

2016



**AUDIT COMMITTEE
ACTIVITY REPORT 2016**

31/12/2016



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I. 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 529I, Section Two of Royal Legislative Decree 1/2010, of 2 July, enacting the consolidated text of the Corporate Enterprises Act. It is also regulated by Article 23 of the Regulation of the Board of Directors of Aena, S.A. 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 Meeting of Shareholders 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 Meeting of Shareholders 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, S.A, and Recommendation 6 of the Code of Good Governance of Listed Companies prepared by the CNMV, the Annual Performance Report of the Audit Committee has been drawn up by the Audit Committee.

II. ORGANISATION OF THE AUDIT COMMITTEE

a) 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 years, being able to be re-elected after a gap of one 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 2016 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 Universidad Complutense de 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 Committee 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 Universidad Politécnica de Madrid; he also holds a degree in Economic Science, with distinction, from the Universidad Autónoma de 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 Universidad Complutense, 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 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 of Tecnocom 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
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Mr Jose Luis Bonet Ferrer	Member	03/06/2015
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(Independent)

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 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.

He was appointed a director of Aena S.A. on 3 June 2015.

Name	Position	Appointment
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Mr Juan Miguel Báscones Ramos	Member	17/10/2014
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(Proprietary)



He has a degree in Economics and Business Studies from the Universidad Complutense de Madrid and a Master's degree in Economic and Financial Management from the Centre for Financial Studies.

He is a civil servant with the Public Treasury Management Body, specialising in Accounting, and with the Senior Body of State Comptrollers and Auditors.

He is a member of the Board of Directors of ICO, and a director of Renfe Mercancías, Renfe Fabricación y Mantenimiento and Renfe Viajeros.

Until 10 December 2016 he was Director General of Economic Programming and Budgets at the Ministry of Public Works. On that date he joined the Ministry of Finance in the General State Comptroller (IGAE) as National Audit Team Director. He previously worked as a technical adviser to Audit Department Two of the Court of Auditors. He has also held the positions of national audit team director of the National Audit Office and Financial Control section head in the Audit Office of the Spanish Agency for International Cooperation (AECI).

On 24 January 2017 he joined Renfe Operadora as General Economic and Financial Director.

On 16 October 2014 he was appointed a director of Aena, S.A.

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 Matilde García Duarte (Non-director Secretary)	Secretary	28/04/2015

She has a degree in Law, majoring in Corporate Law, from the Universidad Complutense de 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.A.

b) Powers

Article 43 of the Bylaws of Aena, S.A., and Article 23 of the Regulation of the Board of Directors of Aena, S.A., 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 the 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, particularly financial and accounting, that they may have detected within the company.
 - Regularly review internal control and risk management systems.
- ***In relation to the internal audit:***
- 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.

e) 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.

III. MEETINGS HELD

During the financial year 2016 the Audit Committee has held 10 meetings. Four meetings were attended by 100% of the members of the Committee and six of them were attended by 80% of its members.

Below is the meetings schedule:

Meeting	Date	Agenda
No. 25	22 February 2016	<ul style="list-style-type: none">- Information about related party transactions in 2015 and approval of them.- Information about the status of government non-performing loans.- Approval of the report on the independence of the auditors.- Report of the External Auditors on the financial year 2015 and the statutory declaration of the directors.- Report of the Government Attorney's Office on the prevalence of public regulations.- Investor relations policy, new functions of the Audit Committee and adaptation of the Board Regulation to the provisions in the Bylaws concerning related party transactions.

		<ul style="list-style-type: none"> - Presentation of the financial statements, management report for the financial year 2015, Annual Corporate Governance Report and proposal for distribution of profit. - 2015 Results Report to be sent to the CNMV and presentation of results to the market. - Information about the external auditor selection process. - Risk map 2016 and risk management report 2015. - Internal Audit Activity Report for 2015. - Follow-up on internal audit report incidents pending resolution.
No. 26	17 March 2016	<ul style="list-style-type: none"> - Specifications of the dossier for choosing the external auditor.
No. 27	25 April 2016	<ul style="list-style-type: none"> - Approval of the financial report for the first quarter of 2016 and presentation of results. - Information requested by the Audit Committee about mitigation activities and action plans of the Risk Management System: “Operational and Physical Security” and “Non-Aeronautical Market”.
No. 28	05 May 2016	<ul style="list-style-type: none"> - Presentation of the auditors and evaluation report concerning technical bids.
No. 29	10 May 2016	<ul style="list-style-type: none"> - Approval of the report featuring the conclusions of the process and proposal of auditors to the Board
No. 30	24 May 2016	<ul style="list-style-type: none"> - Corporate headquarters situation.
No. 31	21 July 2016	<ul style="list-style-type: none"> - Consolidated Interim Financial Statements as of 30 June 2016. - Presentation of Results to 30 June 2016 and Management Report to be sent to the CNMV. - Evaluation of the operations of the Audit Committee. - Actions of the Internal Audit Department in the first half of 2016. - Follow-up on Recommendations pending implementation
No. 32	24 October 2016	<ul style="list-style-type: none"> - Approval of the Financial Report for the nine-month period ended 30 September 2016 and presentation of results to the market
No. 33	24 November 2016	<ul style="list-style-type: none"> - Related party transactions (controller agreement with ENAIRE).
No. 34	14 December 2016	<ul style="list-style-type: none"> - Related party transactions. - Internal Audit Plan 2017. - Information about the activity of the Complaints Channel in the financial year 2016. - Change in business segments and Cash Generating Units



IV. MAIN ACTIVITIES CARRIED OUT DURING THE FINANCIAL YEAR 2016

In the course of the financial year 2016 the members of the Audit Committee have held a total of 10 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:

a) 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 Financial Statements, the Management Report, the Annual Corporate Governance Report, the proposed distribution of profits, the Quarterly Financial Reports, the Consolidated Financial Statements and the half-yearly Financial Report.

At the meeting of the Board of Directors on 14 December, the Chief Financial Officer presented the report entitled "Changes in the Operating Segments for the purpose of information and in the Cash Generating Units" and summarised its content which largely concerns: (i) the modification of the operating segments (or business segments) into which AENA will divide management information and financial information in the notes to the financial statements; and (ii) the change in the Cash Generating Units (CGUs) which will also be introduced as a result of the previous point. These changes would be made as from the close of December 2016 and in the financial statements for the year. The Audit Committee approved the proposal to modify the CGUs in line with changes in Aena's operating segments.

b) Relations with external auditors

- Selection of the external auditor

In the first half of 2016 a selection process for the Auditor for 2017, 2018 and 2019 was conducted.

This process required a series of meetings of the Committee since Aena, S.A., is a public interest entity within the meaning of that term in Article 15 of Royal Decree 1517/2011 and also a company that issues shares admitted to trading and therefore subject to Regulation (EU) No 537/2015. Consequently its appointment of auditors must comply with the



provisions of Article 16 of the aforementioned Regulation to which Article 40.3 of the Audit Act refers.

According to the opinion of the Government Attorney's Office, there is no conflict with the Public Sector Contracts Act and therefore the selection process referred to in Article 16 of the Regulation (EU) was carried out in compliance with the regulations for public procurement.

At its meeting held on 10 May the Audit Committee approved the report with the proposed appointment of auditors for 2017, 2018 and 2019 to be presented to the Board of Directors and subsequently submitted to the General Shareholders' Meeting. It also expressed its preference for the audit entity KPMG in line with the report prepared by Aena, S.A.'s Awards Committee.

- ***Information received from the external auditors***

At the Committee's meeting held on 22 February 2016, the external audit firm Price Waterhouse Coopers (PwC) provided the members of the Committee with the External Auditors Report for 2015 and explained its contents in detail. In particular, the External Auditors described the risks that affect financial information and their most relevant aspects. Likewise, the recommendations they made to the company were also presented.

Subsequently the External Auditors appeared at a number of meetings of the Audit Committee to present: (i) the results of the review of the Quarterly Financial Report (25/04/16); (ii) the scope of the work carried out in the limited review of the Consolidated Financial Statements and Interim Management Report as of 30 June 2016 (21/07/16); and (iii) the review of the Financial Report for the nine-month period ended 30 September 2016 (25/10/16).

- ***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 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 2016 the Audit Committee unanimously approved the Auditor's Independence Report for the financial year 2015.

This report concluded that the Auditor has acted in accordance with the standards of independence that apply under audit regulations, that it is not believed that the additional services could have caused conflicts of interest, and that its fees have been reasonably accounted for and are not deemed to exceed the reasonable market rates which apply to them.



c) Relations with the Internal Auditor

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

- Presentation of the internal audit activities carried out in 2015, which included the activities envisaged in the Audit Plan 2015 in addition to specific tasks not initially foreseen and related to procurement.
- Risk Map for 2016. There are control and mitigation measures in place for all the risks identified. The Audit Committee unanimously approved the risk map. At this meeting the Internal Audit Director presented the general conclusions about the risk management system. The Internal Audit Director set out these Mitigating Activities, Action Plans and Contingency Plans for the Operational and Physical Security and Non-Aeronautical Market risks included in Aena's Risk Management System at a subsequent meeting.
- Follow-up of incidents in Audit reports pending resolution. The Audit Director explained the nature of the incidents, noting that they all have action plans for their resolution.
- Presentation of the Internal Audit Department's actions during the first half of 2016.
- The 2017 Audit Plan was presented at the Committee meeting on 14 December. The Internal Audit Director set out this plan and the proposed activities. The Director also presented available internal and external resources and their application to the activities provided for in the plan. The Audit Committee agreed to approve the Internal Audit Plan 2017.

d) Related party transactions

At its meeting on 22 February the Audit Committee reviewed the information about the company's related party transactions based on the information provided by the Financial Department.

The Committee met on three other occasions to review Aena's agreements with its related companies. After a wide-ranging discussion and asking for appropriate explanations, the Committee members unanimously agreed to report favourably on the transactions included in the reports for their presentation to the Board of Directors.



e) Corporate Governance

At the meeting of the Audit Committee on 22 February the Financial Department presented the Communication and Contacts Policy with shareholders, institutional investors and proxy advisers drawn up to give effect to information transparency and also in compliance with the recommendations of the Code of Good Corporate Governance. The Committee approved the Policy and it was agreed that it should be submitted to the Board for approval.

At the same meeting the Annual Corporate Governance Report (IAGC) was presented, which accompanies the financial statements and the management report. The Committee members were informed that in order to draw up the IAGC, a report was requested from the Government Attorney's Office on the legal regime applicable to Aena as a state-owned and publicly traded company, and in particular about the prevalence of public regulations in relation to corporate governance obligations. The Government Attorney's Office concluded that the public sector regulatory rules applicable to state trading companies are prevalent because they are special and mandatory rules until such time as the existing status quo is modified or there is a legislative change that expressly exempts Aena's legal regime due to its special legal status.

f) Assessment of the Audit Committee's performance

At the meeting on 21 July for the annual assessment of the performance and composition of the Audit Committee, pursuant to Article 529.9 of the Corporate Enterprises Act and in compliance with Recommendation 36 of the Code of Good Corporate Governance of Listed Companies, the self-assessment questionnaire distributed to the members was reviewed. In view of the replies received, the members favourably assessed the quality and efficiency of the Audit Committee and agreed to submit to the Board of Directors the report they approved in the Committee. This report was discussed at the Board of Directors' meeting held on 25 October 2016 along with the evaluation reports of the Board and of the Appointments and Remuneration Committee.

g) Internal control and risk management systems

At the Audit Committee meeting on 14 December the Internal Audit Director submitted the 'Complaints Channel Activity 2016' report to the Committee. The Director mentioned the number of meetings held in 2016 by the managing body, indicating the corporate departments that comprise it, the number of complaints received during the year and, in the case of those handled in 2016, the main reasons for them and their outcome.

As for risk management, an updated Risk Map for 2016 was presented and approved at the Audit Committee meeting on 22 February. The Internal Audit Director explained that there are control and mitigation measures in place for all identified risks. In addition, and as



requested by the Audit Committee in March 2015, all medium and critical risks had documented action plans in 2015.

At the meeting on 25 April the Internal Audit Director presented the Mitigating Activities, Action Plans and Contingency Plans for the Operational and Physical Security and Non-Aeronautical Market risks included in Aena's Risk Management System.

V. CONCLUSION

This Report includes the activities carried out by the Audit Committee during 2016, thus complying with the obligation contained in the Regulation of the Board of Directors of Aena, S.A., 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, S.A. and by the auditors when carrying out its functions.