÁLEZ	CHAIRMAN	Executive
MR JACINTO REY LAREDO	DIRECTOR	Executive
MR JAVIER REY LAREDO	DIRECTOR	Executive
MR NASSER HOMAID SALEM ALI ALDEREI	DIRECTOR	Other external
MR SUNIL KANORIA	DIRECTOR	Independent

<b>% of executive directors</b>	50,00
<b>% of proprietary directors</b>	0,00
<b>% of independent directors</b>	33,33
<b>% of other external directors</b>	16,67

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.

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

**Composition.**

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

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

The International Executive Committee is responsible for the information, monitoring, advisory and proposal of matters of its competence in the international arena. The Committee will be chaired by the Chairman of the Board of Directors. The resolutions of the Committee, adopted with the Chairman, shall be considered as legal decisions by the Chairman in accordance with the delegated powers of the Board.

The members of the International Executive Committee shall cease by substitution, the termination of the period which they have been appointed for, willingly or by loss of the condition of Member.

The International Executive Committee shall meet whenever the Chairman deems it appropriate. The sessions of the Committee may be plenary or by sections, consisting the latter in private meetings with the members invited in each case by the Chairman, in response to a variety of countries, areas of specialization or sectors of activity.

**Competencies:**

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

(a) To collaborate in the development of the Group's international area in all its divisions, both in construction and in concessions, energy and real estate projects and urban or any other type of business.

b) To contribute to the increase of the international relations of the Group with public and private, local and international partners.

(e) To search for new business opportunities and projects, elaborate proposals for foreign, either public or private, institutions, and other entities that develop projects worldwide.

(d) To raise capital and investment financing for international projects.

(e) To propose projects with the appropriate partners.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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:

	Number of female directors							
	Year 2018		Year 2017		Year 2016		Year 2015	
	Number	%	Number	%	Number	%	Number	%
<b>Appointments Committee</b>		0.00		0.00		0.00		0.00
<b>Executive Committee</b>		0.00		0.00		0.00		0.00
<b>Audit Committee</b>	1	33.33	1	33.33	1	33.33	1	33.33
<b>International Executive Committee</b>		0.00		0.00		0.00		0.00

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.

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

Documents for each commission are available online.

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

Reports on their activities are issued on an annual basis.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

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

Article 32 of the Board of Directors Regulation – Intragroup transactions

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

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

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

**D.2.** 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:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
PINOS ALTOS XR, S.L.	Grupo Empresarial San José, S.A.	Commercial	Provision of services	113
PINOS ALTOS XR, S.L.	Xornal de Galicia, S.A.	Commercial	Financing agreements: loans	1.193

**D.3.** 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 directors or officers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
MR NASSER HOMAI SALEM ALI ALDEREI	Tecnocontrol General Contracting LLC San José Contracting LLC	Shareholder	Other	38

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
MR PEDRO ALLER ROMÁN	Grupo Empresarial San José, S.A.	General Manager Carlos Casado	Financing agreements: loans	101

**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.

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

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
NA		N.A.

**D.5.** Describe significant transactions conducted with other related parties that have not been reported in the previous sections.

Name of the related party	Brief description of the transaction	Amount (thousand euros)
MA		N.A.

**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.

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

Article 28 – General obligations

Directors shall fulfil functions and obligations in compliance with applicable laws and by-laws, taking into consideration the nature of the position and the main functions attributed to each of them.

Directors shall be devoted to their position and adopt all necessary measures for the smooth performance and control of the Company.

Within its functions, the Members shall request all Company Information for the fulfilment of the obligations.

Directors shall perform their functions according to loyalty and good faith practises and for the interest of the company.

Loyalty commits Directors to:

Not to use powers for purposes other than those for which they have been granted to.

Keep secret all information, data, reports and records released within the performance of this position, even after its office, unless requested by law.

Not to take part in the decision-making process of the any issues, agreements or decisions which the director or any other person linked to the same may be interested in, either directly or indirectly. Decisions affecting his condition as member are excluded, such as the renewal or cessation of Directors.

To development the tasks and functions under the principle of personal liability regardless any third parties.

To adopt as many measures may be deemed necessary so as not to incur in any conflict of interest with the company.

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

Not to perform transactions with the Company, other than ordinary transactions, under standard conditions for clients, understanding as such those which request equity, or financial information of the Company.

Not to use the name of the Company or the condition of Director to force any private transactions.

Not to use company assets, even confidential information of the company, with private purposes.

Not to take advantage of the Company's business opportunities.

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Not to get any advantages or disadvantages from third parties other than courtesy events.

Not to develop activities which may involve direct or indirect competence with to the company or represent a conflict of interest.

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

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

Yes

No

## E. RISK MANAGEMENT AND CONTROL SYSTEMS

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

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

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

The scope of the risk management system covers the entire Group, regardless of the activity and / or geographical region. The Internal Audit Department of the Group, based on the principles of:

-Integral management of risk.

-Valuation of risks and establishment of the level of risk assumed.

-Respect for the ethical code and anti-corruption, and

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

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

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

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

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

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

### E.3. 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:

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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

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

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

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

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

-Financial risk: exposure to credit risk, liquidity risk, exchange rate risk and interest rates.  
-Risk operational: The Group's activity consists mainly of the design, development and management of construction projects.

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

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

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

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

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

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

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

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

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

The main risks which the Group has been exposed to in 2018 were as follows:

-Financial risk - exposure to the exchange rate: during year 2018 there has been a significant depreciation of the Argentine peso, increasing that of previous years. Likewise, and due to the high levels of inflation accumulated in recent years, international organisations have classified the Argentine economy as hyper-inflationary.

- Contract non-compliance: in December 2016 the unilateral resolution by the client of the contract "ICB-01: Airside infrastructure and land side terminal improvement at TIA, Simikhot and Rara Airports" took place. The Group considers that the reasons alleged by the client lack foundation and legitimacy and, consequently, during the years 2017 and 2018 the Group has implemented all the mechanisms contemplated in the contract for the defence of its interests. In year 2018, to the extent that an agreement has not been reached, arbitration has been initiated at the international level.



## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

-Risk of market - Increase in prices of productive resources: during year 2018, and as a consequence of the recovery and reactivation of the world economy, in particular the Spanish economy, a generalised increase in the price of electricity has been materialised, negatively affecting the results of the Group.

**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 internal control system is mainly focused on: i) identifying the risks which the Group may be exposed to by the intrinsic characteristics of the activity or markets where it operates, ii) quantifying its potential impact, iii) defining action policies to meet defined objectives, iv) establishing the necessary controls to minimise possible contingencies that may arise, and create actions or responses to those contingences once occurred.

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

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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

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

The Board of Directors formally assumes the ultimate responsibility for the existence and correct application of Internal Control Systems on Financial Information.

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

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

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

F.1.2 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.

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

Likewise, this Commission is responsible for informing the proposals for the appointment and dismissal of senior management.

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

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

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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.

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

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

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

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

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

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

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

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

- Revision of the adequacy of the Model and promotion of its update whenever it considers it appropriate.
- Promotion of the dissemination of the Model and supervision of the training activities carried out.
- Reception and management of complaints received through the Whistleblowing Channel.
- Instruction of internal review processes that are carried out when there is any indication of unlawful acts.
- Inform the Board of Directors.

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

**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.**

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

The Organisation and Management Model for the Prevention of Crimes established by the Group contemplates, among others, the existence of a whistleblowing channel.

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

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

-By email, at the address established by the Group for these purposes.

-By telephone through a personal interview or conversation with the Compliance Officer.

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

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

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

Training and 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.

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

### 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.

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

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

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

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

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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

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

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

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.

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

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

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

The governing body within the company that supervises the process.

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

- a) Follow up on the recommendations made and confirm their correct implementation by the General Directorate of Administration and Finance;
- b) Issue an opinion (binding) on the changes proposed by the General Directorate of Administration and Finance, etc.
- c) The General Directorate of Administration and Finance is responsible for periodically evaluating the ICFR, and ensuring its proper updating.

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### F.3. Control activities

State 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.

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

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

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

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

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

F.3.2 Internal 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.

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

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

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

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

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

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

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

**F.4. Information and communication**

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

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

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

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

**F.4.2 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.**

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

All of the units within the SANJOSE Group are required to submit detailed financial information using a single format and a CFO is responsible for each level of aggregation.

The Consolidation Department establishes the formats to use and analyses potential problems which may arise, reporting the same to the General Direction of Administration and Finance.

Virtually all of the Group's companies are integrated into the Group's ERP. This guarantees the accessibility to the accounting information at maximum detail, as well as the homogeneity in the application of the accounting policy. Additionally, in the process of aggregation and consolidation of the financial statements, the Group employs a computerised procedure, which includes multiple checks and automatic reconciliation of the information, in order to guarantee the security of the process and the integrity and goodness of the information processed in search of inconsistencies in the registered data, before its validation.

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

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

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

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

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

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

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

F.5.2 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 weaknesses 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 Audit Committee maintains a stable and professional relationship with the external auditors of Grupo SANJOSE and the main Group companies, with strict respect for their independence. This relationship facilitates communication and discussion of significant weaknesses of internal control identified during the revision of financial statements.

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



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

None

**F.7. External auditor's report**

Report on:

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.

Grupo San Jose does not subject the ICFR info submitted to the markets to the review of external auditors

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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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.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

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

The Company published on the corporate website reports on the refusal of pre-emptive right.

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

Reports referred to on sections b and c are not available on the company's website.

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

Complies       Explanation

Real time reporting is not deemed necessary due to the little capitalisation and the reduced releasing percentage.

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.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 establishes 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  ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 to 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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

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

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

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 takeover bid, merger 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

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

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

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

26. That the Board of Directors meets 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 that do not originally appear on the agenda.

Complies     Complies Partially     Explanation

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

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

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

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

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

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



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 [ X ]      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 [ X ]      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 [ X ]      Explanation [ ]      Not applicable [ ]

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

31. That the agenda for meetings clearly states those matters about which the Board of Directors is 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 [ X ]      Complies Partially [ ]      Explanation [ ]

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 [ X ]      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.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

Complies [ X ]                      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: chair 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 [ X ]                      Explanation [ ]                      Not applicable [ ]

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

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 Code of Good Governance and which are applicable to the company.

Complies [X ]                      Explanation [ ]

36. That the Board of Directors meets 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.

Complies [ ]                      Complies Partially [ X ]                      Explanation [ ]

Up to date, the board has not deemed necessary to request the services of an external adviser to assess its performance.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 Commission consists of three executive directors and an independent member since it is understood to be the best arrangement in order to meet management needs.

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 [  ]

Minutes of the Executive Commission are available for directors.

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 [  ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 [ X ]

Explanation [ ]

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

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

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

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

To inform the AGM on the issues raised regarding matters within its competence.

To supervise the efficiency of the internal control system of the Company, internal audit and risk management systems.

To supervise the elaboration of financial information.

To propose the Board of Directors, for its subsequent submission to the General Meeting, the appointment of external auditors, the terms of the contract, the scope of the mandate and, its termination or non-renewal.

To maintain relations with external auditors to receive information on any issues that may jeopardize their independence and any others matters related to the development process of the audit and other communications provided, if applicable, by auditing legislation and technical auditing standards.

To issue on an annual basis, prior to the issuance of the auditor's report, a report regardless the auditor's impressions.

To inform, previously, the Board of directors of all issues applicable by law, by-laws and regulations of the Board regarding:

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

Financial information to be released regularly.

The creation or acquisition of stake in special purpose vehicles in tax heavens

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  [ X]

Complies Partially  ]

Explanation  ]

Not applicable  ]

45. That the risk management and control policy identify, at 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  [ X]

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  [ X]

Complies Partially  ]

Explanation  ]

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 [ X ]      Complies Partially [ ]      Explanation [ ]

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

Complies [ X ]      Explanation [ ]      Not applicable [ X ]

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 [ X ]      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 [X ]      Explanation [ ]

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

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

- a) To evaluate the skills, knowledge and experience of the Board of Directors and define the skills of the candidates to fill each vacancy and the time and dedication necessary.
- b) To establish an objective of representation for the less represented gender in the Board of Directors and develop guidance on how to achieve that objective.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

51. 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, to which at least the following responsibilities shall be specifically assigned:

- 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.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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

Complies [ X]      Complies Partially [ ]      Explanation [ ]

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, at 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 [ X]      Explanation [ ]

The Company has subscribed the principles of the United Nations Global Compact, which shall be taken into account by the Group in the relationships with suppliers, clients, contractors. Further, the code of conduct and the anti-corruption policy meet the purpose of the SCR policy.

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 [ X]      Complies Partially [ ]      Explanation [ ]

56. That director remuneration is 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 by the post, while not being so excessive as to compromise the independent judgment of non-executive directors.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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 foregoing shall not apply to shares that the director may be obliged to 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 is 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  Complies Partially  Explanation  Not applicable

Variable remuneration is determined and paid up based on the profit/(loss) for the year and upon the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore has not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of variable components.

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

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       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       Not applicable

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

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 foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies       Complies Partially       Explanation       Not applicable

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       Complies Partially       Explanation       Not applicable

[ Variable remuneration is determined and paid up based on the profit/(loss) for the year and upon the issuance of the audit report. The company understands that this constitutes a sufficient safeguard to verify that it meets conditions previously established, and therefore has not considered necessary the regulation of an additional or specific deferral mechanism or reimbursement of the payment of variable components. ]

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       Explanation       Not applicable

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

## ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

### H. INTERÉS FURTHER INFORMATION OF INTEREST

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1. If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it 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.

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

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

[ 28/02/2019 ]

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

[ ] Yes

[  ] No