# 2018

## AUDIT COMMITTEE
## ACTIVITY REPORT 2018

# CONTENTS


1. INTRODUCTION ..... 2
2. COMPOSITION ..... 3
3. POWERS ..... 9
4. OPERATION ..... 11
5. MEETINGS HELD ..... 11
6. MAIN ACTIVITIES ..... 15
    1. Economic and financial information ..... 15
    2. External audit ..... 15
    3. Internal audit ..... 17
    4. Related party transactions ..... 19
    5. Assessment of the Audit Committee's performance and composition ..... 21
    6. Internal control and risk management systems ..... 21
    7. Other issues ..... 21
7. CONCLUSION ..... 23

## 1. INTRODUCTION

The Audit Committee was set up by the Board of Directors on 27 July 2011 and was subsequently amended to comply with the provisions of Article 529.13, Section Two of Royal Legislative Decree 1/2010, of 2 July, enacting the consolidated text of the Corporate Enterprises Act (**LSC**). It is also regulated by Article 23 of the Regulation of the Board of Directors of Aena, S.M.E., S.A. ("**Aena**") and by Article 43 of Aena's Bylaws.

In accordance with the provisions of the above regulation, the Audit Committee is an internal information and advisory body which has no executive functions but rather the power to inform, advise and make proposals in the areas within its remit.

The primary function of the Audit Committee is that of providing support to the Board of Directors in its functions of supervision and, specifically, it has the competence to report to the General Shareholder's Meeting on questions raised in relation with those matters which are in the competence of the Audit Committee and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information and the function that the committee has undertaken in this process. In this sense, the Audit Committee sees that the Board of Directors endeavours to present the financial statements to the General Shareholder's Meeting without limitations or reservations in the audit report and that, in the exceptional circumstances that there should be reservations, both the Chairman of the Audit Committee and the auditors explain with clarity to the shareholders the content and scope of such limitations or reservations.

Pursuant to section (iii).20 of the aforementioned Article 23 of the Regulation of the Board of Directors of Aena, and Recommendation 6 of the Code of Good Governance of Listed Companies prepared by Spain's Comisión Nacional del Mercado de Valores (National Stock Market Commission – CNMV), the Annual Performance Report of the Audit Committee has been drawn up by the Audit Committee.

## 2. COMPOSITION

Pursuant to Article 23 section (i) of the Board of Directors Regulation, the Audit Committee is composed of five (5) members who must be External Directors.

The appointment of the members of the Audit Committee, as well as the appointment of its Chairman and Secretary, is made by the Board of Directors by absolute majority.

The Chairman of the Audit Committee is appointed from among the Independent Directors who are its members and must be replaced every four (4) years, being able to be re-elected after a gap of one (1) year from the date of cessation.

The Secretary of the Audit Committee can be one of its members or the Secretary or Vice-Secretary of the Board of Directors. In the case of the latter, the Secretary may not have status as a member of the Audit Committee.

In accordance with Article 23 section (i).3 of the Board of Directors Regulation, the members of the Audit Committee are appointed taking into account their knowledge and experience in accounting or auditing or in both areas. The majority of them are Independent Directors.

The composition of the Audit Committee during 2018 in the period from January to March has been as follows:

| Name | Position | Appointment |
|---|---|---|
| **Mr Juan Ignacio Acha-Orbea Echeverría (Independent)** | **Chairman** | **17/10/2014** |

He holds a degree in Economic Science from the Complutense University of Madrid and completed an MBA at IESE Business School. From 1982 to 1986, he was a senior manager at Chemical Bank in Madrid and New York. From 1986 to 1989, he was head of Equities and Investment Funds at Bankinter.

In 1989, and until 2003, he was managing director and Chairman of BBVA Bolsa, S.V. and assistant general manager of BBVA.

He has been a director of the Barcelona Stock Exchange and of IESE Madrid. Whilst at BBVA Bolsa, he was actively involved in almost all of the privatisation, flotation and capital increase operations that took place in Spain between 1989 and 2002. From 2003 to 2006 he has been an independent director of the Board of Directors of the listed company TPI Páginas Amarillas.

Since 2007 he has been director and member of the Audit Committee of Fluidra. Since 2012 he is a director and chairman of the Audit Commission of Aena. Since 2003 he has been chairman of the senior management consulting company Equity Contraste Uno. He is also a director of the Spanish Institute of Financial Analysts (IEAF) since 2012. On 3 February 2012 he was appointed a director of Aena, S.A. (formerly Aena Aeropuertos, S.A.) and re-elected on 16 October 2014.

In June 2015 he was appointed Chairman of the Audit Committee.

| Name | Position | Appointment |
|---|---|---|
| **Mr Jaime Terceiro Lomba (Independent)** | **Member** | **03/06/2015** |

He holds a degree in Engineering and a PhD in Aeronautical Engineering, with distinction, from the Polytechnic University of Madrid; he also holds a degree in Economic Science, with distinction, from the Autonomous University of Madrid and a Diplom Ingenieur from Messerschmitt-Bölkow-Blohm (MBB) in Munich.

Since 1980 he has been a Professor of Economic Analysis at the Faculty of Economic Science of Complutense University, of which he has been Vice-Rector. He is a registered member of the Royal Academy of Moral and Political Sciences and was awarded the Rey Juan Carlos Economics Prize. From 1981 to 1983 he was the General Manager of Expansion and General Manager of Planning and Investments in the Banco Hipotecario de España.

From 1988 to 1996 he was executive chairman of Caja de Madrid. He is currently a member of the Board of Directors of Bankinter and a member of the Board of Trustees of several Foundations.

He was appointed a director of Aena, S.A. on 3 June 2015 and is a member of the Audit Committee.

| Name | Position | Appointment |
|---|---|---|
| **Mr Jose Luis Bonet Ferrer (Independent)** | **Member** | **03/06/2015** |

He holds a Law degree with distinction and is a PhD in Law cum laude from the University of Barcelona, where he was also awarded a distinction. He has been tenured lecturer of Economic Policy and Public Treasury at the Faculty of Law of the University of Barcelona for 49 years. He is the chairman and member of the Board of Directors of Grupo Freixenet since 1999 after having been commercial director, general manager and director.

He is Chairman and a member of the Board of Directors of the Chamber of Commerce of Spain, Fira Internacional de Barcelona, Alimentaria, Vila Universitaria, S.L. and Hotel Campus, S.L. He was co-chairman of The Leading Brands of Spain Forum from 1999 to 2002 and has since been president of The Leading Brands of Spain Association and The Leading Brands of Spain Forum Foundation.

He is a member of the Board of Trustees of the Conocimiento y Desarrollo [Knowledge and Development] foundation, the Board of Trustees of the EADA Foundation, the Board of Trustees of the Foundation for Research on Wine and Nutrition (FIVIN) and the Board of Trustees of the Institute of North American Studies, among others.

| Name | Position | Appointment |
|---|---|---|
| **Mr Rodrigo Madrazo García de Lomana (Proprietary)** | **Member** | **25/11/2014** |

He holds a PhD in Economics and Business Science with special distinction and a Master's degree in Public Management from the Institute of Fiscal Studies and EOI Business School. He is the author of several specialised publications in the fields of the Spanish economy and international trade. He entered the civil service as a Trade Expert and State Economist.

He has held a number of positions in the Directorate General of Economic Policy of the Ministry of Economy and Competitiveness where he is currently the Director General. Before that he was a senior adviser to the Economic and Trade Office of the Spanish Embassy in Ecuador between 2007 and 2012. He had previously worked in the Ministry of Industry, Tourism and Trade as adviser to the Secretary General of Industry.

On 24 November 2014 he was appointed a director of Aena S.A. In addition to being a member of the Board of Directors of Aena S.A., he is also on the Board of the Official Credit Institute (ICO) and was on the Board of ICEX Spain Export and Investment between 2014 and 2015.

| Name | Position | Appointment |
|---|---|---|
| **Ms Mª Jesús Romero de Ávila Torrijos (Proprietary)** | **Member** | **25/04/2017** |

She has a degree in Economic and Business Sciences from the Complutense University of Madrid. She has 19 years of experience in the public sector. In 1996 she became a senior government auditor and accountant for the Social Security Administration as number 1 in her class. She has also completed a postgraduate degree in Public Expenditure and Corporate Finance.

From 1997 to 2003 she worked as an auditor in the Social Security General Audits Department.

From 2003 to 2012 she was Deputy Director of Financial Policy for the Region of Madrid.

From 2013 to 2016 she was Deputy Director General of Financial Relations with the Regions in the Ministry of Finance and Public Administration.

Since December 2016, she has been the Director General of Economic Planning and Budgets at the Ministry of Public Works.

On 25 April 2017 she was appointed as a director of Aena, S.M.E., S.A.

She is also a member of the Board of Directors of several companies in the Renfe group, a member of the General Council of the ICO, of the National Statistics Council, and of the Council on State Credit Risk (CESCE).

On 3 June 2015 she was appointed as a director of Aena, S.A.

| Name | Position | Appointment |
|---|---|---|
| **Ms Matilde García Duarte (Non-director Secretary)** | **Secretary** | **28/04/2015** |

She has a degree in Law, majoring in Corporate Law, from the Complutense University of Madrid and has completed various graduate programmes including the Executive Management Programme at IE Business School.

In 2001 she joined the State Lawyer Group. She was a State Lawyer for Administrative Litigation at the High Court of Madrid from 2003 to 2006; Lead State Lawyer at the Ministry of Education, Social Policy and Sport from 2007 to 2009; Director General of Sports Infrastructures of the National Sports Council (CSD) from 2009 to 2011; and Director General of Sport of the CSD from 2011 to 2012.

In 2012 she was the General Technical Secretary of the Ministry of Transport, Infrastructure and Housing of the Region of Madrid.

Since April 2015 she has served as the Director of Legal Advisory Services and Asset Management and the Secretary of the Board of Directors of Aena, S.M.E., S.A. Since January 2018 she has been the Deputy Secretary of the Board of Directors, while continuing as Secretary of the Audit Committee and the Appointments and Remuneration Committee.

On 15 March 2018, at the Board of Directors meeting Ms Matilde García Duarte announced her resignation as she was leaving the Company to join another firm.

On the same date the Secretary of the Board of Directors became the Secretary of both Committees.

| Name | Position | Appointment |
|---|---|---|
| **Mr Juan Carlos Alfonso Rubio** | **Secretary** | **15/03/2018** |
| **(Non-director Secretary)** | | |

He has a Law degree from the Autonomous University of Madrid and is a specialist in Regulatory Law and an Attorney for the Government. He has also completed the IESE Hot Top Programme and the ICEX-CECO International Management Programme.

He held a number of positions in both the public and private sectors prior to joining Aena. As an Attorney for the Government he has had various roles; he was Secretary of the Board of Directors and Legal Director at the Spanish Post Office; partner in charge of Telecommunications and Public Law at KPMG Abogados; Legal Director at Sogecable (main Spanish pay TV); Coordination Director at the Spanish State Lotteries; Deputy General Director of Gambling Regulation in the Ministry of Economy and Finance; General Secretary of the Board of Directors at ICEX España Exportación e Inversiones; and most recently, General Secretary and Deputy Secretary of the Board of Directors at CESCE.

He has been Corporate General Secretary of Aena SME, S.A., since 9 January 2018 and Secretary of the Board of Directors since 15 January 2018.

On 21 June 2018 Ms Mª Jesús Romero de Ávila Torrijos resigned as a member of the Board of Directors and the Audit Committee.

On 16 July 2018 the Board of Directors of Aena agreed to appoint Mr Francisco Ferrer Moreno as a proprietary director by the co-optation procedure, pending ratification at the next General Meeting of Shareholders. He also becomes a member of the Audit Committee.

| Name | Position | Appointment |
|---|---|---|
| **Mr Francisco Ferrer Moreno** | **Member** | **16/07/2018** |

**(Proprietary)**

He has a degree in Economic and Business Science from the University of Murcia. As an inspector and auditor of the Region of Murcia he has had a professional career spanning over 30 years with the State Administration Services and the Regional Government of Murcia.

Since June 2018, he has been Director of the Cabinet of the State Secretary for Infrastructure, Transport and Housing. Previously he was Chief Delegate Inspector in the Department of Public Works and the Public Health Service Body of Murcia. He has also been head of the Accounting and Public Auditing Divisions of the General Inspection Service, with expertise on companies, entities, consortiums and foundations in the public sector in the Region of Murcia.

He has additionally been an associate lecturer in the Introduction to Economic Analysis Department at the University of Murcia and Secretary of the Board of Directors of Caja de Ahorros de Murcia. At present he is the Secretary of the Board of Trustees of the foundation of the same name.

On 16 July 2018 he was appointed as a director of Aena, SME, S.A.

In addition, on 27 August 2018 Mr Rodrigo Madrazo García de Lomana submitted a letter of resignation from his position as a member of the Board of Directors and the Audit Committee.

On 27 November 2018 the Board of Directors of Aena agreed to appoint Ms Marta Bardón Fernández-Pacheco as a proprietary director by the co-optation procedure, pending ratification at the next General Meeting of Shareholders. She also becomes a member of the Audit Committee.

| Name | Position | Appointment |
|---|---|---|
| **Ms Marta Bardón Fernández-Pacheco** | **Member** | **27/11/2018** |

She has a degree in Economics from the Autonomous University of Madrid and holds a Diploma in European Economy Specialised Studies from the Université Libre de Bruxelles. She has been a senior government economist and trade specialist since 2003.
She has 15 years' experience in the domestic and international public sectors.

Since 2018 she has been Director General of Sector Analysis in the Directorate General for Economic Policy in the Ministry of Economic and Business Affairs.

In the international arena, from March 2015 until July 2018 she worked as a consultant for the World Bank advising on economic regulation and competition and carrying out projects in various countries such as Kuwait, Kenya and the Philippines.

From February 2009 to October 2010 she worked as adviser to the Spain representatives in the World Bank Board of Directors in Washington DC.

From March 2008 she worked as an adviser to the chairman of the National Competition Commission (CNC) and between October 2010 and September 2014 as an adviser to the Competition Directorate of the National Commission on Markets and Competition (CNMC).

From October 2006 until March 2008 she worked in the Spanish Foreign Trade Institute (ICEX) as Deputy Director of the Information and Publications Division in the Directorate General for Investment and Information.

From July 2003 until October 2006 she held various positions in the Directorate General for Competition in the Ministry of Economy.

On 27 November 2018 she was appointed as a director of Aena, SME, S.A.

## 3. POWERS

Article 43 of the Bylaws of Aena and Article 23 of the Regulation of the Board of Directors of Aena assign the powers to the Audit Committee which are outlined below:

- **In relation to the auditor:**

  - Present to the Board of Directors for referral to the General Shareholders' Meeting the proposals for selection, appointment, re-election and replacement of external accounts auditors, as well as the terms of their engagement.
  - Receiving regularly from the external auditor information on the audit plan and the results of its workings, and seeing to it that the senior management takes its recommendations into account.
  - Ensure the independence of the External Auditor by issuing a report on it that will be published on the company's website sufficiently far in advance of the General Shareholders' Meeting. Ensure that the remuneration of the auditor does not compromise its quality or independence.
  - Liaise with the external auditors in order to learn about and inform the Board of the results of the audit of the company's financial statements and the other issues raised while such audit is being conducted.
  - When any other type of audit is carried out, liaise with the auditors in order to learn about the results and conclusions of the work to be performed by way of follow-up on their recommendations.
  - Ensure that the external auditor has an annual meeting with the Board of Directors to report on the work done and on the progress of the accounting situation and risks affecting the Company.

- **In relation to financial information:**

  - Supervision of the financial information that is submitted to the Board of Directors and which as the company is listed it must disclose on a regular basis.
  - Review the Financial Statements and Management Report submitted to the Board for their preparation in accordance with current regulations.

- Ensure that the Board of Directors presents the financial statements to the General Shareholder's Meeting without limitations or qualifications in the audit report.
- Inform the Board of Directors of the results of the audit of the financial statements carried out by the external auditor or of other control actions carried out by the General State Comptroller or the Court of Auditors.
- Follow-up on the recommendations made by the auditors.

- **In relation to risk control:**

  - Identify the various types of risks the Company is exposed to.
  - Oversee the design of and compliance with appropriate economic and financial management processes.
  - Supervise a mechanism that enables employees to report in a confidential manner and, if possible and appropriate, anonymously, any accounting and financial irregularities of potential importance.
  - Regularly review internal control and risk management systems.

- **In relation to internal audits:**

  - Supervise the internal audit process and receive information on an annual basis about its work plan and any incidents that occur while it is being conducted.
  - Ensure the independence of the internal audit.

- **In relation to other matters:**

  - Inform the Board about the meetings it holds and about the actions it carries out in the performance of its functions.
  - Inform the Board of Directors on the prospectuses on the issue, admission and all other documentation relating to share issues or admissions.
  - Inform the Board of Directors on the creation or acquisition of stocks in special purpose vehicles or based in countries or territories considered tax havens, as well as any other transaction or operation of a similar nature which, due to its complexity, might undermine the transparency of the group.

- Report to the Board of Directors about related party transactions.

## 4. OPERATION

According to Article 23 (iii) section 15 of the Board of Directors Regulation, the Audit Committee meets at least once a quarter and as often as may be deemed appropriate, as called by its Chairman by his own decision or at the request of two (2) of its members, the Chairman of the Board of Directors, of the Executive Committee or, as the case may be, of the Chief Executive Officer.

The Audit Committee meets whenever the Board of Directors should request the issue of a report or the approval of proposals within the scope of its competencies and provided that, in the opinion of its Chairman, it is appropriate for the good development of its purposes.

The Audit Committee is validly constituted when the meeting is attended, in person or represented, by more than half of its members.

Resolutions are adopted by absolute majority of the Directors attending the meeting, the Chairman having a casting vote in the event of a tie.

The Audit Committee can call for attendance at its meetings of the Company's auditor of accounts and the internal audit manager. In addition, the Audit Committee may call any employee or senior manager of the Company and even ask attendance of an employee without the presence of any senior manager.

The Audit Committee prepares an annual Report containing an account of its activities.

## 5. MEETINGS HELD

During the 2018 financial year the Audit Committee has held eight meetings. Four meetings were attended by 100% of the members of the Committee (present and represented), three of them were attended by 80% of its members and another one was attended by 75% of its members.

The Deputy Secretary of the Board and other people who are not members of the

Committee regularly attend particular meetings of the Committee. Specifically, the CFO attended all the meetings for the items on the agenda relating to the financial reports; the Audit Director attended five meetings for all the items on the agenda related to internal and external audit issues; the external auditors participated in the agenda items related to auditing. In addition, the CEO of Luton airport attended one of the meetings and its CFO two of them to discuss issues related to the situation of the Group's Internal Financial Information Control System (SCIIF) at the airport. Aena's Procurement Director also attended one of the meetings.

Below is the meetings schedule:

| Meeting | Date | Agenda |
|---|---|---|
| No. 40 | 23 January 2018 | 1. Audit Committee Activity Report.<br>2. Information about related party transactions in 2017 and approval of them if appropriate.<br>3. Information about work performed by the main audit firms (the Big 4).<br>4. AOB.<br>5. Reading and approval of the minutes. |
| No. 41 | 22 February 2018 | 1. Presentation for review of the annual accounts and the individual and consolidated management reports for 2017, the Annual Corporate Governance Report, the proposal for the distribution of profit and non-financial information (Annual Report).<br>2. 2017 Results Report to be sent to the CNMV and presentation of results to the market.<br>3. Report of the External Auditors on the financial year 2017 and the statutory declaration of the directors.<br>4. Auditor's report on additional services rendered and fees received.<br>5. Approval of the report on the independence of the auditors.<br>6. Risk map 2018 and risk management report 2017.<br>7. Internal Audit Activity Report for 2017.<br>8. Follow-up on internal audit report incidents pending resolution.<br>9. AOB.<br>10. Reading and approval of the minutes. |
| | | 1. Risk map 2018 and risk management report |

| | | |
|---|---|---|
| No. 42 | 12 March 2018 | 2017.<br>2. Situation of the Group's Internal Financial Information Control System (SCIIF) at Luton airport<br>3. AOB.<br>4. Reading and approval of the minutes. |
| No. 43 | 19 April 2018 | 1. Approval of the financial report for the first quarter of 2018 and presentation of results.<br>2. Auditor's report on procedures agreed for the first quarter.<br>3. 2018 PMS Targets of the Audit Director.<br>4. Regular Internal Audit information<br>5. Implementation plan for the recommendations in the CNMV Guide on Audit Committees.<br>6. AOB.<br>7. Reading and approval of the minutes. |
| No. 44 | 19 July 2018 | 1 Condensed Interim Consolidated Financial Statements and Consolidated Management Report as of 30 June 2018.<br>2 Presentation of results to the market for the first half of 2018.<br>3 Report by the auditors (KPMG) on the limited review of the Interim Financial Statements as of 30 June 2018.<br>4 Actions of the Audit Department in the first half of 2018.<br>5 Follow-up on Internal Audit Recommendations pending implementation.<br>6 AOB.<br>7 Reading and approval of the minutes. |
| No. 45 | 25 October 2018 | 1. Approval of the Management Report, Financial Statements and Presentation of Results to the Market for the nine-month period ended 30 September 2018.<br>2. Information about the proposal to appoint KPMG as auditor of Aena Sociedad Concesionaria del AIRM, the RMIA concession operator, for 3 years (2018, 2019 and 2020).<br>3. Additional KPMG services at Luton.<br>4. INECO and ISDEFE agreements.<br>5. AOB.<br>6. Reading and approval of the minutes. |

| | | |
|---|---|---|
| No. 46 | 26 November 2018 | 1. Start of the process for hiring the external auditor.<br>2. AOB.<br>3. Reading and approval of the minutes. |
| No. 47 | 14 December 2018 | 1. Internal Audit Plan 2019<br>2. Actions of the Internal Audit Department in the second half of 2018.<br>3. Presentation by KPMG of the Audit Plan for 2019.<br>4. Internal Financial Information Control System (SCIIF) at Luton Airport follow-up report.<br>5. Report on related party transactions.<br>6. AOB.<br>7. Reading and approval of the minutes. |

## 6. MAIN ACTIVITIES

In the course of the financial year 2018 the members of the Audit Committee have held a total of 8 meetings under a previously arranged schedule and also for other issues that have arisen throughout the year.

This report contains a summary of these meetings divided into the basic functions of the Committee as detailed below:

### 1. Economic and financial information

Throughout the year that is the subject matter of this report the Audit Committee has analysed financial information prior to its presentation to the Board of Directors and its reporting to the CNMV and the markets. It has been supported by the company's Financial Department in its analysis of this information. Specifically, it has examined the Annual Accounts, the Management Report, the Consolidated Non-Financial Information Statement, the Annual Corporate Governance Report, the proposed distribution of profits, the Quarterly Financial Reports, the Consolidated Financial Statements and the half-yearly Financial Report.

### 2. External audit

- **Report of the Committee on the independence of external auditors**

In compliance with that set out in article 529.14, 4.f) of the Corporate Enterprises Act (LSC) and according to Article 23 of the Board of Directors Regulation, the Audit Committee should annually issue a report in which it will express an opinion on the independence of the auditors, and also having to disclose their providing of additional services.

Accordingly, at the Committee meeting held on 22 February 2018 the Audit Committee unanimously approved the Auditor's Independence Report for the financial year 2017.

This report concluded that the auditor has acted in accordance with the applicable standards of independence, it is not believed that the additional services have led to conflicts of interest, the current rules for the provision of services other than auditing have been respected and its fees have been reasonably accounted for and are not deemed to exceed the reasonable market rates which apply to them.

- **Information received from the external auditors**

At the meeting on 22 February 2018, the members of the SCIIF audit and reasonable assurance review team summarised the work done to date and the conclusions come to in light of the documents presented to the Committee.

After a discussion about some of the aspects highlighted by KPMG, the Audit Committee agreed to propose to the Board of Directors the preparation of Aena's Annual Accounts and Management Report for the financial year 2017 along with the Consolidated Annual Accounts and the Consolidated Management Report of Aena and subsidiaries. It was also agreed to propose to the Board the preparation of the Consolidated Financial Statements of Aena and subsidiaries for 2017, drawn up in accordance with the Spanish General Accounting Plan and which are used solely for the consolidation of the Enaire group.

At the meeting on 19 April 2018, the procedures agreed for the first quarter review were presented. The results of the review were presented without the existence of any significant aspects which might impact the presentation of the quarterly information. The company's auditors (KPMG) had carried out a review of the quarterly management report using a number of agreed procedures, the result of which was included in a draft report that the auditors submitted to the Audit Committee.

At the meeting on 19 July 2018, KPMG auditors presented the conclusions on the Limited Review of the Interim Financial Statements as of 30 June 2018 and set out the main risk aspects evaluated. They explained the new NIF 15 and NIF 9 and pointed out that in other companies this new accounting method has a significant impact on the revenue statement. However, they had confirmed in their analysis that these two standards do not have a significant impact on Aena.

In turn and with respect to non-financial risks, updating contingency plans for cyber risks was recommended at the meeting.

Finally, after a discussion with the auditors the Audit Committee agreed to recommend the approval and preparation of the Financial Statements and the Management Report to the Board of Directors of Aena.

At the meeting on 25 October 2018, the procedures agreed for the nine-month period ending on 30 September 2018 were reported. The results of the review were presented without the existence of any significant aspects which might impact the presentation of the quarterly information. The company's auditors (KPMG) had carried out a review of the quarterly management report using a number of agreed procedures, the result of which was included in a draft report that the auditors submitted to the Audit Committee.

At this meeting it was reported that the external auditors had submitted a bid in a tender organised by Aena. The auditors said that they had no conflict of interest in delivering the services involved since KPMG's risk management department had concluded that KPMG could put in a bid without breaching any audit regulations.

At the meeting on 14 December 2018, and prior to the end of the year to be audited, KPMG submitted its Report to the Audit Committee on the "Audit Plan and Strategy for the year ending 31 December 2018".

## 3. Internal audit

The Committee has supervised the actions carried out by the company's Audit Department. In particular, the following topics have been addressed:

- **Risk Map for 2018**

At its meeting on 22 February 2018 the Committee examined the Risk Map for 2018 and the risk management report for 2017. It was considered necessary to call an Audit Committee meeting in advance of the Board meeting to deal with relevant matters such as Luton Airport and SCIIF implementation in this subsidiary as well as monitoring risks including real estate, international risk, the possible increase in charges and the impact this will have on the 2018 Risk Map.

Accordingly, at its meeting on 12 March 2018 the Committee presented the Risk Map for 2018 updated with some changes in its presentation. The international presence and real estate business risks were assessed and changes in the ownership of some risks were proposed to reflect the current responsibilities resulting from the recent changes in Aena's corporate organisation chart.

After a discussion the directors approved the risk assessment and finally the Committee asked for the relevant risks to be reassessed once the company's Strategic Plan had been approved.

- **Internal Audit Activity Report for 2017**

At its meeting on 22 February the Committee examined the internal audit activities conducted in 2017. It noted the follow-up of incidents in Internal Audit reports pending resolution and resolved to continue with follow-up at subsequent Committee meetings.

- **Follow-up of incidents in audit reports pending resolution**

At its meeting on 22 February the Committee noted the follow-up of incidents in Internal Audit reports pending resolution, although without precluding continuing with such follow-up at subsequent Committee meetings.

At the meeting on 19 July the Internal Audit Director presented the follow-up of incidents and recommendations in the audit reports issued up to February 2018 whose implementation has been verified or the plans and deadlines foreseen for their resolution by the various units concerned have been verified under the existing procedure.

- **2018 PMS Targets of the Audit Director**

At its meeting on 19 April the Internal Audit Director told the Committee about the targets set to determine his variable remuneration in 2018. It was explained that these targets follow the Aena Performance Management System procedure and have been agreed with the Chief Executive Officer.

The targets are related to the execution of the activities of the Audit Plan, the follow-up of report incidents/recommendations and the effective and efficient performance of audit tasks.

- **Presentation of the Internal Audit Department's actions during 2018**

At the Committee meeting on 19 July 2018 the Internal Audit Director reported on internal audit activity in the year to date. He described the extent to which the activities envisaged in the Plan had been carried out and said that they were expected to be completed in the remaining time of one year. He also presented the main conclusions of the work performed during this period.

Actions during the second half of the year were presented at the meeting in December 2018.

- **Information concerning the Internal Audit Plan 2018**

At the Committee's meeting held on 19 April 2018 the Internal Audit Director set out the Plan's implementation rate; of the 26 jobs planned for that year, the majority had been completed and 7 were still ongoing.

In addition, Internal Audit had continued to carry out work related to risk management, the complaints channel and attendance at awards committees up to March 2018.

The Internal Audit Director also set out the work performed in relation to the assignment of particular areas to a taxi association at Seville Airport, control of compliance with ramp handling contracts, SCIIF supervision of the cash process and the audit of Sabadell Airport.

- **Information concerning the Internal Audit Plan 2019**

At the Committee's meeting held on 14 December 2018 the Internal Audit Director presented the "Internal Audit Plan 2019" which contains the actions required to give reasonable assurance about the key controls which mitigate the organisation's main risks.

## 4. Related party transactions

At its meeting on 23 January the Audit Committee reviewed the information about the company's related party transactions based on the information provided by the Financial Department.

Analysis of each of the transactions that Aena has performed with the companies which are its related parties in the financial year 2017, taking into account the legal provisions in force with respect to certain air navigation services, shows that all the transactions with a material amount were performed in compliance with related party transactions regulations and were valued at market prices.

Accordingly, the Committee approved the Annual Related Party Transactions Report for its presentation to the Board of Directors.

The Committee's meeting on 25 October 2018 discussed the INECO and ISDEFE agreements and hence Mr Antonio Villalón, Aena's Procurement Director, was in attendance. In previous years it had been held that it would be advisable to reduce their scope and amount as far as possible because they are related party transactions. However, the Secretary pointed out at the meeting that any abrupt termination had to be ruled out due to the problems this might bring from the operational point of view in sensitive areas for the company's performance and also in terms of the labour risks which might arise.

The proposal examined and approved by Aena's Management Committee consists of a progressive reduction of the scope and amount of the agreements within three years. This will mean that most of the personnel currently rendering services under the agreements can be brought in-house. As a first step in doing so it was proposed to extend the agreements for a year and the Committee issued an opinion in favour of doing this at the meeting.

At the Committee's meeting on 14 December 2018, the Chief Financial Officer presented the report about transactions with related-party companies above the materiality threshold set for the 2018 financial year along with the report on transactions with related-party companies below the materiality threshold set for the 2018 financial year, the latter approved by the Management Committee.

Both of these reports list the transactions performed up to October 2018. Another transaction approved by the Management Committee in December was also reported, whereby INECO was awarded a management assignment to draw up the remodelling plan for Terminal 123 at Adolfo Suárez Madrid-Barajas Airport.

## 5. Assessment of the Audit Committee's performance and composition

At its meeting on 23 January 2018 the Audit Committee agreed to approve the Activities Report 2017 including the assessment of the Audit Committee's performance pursuant to Article 529h of the Corporate Enterprises Act and in compliance with Recommendation 36 of the Code of Good Corporate Governance of Listed Companies.

This evaluation was carried out using a self-assessment questionnaire that was sent to all the directors. In light of the responses received, the directors favourably assessed the quality and efficiency of the operation of the Audit Committee. The Committee agreed to submit to the Board of Directors the report they approved in the Committee and which was discussed together with the assessment reports of the Board and the Appointments and Remuneration Committee at the meeting of the Board of Directors on 19 December 2017.

## 6. Internal control and risk management systems

At its meeting held on 22 February 2018 the Committee examined the Risk Map for 2018. At this meeting the Internal Audit Director presented the general conclusions about the risk management system in 2017.

## 7. Other issues

The meeting of the Audit Committee on 12 March 2018 was attended by Nick Barton and Barry Hunter, the CEO and CFO of Luton Airport respectively, to report on the situation of the SCIIF at Luton as it had not been fully and satisfactorily implemented at the airport. The Luton officers told the Committee about the work being done to implement an action plan with the objective of satisfactorily passing the control tests at the end of July 2018.

At this meeting it was agreed that Aena's Financial Department would report the progress of this action plan to the Audit Committee.

Barry Hunter, Luton Airport's CFO, also attended the meeting on 14 December 2018 to explain the follow-up on the Group's Internal Financial Information Control System at the airport.

In relation to the CNMV, at the meeting on 22 February the CFO summarised the main points in the presentation of revenue for 2017 scheduled to be made to investors and analysts (28 February). The members of the Committee asked for some clarifications about the presentation which for the first time included information on prospects for 2018 in terms of passenger traffic, progress in the preparation of the strategic plan and information about the Barcelona Airport Development Plan.

Changes to the way in which this information was presented were suggested to the CFO. They included simplifying the explanation about the traffic estimates methodology as it is not relevant for the purposes of this report. The proposed amendments will be included in the version which is sent to the Board.

At the meeting on 19 April 2018 the Secretary pointed out it had been agreed that during 2018 the recommendations in the Technical Guide on Audit Committees approved by the CNMV on 27 June would be included as far as possible, for which purpose a specific proposal was to be submitted to the Audit Committee. A proposal was presented to discuss the recommendations which can be implemented so as to conform with the CNMV's Technical Guide and to set a calendar for the points it is agreed to implement. These points include proposals about planning the Committee's activity, holding its meetings and regulating its operation and reports.

At the meeting on 26 November 2018 it was agreed to begin the procedures for hiring audit services for 2020, 2021 and 2022. This was because KPMG, the current auditor, had announced it will not accept the extension for a second three-year period.

It was agreed at the meeting that the term of the contract which is to begin later on will be three years plus an extension of two more that will be compulsory for the auditor. It was also agreed that the value of the contract will be €1,785,000, thus deciding to begin the procedures for hiring audit services.

## 7. CONCLUSION

This Report includes the activities carried out by the Audit Committee during 2018, thus complying with the obligation contained in the Regulation of the Board of Directors of Aena, Article 23 section (iii).20 and in Recommendation 6 of the Code of Good Governance of Listed Companies.

As can be seen from this Report, the Audit Committee has been supported by the various departments of Aena and by the auditors when carrying out its functions, and it may be concluded that throughout 2018 the Audit Committee has appropriately exercised the responsibilities assigned to it by the Bylaws and the Regulations of the Board of Aena.

In Madrid on 26 February 2019.