

REPORTS ON THE ACTIVITY OF THE AUDIT AND APPOINTMENTS AND REMUNERATION COMMITTEES.

This report has been drawn up in accordance with the terms of recommendation six of the Code of Good Governance for listed companies and includes the reports on the performance of the audit and appointments and remuneration committees, on related-party transactions and on the independence of the auditor which will be published on the website sufficiently in advance of the Ordinary General Meeting.

Acciona is submitting the Sustainability Report, which is equivalent to the report on the corporate social responsibility policy, for the approval of the general meeting as a specific item on the agenda.

INDEX

1. REPORT ON THE PERFORMANCE OF THE AUDIT COMMITTEE

1.1. REPORT FROM THE AUDIT COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR.

1.2. REPORT ON RELATED-PARTY TRANSACTIONS

2. REPORT ON THE PERFORMANCE OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

1. REPORT ON THE PERFORMANCE OF THE AUDIT COMMITTEE

In accordance with the terms of article 40 of the By-laws, the Board of Directors of Acciona, S.A. ("**Acciona**" or the "**Company**"), in order to duly discharge its duties, has set up an Audit Committee to supervise the accounting and financial information, the internal and external audit services and corporate governance.

In addition to the provisions of the By-laws and the legislation in force, the Audit Committee is regulated by the Regulations of the Board of Directors in Article 30 (accessible via the Company website, www.acciona.com).

1. Composition.

The Audit Committee, in accordance with the Board Regulations, will be comprised of a minimum of three and a maximum of five directors, all external, and at least the majority of them will be independent directors.

The Chairperson of the Audit Committee will be chosen by the Board of Directors from among the members of the Audit Committee who are independent directors.

The Chairperson will be replaced every four years and may be re-elected after one year has passed since he/she relinquishes the post.

The Secretary of the Board of Directors will act as Secretary of the Audit Committee and, in his/her absence, the Vice-Secretary of said body.

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

Throughout the 2017 financial year the Audit Committee has been formed by the directors indicated below and that continue to form part of the same on the date of this report:

POSITION	DIRECTOR	CATEGORY
Chairperson	Mr Juan Carlos Garay Ibergaray	Independent Director
Member	Ms Ana Inés Sainz de Vicuña Bemberg	Independent Director
Member	Mr Jaime Castellanos Borrego	Independent Director
Member	Mr Javier Entrecanales Franco	Proprietary Director

2. Performance.

The Audit Committee, pursuant to the terms of article 30 of the Board of Directors Regulations, will meet whenever convened by its Chairperson, either on his/her own initiative or at the request of any of its members, and will do so with the frequency considered necessary for the performance of its duties.

The announcement of a meeting will be made by the Chairperson him-/herself or by the Secretary acting on the instructions of the Chairperson. If the Chairperson is absent or unable to make the announcement, it will be made by the Secretary at the request of any of the members.

The Managers responsible for the areas of Accounting and Financial Information, Internal Audit and Compliance may be called to the meetings, as well as, at their request, those employees belonging to such areas as have knowledge of or responsibility for the items included on the agenda as well as the external auditor of any Group company.

Moreover, the Committee may commission external advisory services and obtain any personal collaboration and reports from any employees or members of Senior Management of the Group, when considered necessary for the performance of its duties in relevant matters.

The Audit Committee will meet periodically depending on its needs and at least four times a year, prior to the public dissemination of the financial information by Acciona. One of the sessions will necessarily include assessment of compliance with the governance rules and procedures in Acciona and the efficiency of the same. The Committee will be validly constituted when attended, present or represented, by at least half of its members.

It will be possible to attend via videoconference, telephone or other telecommunications means that make it possible to identify the director beyond doubt and maintain the confidentiality of what is being addressed, with the members participating in the meeting in this manner being deemed present. The resolutions are adopted by an absolute majority of the members who attend the meeting, either in person or represented. The Chairperson of the Audit Committee has a casting vote.

The Secretary will take the minutes of each meeting of the Audit Committee. The Board of Directors will have access to the minutes at any time.

3. Responsibilities.

The functions of the Audit Committee, notwithstanding those established in the Spanish Companies Act and in article 40 bis of the By-laws, are set out in article 30c) of the Board of Directors Regulations.

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

In order to perform its duties, the Audit Committee will have the following responsibilities, notwithstanding any others established in the legislation in force and in the By-laws or that may be entrusted to it by the Board of Directors:

- a) Inform the General Meeting of Shareholders on the issues raised by shareholders falling within its remit.
- b) Inform the Board of Directors on any structural and corporate modification operations that the Company plans to undertake and analyse their economic conditions and accounting impact and, in particular, on the exchange equation proposed.
- c) In relation to the systems of internal information and control:
 - (i) Supervise the process of the drafting, integrity and presentation to the market of the regulated financial information on Acciona and its group, overseeing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
 - (ii) Periodically revise the systems of internal control and risk management, so that the main risks are properly identified, managed and informed of.
 - (iii) Safeguard the independence and effectiveness of the internal audit referred to in article 31 of the Board of Directors Regulations; propose the selection, appointment, re-election and cessation of the person responsible for the internal audit service; propose the budget for the service; approve the focus and the working plans, ensuring that the activity focuses mainly on the relevant risks; receive periodic information on its activities; and verify that senior management takes into account the conclusion and recommendations in its reports.
 - (iv) Establish and supervise a mechanism that allows employees to report, on a confidential and, if considered appropriate, anonymous basis, any potentially material irregularities, particularly of a financial and accounting nature, that are discovered within the company.
 - (v) Revise, analyse and discuss the Financial Statements and other relevant financial information with senior management, internal and external auditors, in order to confirm that such information is complete and that criteria consistent with the closing of the preceding year have been followed.
 - (vi) Approve the internal audit plan for the assessment of the Financial Information Internal Control Systems and receive periodic information on the result of its work, as well as on the Plan of Action to correct any deficiencies observed.
 - (vii) Supervise the process of development by senior management to make significant appraisals and estimates and gauge their impact on the financial statements.
 - (viii) Supervise the decisions of senior management on the adjustments proposed by the external auditor, as well as hearing and, if applicable, mediating in any disagreements between them.
- d) In relation to the external auditor:

- (i) In the event of resignation of the external auditor, examine the circumstances that led to it.
 - (ii) Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
 - (iii) Ensure that the Company notifies any change of auditor to the CNMV as a relevant event including a declaration on the potential existence of disagreements with the outgoing auditor and, if so, the content of the same.
 - (iv) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work carried out and the evolution of the accounting and risk situation of the Company.
 - (v) Ensure that the Company and the external auditor respect the rules in force on the provision of services other than audit services, the limits on the concentration of the auditor's business and, in general, any other rules on the independence of auditors.
- e) Favour a situation in which the auditor of the group assumes the responsibility for the audits of the companies that comprise it.

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

The following will be specific tasks to be performed by the Audit Committee for the proper discharge of its duties:

- a) Revise the accounts of Acciona and, if applicable, its group, before they are made public;
- b) Act as a channel for communication between the Board of Directors and the external auditors, evaluate the results of each audit and the responses of the management team to its recommendations, and mediate and arbitrate in the event of disagreements between the two in relation to the principles and criteria applicable to the preparation of the financial statements;
- c) Inform on the proposals to modify accounting principles and criteria suggested by management;
- d) Supervise compliance with the audit agreement, ensuring that the opinion on the annual accounts and main content of the audit report are drafted in a clear and precise manner;
- e) Revise the issue prospectuses, the annual accounts and the periodic financial information to be supplied by Acciona to the markets and their supervisory bodies;
- f) Evaluate and supervise the efficacy of Acciona's internal monitoring systems and their suitability and integrity;
- g) Supervise the internal audit services of Acciona and its group, approve the annual budget for the department, be aware of the internal audit plan and oversee the systems for the recruitment and hiring of internal audit personnel;
- h) Inform on the appointment of the person responsible for the internal audit department;
- i) Supervise the efficacy of the risk management systems, and discuss with the external auditors any significant weaknesses of the internal

monitoring system that, if applicable, may have been detected in the course of the audit;

- j) Receive information and, if applicable, issue a report on disciplinary measures adopted in relation to members of the management team of Acciona;
- k) Oversee compliance with the legal requirements applicable to the corporate organisation and operation of Acciona;
- l) Oversee compliance with the Board of Directors Regulations, the Regulations of the General Meeting of Shareholders and the Internal Conduct Regulations on the Securities Markets and, in general, compliance with the governance rules of Acciona; and make the necessary proposals for improvement thereof.

The Audit Committee will inform the Board, prior to the adoption by the latter of the corresponding decisions, on the following matters indicated in Article 7 of the Board Regulations:

- a) The financial information that, due to its status as a listed entity, the Company must publish periodically. The Committee will ensure that the interim accounts are drawn up with the same accounting criteria as the annual ones and, to that end, consider the advisability of a limited review by the external auditor.
- b) The creation or acquisition of participations in special purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the group.
- c) Related-party transactions when they must be submitted to the decision of the Board of Directors.

4. Activity of the Committee.

The Committee performs its functions with complete autonomy, directed by its Chairperson, who is responsible for calling meetings, deciding on the items to be included on the agenda and requesting the attendance of those employees or members of Senior Management of the Company or third persons necessary for the proper discharge of its duties. The executive areas of Acciona provide their full collaboration and the Board of Directors, which must receive periodic reports on the activities of the Committee, provides support.

The Audit Committee met on a total of five occasions in the 2017 financial year.

All the members comprising the Committee participated in all the meetings. Three meetings were attended by personnel from the external auditor and at two the internal auditor, the Head of Compliance and the Head of Fiscal participated.

Below are the main activities carried out by the Audit Committee, in the course of the 2017 financial year and until the 2018 General Meeting was called:

4.1 Performance Assessment.

The Audit Committee assessed the quality and efficiency of the performance of the Board of Directors, of the Committee itself and of the Chairperson and executive Vice-Chairperson in the 2016 financial year; in order to do so it approved an individual form filled in anonymously by each Director. The result of the evaluation was attached to the minutes as an annex.

Moreover, it assessed compliance with the governance rules and procedures and the quality and efficiency of the same, issuing a report on the same and submitting it to the Board.

The assessment of the quality and efficiency of the performance of the Committee in 2017 is being carried out with the intervention of external consultant (E&Y). The process is being carried out by means of work sessions with the members of the Committee, reviewing the minutes and internal documentation as well as the individual questionnaires filled in anonymously by each member of the Committee.

4.2 Financial-accounting information.

As in previous financial years, the Audit Committee has analysed the financial statements of both Acciona and its Group contained in the annual reports, six-monthly and quarterly, prior to submission of the same to the Board and notification to the securities markets, to the extent necessary to confirm its accuracy, reliability, sufficiency and clarity, with all the information necessary at its disposal, with the level of aggregation it deems appropriate, counting on the necessary support of the Senior Management of the Group, in particular the area responsible for the Accounting functions, as well as the auditor for the Company and its Group.

In this regard, the Committee has heard and given its approval to the accounting principles, policies and practices and the measurement criteria followed by Acciona and the Group in the process of drawing up and presenting the mandatory financial information and has verified that such principles and practices are applied correctly, also revising the proper delimitation of the consolidation perimeter.

Moreover, the Committee has carried out a follow-up of the evolution of the main figures on the balance sheet and income statement of Acciona and its Group and has analysed the additional information it has considered appropriate in order to clarify any doubts that may have arisen in its reviews, prior to the presentation of the information to the Board of Directors.

As such, the Committee has offered the Board of Directors its opinion on the Annual Accounts of Acciona and the Group corresponding to the 2017 financial year, which have been drawn up using the best practice and recommendations in this regard, national and international, and in the legislation in force.

Consequently, the Audit Committee proposed to the Board of Directors of Acciona that it draw up the individual Annual Accounts, and the consolidated ones of the Group, in the same terms as those submitted for voting at the General Meeting of Shareholders, and that they be accompanied by the corresponding report issued by the auditor, KPMG Auditores, S.L. stating its favourable opinion, without qualifications. Moreover, the Committee has ensured that, pursuant to recommendation 42 of the Code of Good Governance for listed companies, the external auditor met with the Board of Directors to present its report on the annual accounts in person and inform on the work carried out in relation to the same, which took place at the meeting of 26 February 2018.

4.3 Internal monitoring systems.

The Committee has been informed of the internal monitoring systems established by the Group, of the results of the internal audit activity and the risk management systems in the process of the drawing up of the mandatory financial information, including the tax information.

Moreover, in relation to the internal monitoring systems:

- It has supervised and seen the different reports prepared, both internally and by the external auditor of the Group, on the efficiency of internal monitoring in relation to the Financial Information Systems.
- It has supervised the update of the Risk Map.

- It has supervised the activity carried out by the Committee regarding the Code of Conduct, receiving detailed information on the procedures in progress and those processed in the 2017 financial year in which a total of 45 notifications were received via the Whistleblowing Channel, in relation to the following matters:
 - Financial (11)
 - Labour/ Discrimination/ Mobbing/ Sexual Harassment (26)
 - Other (2)
 - Enquiries (6)

It has supervised the activity of the Corporate Compliance Department.

4.4 Relations with the external auditor.

The Audit Committee, in view of the fact that the external audit constitutes one of the fundamental elements of the chain of monitoring mechanisms established in order to ensure the quality and integrity of the financial information, has established the appropriate relations with the external auditor, KPMG Auditores, S.L., who have offered the Committee direct information on the development of the activity.

Thus, in relation to the performance of audit work and the function performed by the Committee in this process:

- It has seen the work carried out and the results of the same in the form of the reports presented to the Committee. Moreover, it analysed and approved the proposal of fees of the external auditor of the Group envisaged for the 2017 financial year.
- It has overseen the application of internal procedures that ensure no situations arise that could compromise the independence and objectivity required of the external auditor, also ensuring that the external auditor had access to all the information it required to do its job and that it received maximum collaboration from all the units of the Group.
- It has approved the Corporate Rules on the Independence of the Auditor, Procurement of Services other than Auditing.

In addition, the Committee has verified the statements made by the external auditor in terms of its declaration of independence in relation to the entity or entities linked to it, receiving from it a declaration of its independence; the Committee then issued the corresponding report on the independence of the auditor which is attached to this document.

Likewise, it has heard the recommendations made by the external auditor and the plans adopted by the entities of the Group for implementation of the same, and has valued the quality of the services provided by KPMG Auditores, S.L. as external auditor of Acciona and its Grupo.

4.5 Rotation of the Auditor.

In the 2016 financial year Acciona began the process of rotating and commissioning a new auditor in accordance with the terms of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014, as well as of the Spanish Audit Act (*Ley 22/2015, de 20 de julio de Auditoría de Cuentas*), with the Audit Committee assuming responsibility for the selection process and the conditions in which it is commissioned.

The selection process was carried out in an impartial, transparent and non-discriminatory manner, in accordance with the regulations in force, and concluded with the proposal to appoint the audit firm, KPMG Auditores, S.L. as Auditor of the individual Annual Accounts of Acciona, S.A. and the consolidated ones of the Group for the next three financial years (2017, 2018 and 2019).

The proposal from the Audit Committee was approved by the General Meeting of Shareholders on 18 May 2017.

4.6 Internal Audit.

As for the functions performed by the Internal Audit Area of the Group, which are reported directly to the Audit Committee, the Committee has analysed and approved the working plan for the 2017 financial year drawn up by this Area, has carried out periodic follow-ups of execution of the same and has been directly informed of the incidents in its development.

In the context of the supervision of the efficiency of the Internal Audit Unit, it has seen the reports issued by the Internal Audit of the Group at the end of its activities, and has concluded that none of them point to situations that represent significant weaknesses of the Financial Information System.

In addition, it has heard the recommendations formulated by Internal Audit derived from its review work, as well as the specific action plans defined and set in motion for the resolution of the same, carrying out a periodic follow-up of those that are most significant for the entity.

Finally, the Committee has ensured that the Internal Audit Area has the organisational independence and capacity required to best perform its duties.

4.7 Fiscal policy and strategy.

In accordance with the terms of the Spanish Companies Act, the Committee has analysed the corporate principles in matters of tax and the tax strategy of Acciona, drafted following the best practices and recommendations of the OECD in this area, after due consideration and approval by the Board of Directors, as well as its observance of the Code of Good Tax Practice approved and promoted by the forum of major companies and the Spanish Tax Authorities.

Moreover, it has carried out a follow-up of the application of said fiscal policy and strategy, which is published on the website of the company, analysing those relevant issues related to the legal and tax risks applicable to the Group.

4.8 Other functions.

Likewise, the Audit Committee revised the Annual Corporate Governance Reports for 2016 and 2017, prior to approval of the same by the Board of Directors.

The Committee took note of the degree of compliance with the 64 Recommendations contained in the Code of Good Governance of Listed Companies in relation to which, in the 2017 financial year: Acciona complied with 58; 2 were not applicable to it; 3 were complied with partially; and there was 1 in which the Company explained the reasons why it was not following the recommendation in question.

The Committee has issued a favourable proposal to the Board on the signing of the liquidity agreement adapted to the new CNMV circular.

1.1. REPORT FROM THE AUDIT COMMITTEE ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR.

1. INTRODUCTION

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

In accordance with article 529 quaterdecies, section 4.f), of the restated text of the Spanish Companies Act, approved by Legislative Royal Decree 1/2010, of 2 July, listed companies will, on an annual basis, (prior to the audit report), issue a report expressing an opinion on whether the independence of the auditors has been compromised.

In addition, article 30.C section 2d) of the Board of Directors Regulations of ACCIONA, S.A. attributes to the Audit Committee the responsibility for overseeing the independence of the Auditor.

2. EXTERNAL AUDITOR

At its meeting of 17 May 2017, the General Meeting of Shareholders of Acciona S.A. resolved, at the request of the Board of Directors and in accordance with a proposal from the Audit Committee, to appoint KPMG Auditores, S.L. as auditor of the annual accounts of Acciona, S.A. and its dependent companies for the 2017, 2018 and 2019 financial years.

The partner responsible for the audit of the Consolidate Annual Accounts of the Group Acciona is Mr Borja Guinea López.

3. SCOPE

The objective of this report is to issue an opinion on the independence of the external auditor for the 2017 financial year in relation to Acciona, S.A. and its dependent companies, and in accordance with the applicable legislation regarding the independence of the Auditor, specifically:

- the Spanish Audit Act
- Regulation (EU) 537/2014

4. ANALYSIS OF INDEPENDENCE

With a view to guaranteeing the independence of the external auditor, the Audit Committee has supervised, with the support of Corporate Internal Audit Department of the Acciona Group, compliance with the regulations in force on independence in relation to the provision of services other than auditing, proceeding with the authorisation of services other than those prohibited pursuant to the Spanish Audit Act and the terms of Regulation (EU) 537/2014.

Article 15.2 of the Spanish Audit Act states:

"The threats to independence may come from factors such as self-review, self-interest, advocacy, familiarity or trust, or intimidation, derived from the existence of conflicts of interest or a commercial, financial, labour, family or other kind of relationship, whether direct or indirect, actual or potential".

The Audit Committee has analysed the above threats on the basis of the information sent by the External Auditor, addressing, among other things, the "causes of incompatibility" (article 16 of the Spanish Audit Act) as set out below:

1. Circumstances derived from person situations affecting the auditor, the audit firm or the main persons responsible for the audit work
2. Circumstances derived from the services provided.
 - i. The substantive keeping or preparation of the financial statements or other accounting documents of the audited entity.
 - ii. The provision of assessment services to the audited entity,
 - a. that do not have a direct effect or have relatively little effect, separately or on aggregate, on the audited financial statements;

- b. that the estimate of the effect on the audited financial statements is documented exhaustively in the working documents corresponding to the audit work.
- iii. the provision of internal audit services to the audited entity, unless the management body of the audited entity is responsible for the overall internal monitoring system, for determining the scope, risk and frequency of the internal audit procedures, the consideration and execution of the results and recommendations supplies by the internal audit.
- iv. the provision of legal advocacy services for the audited entity simultaneously, unless such services are provided by different legal persons with different boards of directors, and without referring to the resolution of disputes on matters that could have a significant impact, measured in terms of materiality, on the financial statements corresponding to the period or financial year audited.
- v. The provision to the audited entity of design and implementation services in relation to internal monitoring or risk management procedures, related to the drawing up or monitoring of financial information, or for the design or application of the financial information IT systems, used to generate the data comprising the financial statements of the audited entity, unless it assumes the responsibility for the overall internal monitoring system or the services is provided following the specifications established by said entity, which must also assume responsibility for the design, execution, evaluation and performance of the system.

If the importance of these factors in relation to the safeguards applied is such that it compromises its independence, the Auditor or the audit firm would refrain from performing the audit.

The Audit Committee has not identified any of the situations described in points 1 and 2 above that have not been reduced to an appropriate level by the application of safeguards.

The Audit Committee has obtained the report prepared by KPMG Auditores, S.L., the Auditor for Acciona, S.A. and its dependent companies, which contains the confirmation of its independence.

In addition, the Corporate Management of Internal Audit for the Acciona Group, by virtue of the delegation of functions formalised by this Committee on 27 July 2017, has evaluated the non-audit services provided by the Auditor or members of the network to which it belongs, since the date of its appointment, authorising, if applicable, those non-prohibited services in accordance with article 5.4 of Regulation (EU) 537/2014, which do not entail causes of incompatibility or threats to the independence of the Auditor which it has not been possible to reduce to an acceptable level by applying safeguards.

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

The policies and procedures established by the firm for observing the applicable ethical and independence rules have also been verified.

Below is a breakdown of the fees accrued by Acciona S.A. and Dependent Companies:

Services KPMG Auditores, S.L. (2017 financial year)	Amount in Euros
Audit services	3,694,097
Other services related to the audit	961,174
Total audit and related services	4,655,271

Tax advisory services	152,728
Other services	2,058,935
Total other professional services	2,211,663

5. CONCLUSION

Based on the above information, in the opinion of the Audit Committee the independence of the Auditor KPMG Auditores, S.L. during the 2017 financial year and up to the date of issue of this report, has not been compromised.

This report has been drawn up by the Audit Committee of Acciona, S.A. at its meeting on 26 February 2018, with all members voting in favour.

1.2. REPORT ON RELATED-PARTY TRANSACTIONS

A) In accordance with the terms of the Spanish Companies Act, article 41 of the By-laws and article 46 of the Board Regulations, the Board of Directors of the entity is responsible for being aware of the transactions carried out by the Company or companies in its Group with directors, in the terms envisaged in the Act and in the Board Regulations, with shareholders who hold a stake of 3% or more or who have proposed the appointment of any Directors of the Company or with persons related to them.

Authorisation must necessarily be obtained from the General Meeting when it affects a transaction whose value exceeds ten per cent (10%) of the corporate assets.

The execution of such transactions, except in the excluded scenarios indicated below, will require the authorisation of the Board, following a report from the Audit Committee, and notwithstanding the scenarios in which approval must be granted by the General Meeting. The directors affected or who represent or are related to the affected shareholders will not exercise or delegate their right to vote and will leave the meeting room while the Board is discussing and voting on the same.

These transactions will be assessed from the point of view of the equal treatment of shareholders and arm's length conditions, and will be included in the Annual Corporate Governance Report and in the periodic public information in the terms envisaged in the regulations in force.

According to the applicable regulations, the authorisation of the Board will not be necessary in the case of transactions that simultaneously meet the following three conditions:

1. They are carried out by virtue of agreement whose conditions are essentially standardised and usually applied to clients who commission the type of product or service in question.
2. They are carried out for prices or fees established in general terms by whoever is acting as supplier of the good or service in question or, when the transactions refer to goods or services for which there are no established fees, at arm's length terms, comparable to those applied in the commercial relations with clients of similar characteristics.
3. The amount of the same does not exceed 1% of the annual income of the Company.

Moreover, in the case of transactions belonging to the Company's ordinary business activities and that are of a regular or recurring nature, a generic authorisation for the

line of transactions and the conditions in which they are executed will be sufficient; that is, from the heads of each business area, notwithstanding their notifying the Appointments and Remuneration Committee for review purposes. The Board of Directors has established that it is not necessary to inform of those related-party transactions where the annual amount of the same is less than or equal to 50,000 euros.

Exceptionally, when reasons of urgency make it advisable, related-party transactions may be authorised by the executive committee, and subsequently ratified by the Board.

B) Transactions with Directors.

During the 2017 financial year and until the publication date of this report, no member of the Board of Directors, no person represented by a director, no company where the directors, members of senior management or major shareholders of such persons, or person related to the same, reported having carried out relevant transactions with the Group or transactions not at arm's length terms, other than those reported on other occasions.

The Directors have duly complied with their duties of information replying to the questionnaires that include a section on related-party transactions and that are drafted and sent each year by the General Secretary.

The Appointments and Remuneration Committee has verified that the related-party transactions in the 2017 financial year complied with the conditions established in the Board of Directors Regulations not to require the authorisation of the Board of Directors as they were transactions that belonged to the Company's ordinary business activities, were of a regular or recurrent nature and were generally allocated via procurement procedures involving a request for several offers or involving small amounts.

The Audit Committee has examined the information on related-party transactions appearing in the annual accounts and in the Annual Corporate Governance Report, as well as its consistency with the content of this report. The Audit Committee has also seen the related-party transactions when reviewing the six-monthly financial statements.

The operations verified in 2017 that correspond to currently valid agreements are the following:

A. Services for the supervision and monitoring of execution of civil works by Acciona Infraestructuras in 2017 worth 156 thousand euros.

B. Advertising agency services provided by Revolution Publicidad S.L. to Group entities, with the agency's fees totalling 105 thousand euros.

C. Willis Iberia, in its capacity as insurance broker chosen by the divisions of the Group together with other insurance brokers, brokers the collection of insurance policy premiums. Willis issues a bill on behalf the insurance companies corresponding exactly to the amount of the premium appearing on the policy issued by the insurance company. The volume of the premiums managed for Group Acciona by Willis Iberia, on behalf of the insurance companies, totalled 8.538 million euros in 2017.

D. Provision of low voltage electricity supply services to the company, Grifols, S.A. amounting to 73 thousand euros.

C) Transactions with shareholders.

Durante the 2017 financial year there were no relevant transactions representing a transfer of resources or obligations between the dominant Company or its Group entities and the major shareholders of the Company.

2. REPORT ON THE PERFORMANCE OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

According to the terms of article 40 of the By-laws, the Board of Directors of Acciona, S.A. ("**Acciona**" or, the "**Company**"), in order to better discharge its duties, established an Appointments and Remuneration Committee in order to evaluate remuneration and, if applicable, inform on the renewal of the Board, Executive Committee or Committees.

It is regulated, in addition to the legislation in force, by the terms of article 32 of the Board of Directors Regulations, which establishes rules on its composition, functions, responsibilities and performance (accessible via the Company website: www.acciona.com).

1. Composition.

The Appointments and Remuneration Committee, in accordance with the Board Regulations, will be formed of a minimum of three and a maximum of five Directors, all external, and at least two of them will be Independent Directors.

The members of the Appointments and Remuneration Committee will be designated taking into account the appropriate knowledge, aptitudes and experience for the functions they are to perform.

The Chairperson of the Appointments and Remuneration Committee will be chosen by the Board of Directors from among the members of the Appointments and Remuneration Committee who are Independent Directors.

Throughout the financial year, the Appointments and Remuneration Committee has been comprised of the Directors indicated below and that continue to form part of the same on the date of this report:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Jaime Castellanos Borrego	Independent Director
Member	Mr Fernando Rodés Vila	Independent Director
Member	Mr Juan Carlos Garay Ibergaray	Independent Director
Member	Mr Daniel Entrecanales Domecq	Proprietary Director

2. Performance.

The meetings of the Appointments and Remuneration Committee will be held on the dates set by the Committee in the calendar of meetings and whenever called by its Chairperson, acting on his/her own initiative or at the request of two members.

The announcement of a meeting will be made by the Chairperson him-/herself or by the Secretary acting on the instructions of the Chairperson. If the Chairperson is absent or unable to make the announcement, it will be made by the Secretary at the request of any of the members.

The Appointments and Remuneration Committee will meet at least once a year to evaluate remuneration and, if applicable, inform on the renewal of the Board, Executive Committee or Committees, and will hold any other meetings as appropriate to address requests from the Board, the Chairperson, the CEO or the Executive Committee within its remit.

The Committee will be validly constituted when at least half of its members are presented or represented at the meeting. It will be possible to attend via videoconference, telephone or other telecommunications means that make it possible to identify the director beyond doubt and maintain the confidentiality of what is addressed, with the members participating in the meeting in this manner being deemed present. The resolutions are adopted by an absolute majority of the members who attend the meeting, either in person or represented.

The Secretary will take the minutes of each meeting of the Appointments and Remuneration Committee. The Board of Directors will have access to the minutes at any time. The Committee may, if it so resolves or by virtue of a decision of the Chairperson, request the participation of any manager of Acciona or of companies over which it exercises significant influence in its meetings. It can also request the participation of external advisors or the statutory auditors of Acciona or of companies over which it exercises significant influence at its meetings, with Acciona bearing any cost involved in this regard.

3. Responsibilities.

The Appointments and Remuneration Committee will perform the following functions, notwithstanding those established in the Spanish Companies Act and article 40 ter of the By-laws, pursuant to the terms of article 32.b) of the Board Regulations:

1. The Appointments and Remuneration Committee will have the basic responsibilities established in the legislation in force, in the By-laws, as well as those listed below, notwithstanding any other task the Board of Directors may assign to it:

- a. Evaluate the necessary ability, knowledge and experience on the Board, defining, as a result, the necessary functions and aptitudes according to the candidates that must occupy a position, and assess the time and dedication necessary for them to discharge their duties.
- b. Draw up and revise the criteria that must be followed for the composition of the Board of Directors, as well as selecting the candidates;
- c. Propose the appointment of Independent Directors to the Board of Directors to be approved by the General Meeting or for approval by the Board itself by the co-optation procedure, and inform of proposals to appoint the rest of the Directors;
- d. Ensure that the selection procedures are not affected by implicit bias that hinders the appointment of Directors due to personal circumstances;
- e. Examine and organise, in the manner deemed appropriate, the succession of the Chairperson and of the Chief Executive and, if applicable, make proposals to the Board, so that the succession takes place in an orderly and well-planned fashion;
- f. Inform on the appointment and removal of the Secretary and Vice-secretary of the Board of Directors;
- g. Propose to the Board of Directors the Directors to be designated as Chairperson, CEO and members of the Executive Committee and of each of the Committees. Establish the conditions the Chairperson of the Board must meet to hold the position.

- h.** Formulate and review the criteria to be followed for the selection of Senior Management in Acciona;
 - i.** Inform on the appointments and removals of Senior Management that the Chief Executive proposes to the Board.
 - j.** Evaluate the system and amount of the annual remuneration of Directors and Senior Management;
 - k.** Periodically review the variable remuneration programmes, considering their suitability and yields;
 - l.** Propose the remuneration policy of Directors and Senior Management to the Board of Directors; the individual remuneration of Executive Directors and the other conditions of their contracts as well as the basic contract conditions of Senior Management.
 - m.** Ensure the transparency of remuneration and the observance of the remuneration policy established by Acciona.
 - n.** Be informed of any transactions that the directors or persons related to them may carry out with the Company or Group companies in order to verify if they are part of the Company's ordinary business activities, performed at arm's length conditions and in accordance with the requirements established in the Board of Directors Regulations.
 - o.** Be informed of any other professional obligations of the Directors in order to verify that they do not interfere with the dedication required for the discharge of their duties.
 - p.** Ensure that potential conflicts of interest do not affect the independence of the external advice provided to the Committee.
 - q.** Verify the information on the remuneration of Directors and Senior Managers contained in the different corporate documents, including the Annual Report on Remuneration of Directors.
- 2.** The Appointments and Remuneration Committee will, as part of its duties, consult with the Chairperson and Chief Executive of Acciona, especially when addressing matters relating to the Executive Directors, if there are any, and Senior Management. Any Director will be entitled to ask the Appointments and Remuneration Committee to consider potential candidates for vacant positions of Director, if they consider them suitable.

4. Activity of the Committee.

The Appointments and Remuneration Committee will perform its functions with complete autonomy, directed by its Chairperson, who is responsible for calling meetings, deciding on the items to be included in the agenda and requesting the attendance of those employees of Acciona or third persons necessary for the proper discharge of its duties. The executive areas of Acciona provide their full collaboration and the Board of Directors, which must receive periodic reports on the activities of the Committee, provides support.

In the 2017 financial year the Appointments and Remuneration Committee met on a total of seven occasions. Six of the meetings were attended by all the members comprising the Committee and one of its members was absent on one occasion.

Two meetings were attended by the heads of the areas corresponding to the matters submitted for the consideration of the Committee.

Below is a description of the main activities carried out by the Acciona Appointments and Remuneration Committee during the 2017 financial year and until the 2018 general meeting was called:

4.1. Performance Assessment.

The Appointments and Remuneration Committee assessed the quality and efficiency of Board of Directors, and of this Committee, as well as the performance of the Chairperson and Vice-chairperson of the Board in the 2016 financial year, drawing up the corresponding report which was submitted to the Board. The assessment was carried out using an individual form filled in anonymously by each Director.

The Committee proposed that the 2017 annual assessment process on the quality, efficiency, functioning and performance of the Board, Committees and positions, be carried out by an external expert, analysing the independence of the candidate selected, and raising the favourable proposal to the Board.

The assessment of the quality and efficiency of the Committee in 2017 is being carried out with the intervention of an external consultant (E&Y). The process is carried out by means of working sessions with members of the Committee, review of minutes, internal documentation and individual questionnaires filled in anonymously by each member of the Committee.

4.2. Related-party Transactions.

The functions of the Appointments and Remuneration Committee include that of being informed of any transactions carried out by directors or persons related to them with the Company or Group companies in order to ascertain whether such transactions form part of the ordinary activities of the Company carried out on arm's length terms and in accordance with the requirements established in the Board of Directors Regulations.

In the course of the 2017 financial year, the Appointments and Remuneration Committee was informed of the execution of related-party transactions, verifying that they formed part of the ordinary activities of the Company carried out on arm's length terms and in accordance with the requirements established in the Board of Directors Regulations.

4.3. Proposal on the Policy of Remuneration for Directors.

The functions of this Committee according to the Board of Directors Regulations includes that of proposing the Policy of Remuneration for Directors to the Board of Directors, for submission of the same to the General Meeting, which will be in line with the statutory provisions on the system of remunerations and will be approved by the General Meeting of Shareholders at least every three years and as a separate item on the agenda.

The Committee proposed the Policy of Remuneration for Directors for 2018, 2019 and 2020 to the Board of Directors, for submission to the 2017 General Meeting, and issued the corresponding report which was placed at the disposal of the shareholders when the General Meeting was called.

The Policy of Remuneration for Directors for 2018, 2019 and 2020 was approved by the General Meeting of Shareholders on 18 May 2017 with 88.80% of the votes cast at the General Meeting in favour.

The 2016 annual report on remuneration of directors was approved on a consultative basis by the General Meeting of Shareholders of 18 May 2017 with 88.47% of the votes cast at the General Meeting in favour.

The Committee has revised the 2017 annual report on remuneration of directors and proposed to the Board of Directors that it be approved and submitted to a consultative vote at the 2018 General Meeting of Shareholders.

4.4. Proposal on the Policy of Remuneration for Management.

The Committee also analysed the Remuneration Policy applicable to the first and second level of management, taking into account their organisational responsibilities and contribution to the results of the business.

As a result of this analysis, the Committee approved and raised to the Board of Directors the proposal for the modification of the Share and Performance Share Delivery Plan and allocation of shares to executive directors in relation to the assessment carried out of the first three-year period 2014-2016 as established in the 2014-2019 Share and Performance Share Delivery Plan. The proposal of the Appointments and Remuneration Committee was approved by the Board of Directors, which entailed the delivery of 104,096 shares to the executive directors and the allocation of 26,025 shares to be delivered on a deferred basis, lineally, over a three-year period (1/3 each year).

The Committee also approved and raised to the Board the proposal to deliver shares to managers, excluding executive directors, in accordance with such Plan and issued a favourable report on the Plan for the Replacement of Cash Variable Remuneration with Shares and on the Shareholder Plan.

The Company used a market analysis to assess whether the policy was in line with market practice among companies comparable to it.

4.5. Appointment and re-election of Directors.

The Appointments and Remuneration Committee proposed the re-election in 2017 of Mr Jerónimo Marcos Gerard Rivero and the appointment of Ms Karen Christiana Figueres Olsen as independents, with the corresponding resolutions being proposed and approved at the General Meeting of Shareholders, on 18 May 2017 with 99.79% and 99.95% of the share capital with voting rights attending the General Meeting voting in favour, respectively.

The Committee considered their professional competence, merits to hold the position of Director, experience in relevant sectors for the Company and the Group and their in-depth knowledge in different fields of business, which guaranteed that they would contribute varied points of view to debates on matters on the Board of Directors.

The Appointments and Remuneration Committee proposed the Director Selection Policy to the Board of Directors of the Company which was approved by the latter as submitted on 28 February 2017.

The Appointments and Remuneration Committee proposed the re-election of Ms Ana Sainz de Vicuña Bemberg and the appointment of Mr Javier Sendagorta Gómez del Campillo and Mr José María Pacheco Guardiola as independent directors in 2018 and issued a favourable report on the re-election of the two executive directors and the two proprietary directors. With regard to the directors whose re-election is proposed, their mandate expires in 2018. The proposals will be submitted for the approval of the 2018 General Meeting of Shareholders.

4.6. Review of the classification of Directors.

The Appointments and Remuneration Committee revised the status of each Director to be recorded in the 2017 Annual Corporate Governance Report and confirmed the reasons for which the Appointments and Remuneration Committee considers that Mr Fernando Rodés can be classed as an Independent Director. Director Mr Fernando Rodés Vila holds an indirect stake of 0.9% in Concesionaria ATLL via Acacia ISP, S.L. (Acacia) which is a shareholder with 5% of Concesionaria ATLL, although he has no

position or power in any of these companies meaning that he does not participate in the management and/or administration of these businesses, either directly or indirectly.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, maintained the classification of Mr Rodés as an Independent Director and has been considering this classification since the date he was first appointed in 2009 and in the successive re-elections in 2012 and 2015, deciding that he meets all legal and regulatory conditions in this regard and finding that he has acted with total objectivity in the performance of his functions as a Director, allowing him to discharge his duties without being conditioned by relations with the Company or its group, its major shareholders or its managers.

The Committee also considered the implications of the relationship of Mr Jaime Castellanos with Willis Iberia in terms of his status as independent director in relation to the terms of section 4.e) of article 529 duodecies of the Spanish Companies Act.

After carrying out the analysis, the Committee concluded that his status as independent director could be maintained as the business relations between the Group and Willis Iberia, as insurance broker, are not exclusive, form part of its ordinary business activities, are recurrent and are not significant in terms of the amount viewed in the context of the global total of operations carried out by such companies, as the total premiums brokered by Willis for the Acciona Group do not reach 1% of the total premiums brokered. As such, the Committee considers that it has no effect on the director's ability to discharge his duties as an independent director. The Committee verified that the bills issued by Willis on behalf of the insurance companies bear exactly the same premium amount as appears on the policy issued by the insurance company.

4.7. Contracts of the Executive Directors.

The Committee verified that the fixed and variable remuneration to be received by the Executive Directors was in line with the terms and conditions of the contracts signed and unanimously resolved to raise the final favourable proposal to the Board of Directors.

In addition, and following the approval of the Remuneration Policy by the General Meeting, the contracts with the executive directors were adapted with the changes to the amounts of fixed remuneration and contribution to the savings plan resolved by the Board acting on a proposal from the Committee.

4.8. Regulations of the Share Delivery Plan and increase of the number of shares available, Replacement Plan and Shareholder Plan.

The Committee proposed increasing the number of shares available for the Share Delivery Plan by 100,000 shares with a view of achieving the strategic business objectives of Acciona and its Group and, at the same time, enhancing the loyalty and permanence of managers.

The proposal to increase the number of shares will be submitted for the approval of the 2018 General Meeting of Shareholders.

The Committee proposed, and the Board of Directors resolved at its meeting of 14 December 2017, using the authorisation granted by the General Meeting on 18 May 2017, an additional modification to the Regulations of the Plan in order to adapt it to best corporate governance practice regarding deferral, malus and clawback on the variable remuneration of Executive Directors and the principles and guidelines contained in the directors' remuneration policy approved.

The Committee proposed and the Board of Directors approved in 2015 the "Plan for the Replacement of Variable Remuneration with Acciona shares, for the management

of Acciona and its Group" (the "Replacement Plan"), excluding executive directors, with a view to enhancing and extending the objectives of loyalty and permanence of the managers of the Group, given the limited number of Beneficiaries of the previous Share Delivery Plan.

The object of the Plan is to offer certain managers in Acciona and its Group, on a discretionary basis, the option of replacing or exchanging all or part of the variable remuneration in cash for shares in the Company in accordance with an exchange equation to be determined each year. In 2018 the exchange equation approved was the same as in 2017, representing an incentive of 25% on the variable remuneration replaced.

Moreover, the Committee proposed the "Shareholder Plan" to the Board for approval in 2016, generally applicable to all employees with tax residence in Spain and that makes it possible to redistribute part of the variable and/or fixed monetary remuneration with a limit of 12,000 euros per annum by means of the delivery of shares in the Company according to the current regulatory framework. The "Shareholder Plan" was renewed for 2018.

Finally, and in order to make it possible to acquire shares to be delivered to the Executive Directors, managers and employees, the Committee proposed that the Board establish a programme for the buyback of own shares in accordance with the terms of Article 17 of the Market Abuse Regulations.

4.9. Advice.

In the processes of the adoption of decisions on remuneration and benefit plans, the Appointments and Remuneration Committee has used the information and advice provided by the Company's specialist internal services, as well as the external advice of specialist advisors.
