

## 7. THE ACS GROUP'S RISK MANAGEMENT





## DUAL SYSTEM OF RISK CONTROL AND SUPERVISION

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The ACS Group conducts its business activities in a variety of sectors, countries and socio-economic and legal environments that involve exposure to different levels of risk inherent in the businesses in which it operates.

ACS Group's risk control system is based on a range of strategic and operational actions which serve to mitigate these risks and comply with the objectives established by the Board of Directors. It is the Corporation's responsibility to define the basic guidelines, in order to standardize the operating criteria in each of the divisions, so that an adequate level of internal control is ensured. The companies and divisions that comprise the Group are in charge of developing the necessary and appropriate internal regulations so that, depending on the peculiarities of the respective business activity, the internal controls are implemented to ensure its optimal operating level.

In order to respond to the need for a global and homogeneous risk management system, the Corporation has established a model that includes the identification, evaluation, classification, assessment, management and monitoring of risks at the Group level and that of the operational divisions. With these risks identified, a schedule of risks is prepared which is regularly updated based on the respective variables

that comprise it and the areas of business activity that comprise the Group.

The risk control systems use the decentralized model characteristic of the Group, which allows each business unit to exercise its policies of control and assessment of risks under certain basic principles. These principles are as follows:

- Definition of the maximum risk thresholds that are acceptable for each business according to its expected characteristics and profitability, which are implemented upon entering into the respective contract.
- Establishment of identification, approval, analysis, control and information procedures for the respective risks of each business area.
- Coordination and communication so that the policies and procedures for the risks of the areas of business activity are consistent with the Group's global risk policy.

The systems provide the necessary information to supervise and evaluate the risk exposure of each business area and develop the corresponding management reports for decision making with monitoring of the appropriate indicators.

Of particular importance are the systems related to the controls in the bidding, contracting, planning and management of the works and projects, the quality management systems, as well as that of environmental management and human resources.



For further information:  
[Risk management policy](#)

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# GOVERNANCE OF THE RISK FUNCTION





The Risk Management System of the ACS Group identifies and assesses various risk scenarios grouped into two categories:

### CORPORATE RISKS

Are that which affect the Group as a whole and the publicly traded Company in particular.

#### REGULATORY RISKS

Derived from the reliability of the published Financial Information, the litigation of the company, the regulatory regulations of the Securities Market, the data protection law, the possible changes in national and international tax regulations and in terms of civil liability regarding the integrity of the assets.

#### FINANCIAL RISKS

Are that which include the level of indebtedness, the liquidity risk, the risks derived from the fluctuation in the exchange rates, the risks derived from the fluctuation in the interest rates, the risks coming from the use of financial derivative instruments, investment risks and exposure to equity risk relating to investments made in publicly-traded companies.

#### INFORMATION RISKS

Are both the reputational risks that may affect the Group's image, as well as that of the transparency and relationship with analysts and investors.

#### STRATEGIC RISKS

Are that which may arise as a result of opting for a certain strategy, which could directly or indirectly influence, in a significant manner, the achievement of the ACS Group's long-term objectives.

#### REPUTATIONAL RISKS

Are those with a potential negative impact that may affect the Group's image, such as that of transparency and relations with analysts, investors and the respective stakeholders with expectations regarding the behavior of the Company and the Group.

### BUSINESS RISKS

Are that which specifically affect each of the businesses and vary depending on the uniqueness of each business activity.

#### OPERATIONAL RISKS

Include the risks related to the contracting and bidding processes for works and projects, the planning and control of the execution of the various works and projects, the relationship with the client and that which involves credit, the quality of the product, as well as the environmental, purchasing and subcontracting risks.

#### NON-OPERATIONAL RISKS

Include risks related to prevention, workplace safety and health, Human Resources, compliance with specific laws and taxation applicable to the businesses, reliability of the accounting and financial information and the management of the financial resources and the indebtedness.



In addition to the risks inherent to the different businesses in which its activity is carried out, the ACS Group is exposed to various financial risks, whether due to changes in the interest rates or exchange rates, liquidity risk or credit risk.

a) The risks derived from changes in interest rates, which impact cash flows are mitigated by securing rates through financial instruments that cushion the respective fluctuation.

b) The management of the exchange rate fluctuation risk is performed by taking debt in the same operating currency as that of the assets that the Group finances abroad. For the coverage of net balances in currencies other than the Euro, the Group contracts a variety financial instruments in order to cushion the exposure to the exchange rate risk.

c) The highlights in the period regarding the financial risks related to liquidity are as follows:

- ACS, Actividades de Construcción y Servicios, SA has obtained a long-term BBB and A-2 short-term credit rating ("investment grade"), with a stable outlook, from the Standard & Poor's agency. Likewise, Hochtief and Cimic obtained the same credit rating in this period.
- The renewal of the issuance of the Euro Commercial Paper (ECP) program for € 750 million and the Euro Medium Term Note Program (EMTN Program) for € 1,500 million.
- The substantial modification of the syndicated loan in the amount of € 2,150 million and extension until the year 2022 with a reduction in the financial cost.
- The issuance by Hochtief of corporate bonds amounting to € 500 million that have served to

refinance the corporate bond maturing in March 2017, thus diversifying the maturity profile of its financial obligations with terms of five, seven and ten years.

- The renewal of Cimic's syndicated loan in the amount of 2,600 million Australian dollars and extension until the years 2010 and 2022.
- The renewal of the credit facility and collateral of Hochtief in the amount of € 1,700 million until August 2022.
- The formalization by ACS, Actividades de Construcción y Servicios, SA of a Negotiable European Commercial Paper (NEU CP) program for a maximum amount of € 300 million, with a maximum issue term of 365 days.
- The renewal of the syndicated loan by Dragados, S.A. and its participated Dragados Construction USA, Inc. for 270 million US dollars on June 29 of 2017 with maturity in five years.

In the Corporate Governance Reports and the Consolidated Financial Statements of the ACS Group ([www.grupoacs.com](http://www.grupoacs.com)), greater detail is provided on the risks and the instruments under its control. Likewise, the Annual Report of HOCHTIEF ([www.hochtief.com](http://www.hochtief.com)) details its own risks and control mechanisms.

For the next six months, starting as of the balance sheet date of the financial statements referred to in this document, the ACS Group, based on the information currently available, expects to face situations of risk and uncertainty similar to those of the Second half of 2017 year, especially those derived from the internationalization of the Group's business activities.