



New Times

**NEW
OPPORTUNITIES
TO GROW**

INTEGRATED
ANNUAL REPORT
2017

*Financial Report
Sustainability Report*

STATEMENT OF RESPONSIBILITY

This document contains true and sufficient information on the operations of Graña y Montero S.A.A. during the year 2017. Notwithstanding the responsibility of the issuer, the undersigned assume responsibility for the contents here of in accordance with applicable laws”.



*- Luis Díaz Olivero -
Chief Executive Officer*



*- Julia Cabrera Calle -
Corporate General Accountant*

Lima, June 2018

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A NEW PHASE

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THE SAME COMMITMENT

TO CONTINUE BUILDING A BETTER FUTURE

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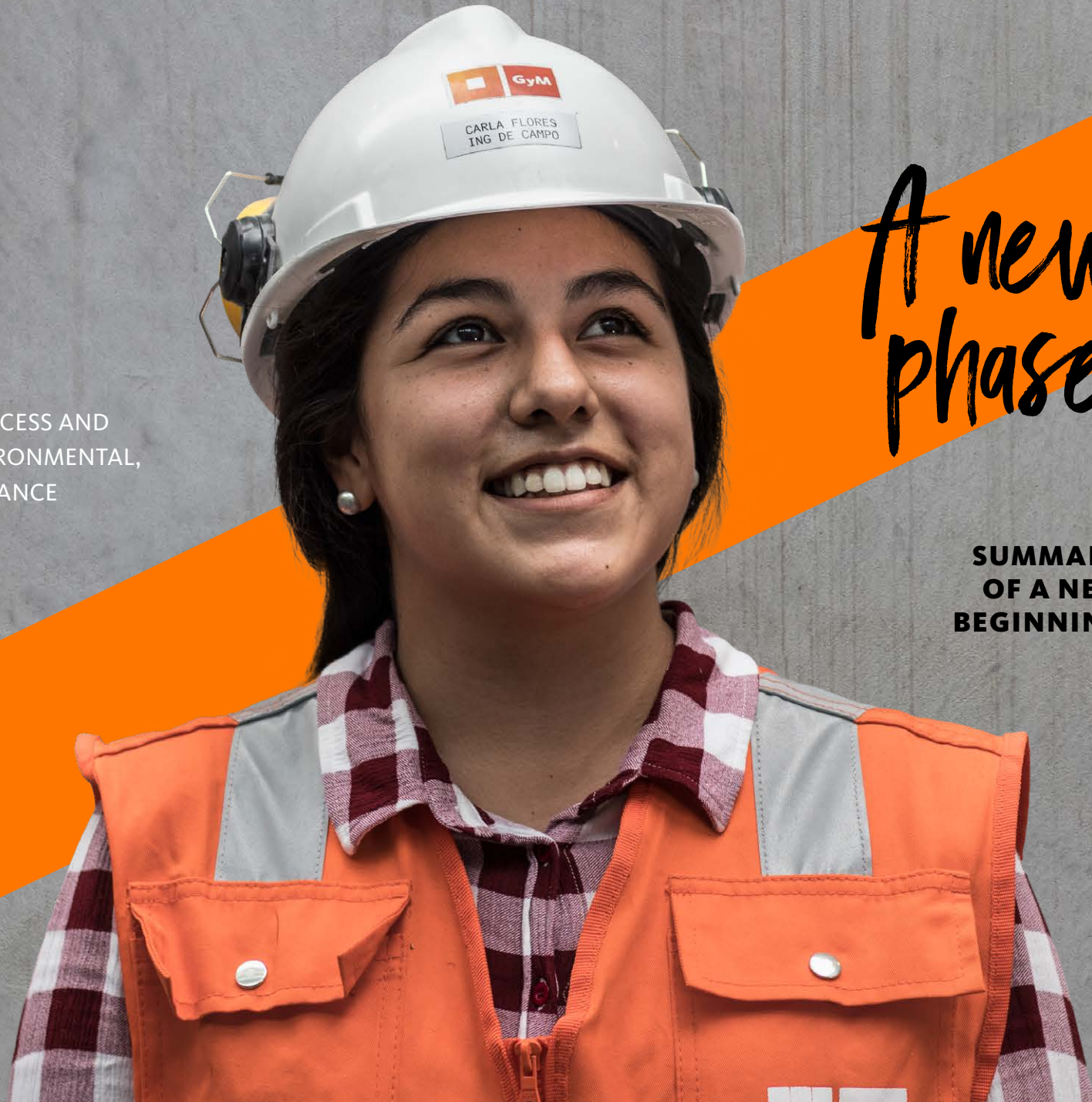


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THE RESULTS OF OUR
STRENGTHENING PROCESS AND
OUR FINANCIAL ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
PERFORMANCE



*A new
phase*

**SUMMARY
OF A NEW
BEGINNING**

LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of our Board of Directors, we are happy to present to you the 2017 Annual Report, marking our 84th year of presence in the industry. On March 31st, 2017, the General Shareholders' Meeting elected a new Board of Directors for Graña y Montero, which I am honoured to chair. Being aware of the difficult circumstances the company was facing, we did not hesitate in accepting the responsibility of overcoming its worst crisis ever, because we cannot fathom a Peru with no Graña y Montero.

We highly regard its significance as a company and its impact in the projects it carries out, fostering the country's economic and social development.

During the past year, we have worked intensely to revert this situation and convert this crisis into an opportunity to innovate and learn. We can already show concrete achievements, and we are sure that we are on the correct path, both at the operational and strategic level.

Still, what happened? How could such a renowned company be involved in a scandal that started its worst crisis in 84 years?

Part of the answer lies with the overestimation of our reputation and a decision making process which favoured profitability without assessing correctly possible risks.

Graña y Montero entered a partnership with Odebrecht to carry out a few projects which were of the utmost importance for the country development,

but in doing so it accepted an asymmetrical association with a controlling partner which later admitted to bribery and corruption. This proved that there were improvements to be made, both in our management system as well as our third-party partnership process.

This is how we decided to reinvent ourselves and show our resiliency. We implemented a new organizational structure, we made internal changes, we questioned our strategy and processes, we came up with alternative solutions to better overcome our problems and learn from our mistakes. Overall, we are moving forward with a clear vision for our future.

The new management started a new chapter, focused on strengthening our risk management, refining our standards, good corporate practices and compliance, with a public commitment to the truth, to transparency and integrity. As a first step, we published a Manifest, with which the new management committed, amongst other things, to carrying out six key actions for our future:

- The creation of a Risk, Compliance and Sustainability Committee;
- The implementation of a training programme on anti-corruption for our employees and executives;
- The reviewing and strengthening of our association policy with the government;
- Our new association policy with partners and clients;
- Our new association policy with suppliers and subcontractors;
- The creation of an External Advisory Council;

**+200 projects in
15 regions of Peru
and 6 countries
in the region.**



As part of all these actions, our corporate culture is transforming and our processes are becoming more rigorous.

Furthermore, today we seek to be more transparent in our management and to actively involve our stakeholders. We are empowering our employees to report any questionable act through the Ethics Channel, and our external stakeholders have been given a new communications channel called “We’re listening”, which is part of the “Committed to the future” programme, launched by the Board of Directors.

With regards to the business activities, our team has shown that under the hardest conditions we are able to achieve a more efficient operations management, in order to perform better, which is shown EBITDA, that increased from USD -28 MM in 2016 to USD 242 in 2017.

Another financial aspect which I wish to point out is the repayment of 53% of the debt incurred because of the cancellation of the Gaseoducto Sur Peruano, equivalent to USD 167.3 MM repaid. This was thanks to our divestment strategy which was promptly carried out, also as part of our organizational restructuring, and generated a USD 213.2 MM income. This contributed to the deleveraging of the company, which reduced its total debt from USD 1049 MM as of December 2016, to USD 829 MM at the end of 2017.

Without a doubt, one of the greatest satisfactions of 2017 has been winning new contracts and extending existing ones, which helped in maintaining our Backlog plus recurring business in USD 2,973 MM at year end. In the same way, our sales end the year in US \$ 1,874 MM.

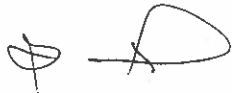
With the unwavering support and dedication of our employees, we have been working on approximately 200 projects in 15 regions, as well as carrying out important works in Chile, Colombia, Mexico and Panama. This was also possible thanks to the support of around 10,000 suppliers which allowed us to carry the projects out, benefitting thousands of people.

There some projects of paramount importance this year which will have a positive impact on our society:

- The Line 1 capacity expansion, which will allow to increase daily passengers from 300 thousand to 500 thousand;
- The carrying out of five contracts for Southern Copper Corporation in the Toquepala and Cuajone mines, which together represents this year's largest mining investment;
- The refurbishment and expansion of the Talara Refinery, for which we hired over 4.500 people;
- The Yellow Line project, a 25km network which will connect 11 Lima districts, and will improve circulation for 139.000 vehicles.

The above shows that, our difficulties notwithstanding, the company preserves its core strengths, such as the talent and experience of our engineers, our teamwork, our operations management and our commitment to fulfil our objectives. All of these are qualities which are still at the country and the region's service, and which will continue improving the citizens' quality of life. We also reaffirm our commitment to the principles of the UN Global Compact, which we uphold and show in all the aspects of our sustainable conduct.

During 2018 we are resolved to show to the country that Graña y Montero is committed to the truth, transparency and integrity, and that we will condemn any act which is not in accordance to the standards of Corporate Governance and Compliance which we are implementing. This is why we ask the society to give us a new vote of confidence.



- Augusto Baertl -
Chairman of the Board



- Rafael Venegas -
Independent Director



- Alfonso de Orbegoso -
Independent Director



- Pedro Pablo Errázuriz -
Independent Director



- José Antonio Rosas -
Independent Director



- Manuel Del Río -
Independent Director



- Alfonso García Miró -
External Director



- Roberto Abusada Salah -
External Director



- Carlos Montero -
External Director

OUR PROGRESS

FOR A NEW FUTURE

STRENGTHENING OF OUR CORPORATE GOVERNANCE

page 17

- New General Management
- New Board
- New Risk, Fulfillment and Sustainability Committee

1

STRENGTHENING OF OUR RISK MANAGEMENT AND COMPLIANCE

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- New External Advisory Council
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- New policies, procedures and controls
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FINANCIAL STRENGTHENING AND NEW GROWTH STRATEGY

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- New financing sources

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- New communication channels
- New relationship strategy

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FINANCIAL PERFORMANCE 2017

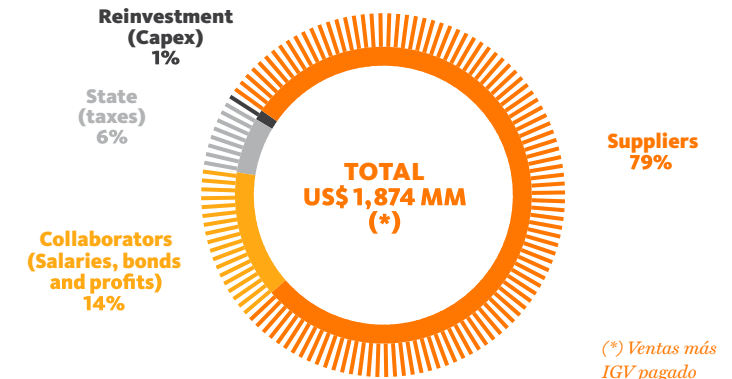
KEY FIGURES

	KEY FIGURES	
	S/. THOUSANDS	US\$ THOUSANDS
Sales	6,080,142	1,873,695
Gross Profit	672,786	207,330
Profit before Taxes	328,713	101,298
Net Profit	148,738	45,836
EBITDA	785,101	297,592
Backlog	7,750,341	2,388,395
Recurring business	1,898,521	585,060
Backlog and recurring business	9,648,863	2,973,455
Professionals		4,529

DISTRIBUTION OF VALUE

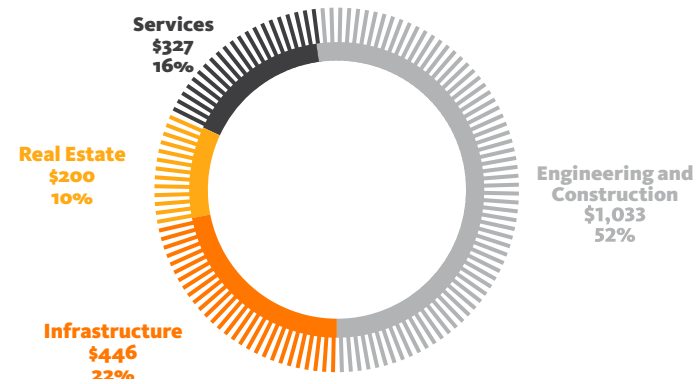
Through our companies, we seek to generate value for society in the economic, as well as social and environmental areas. Therefore, we not only develop the best engineering and infrastructure solutions; we also seek to go beyond our business, fostering the growth of our different stakeholders.

DISTRIBUTED ECONOMIC VALUE

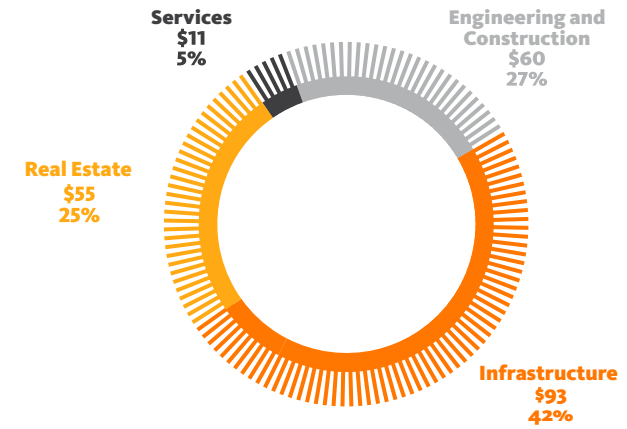


FINANCIAL PERFORMANCE 2017

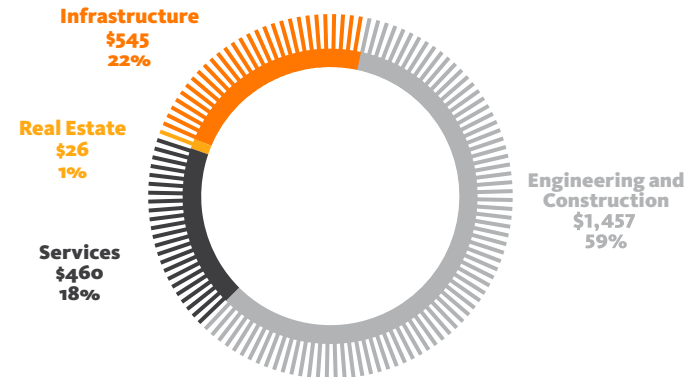
SALES BY BUSINESS LINE



EBITDA POR LÍNEA DE NEGOCIO (US\$ MM)



BACKLOG POR LÍNEA DE NEGOCIO (US\$ MM)

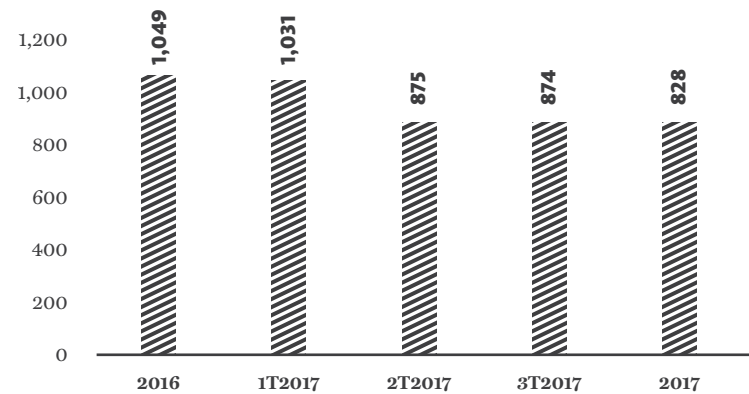


FINANCIAL PERFORMANCE 2017

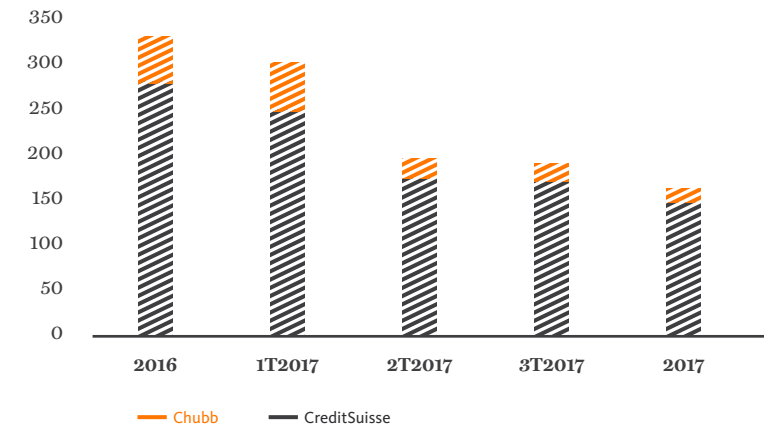
DEBT REDUCTION

DEBT (US\$ THOUSAND)					
	2016	1Q2017	2Q2017	3Q2017	2017
Working capital + Leasing	382,677	383,045	344,055	349,423	328,079
Working capital	336,389	348,576	335,414	335,036	337,763
Funding Associated with GSP	277,415	247,344	173,593	169,621	146,988
Total	996,481	978,965	853,062	854,081	812,830
Debt Letter guarantee CHUBB	52,500	52,500	21,679	20,249	15,640
TOTAL DEBT	1,048,981	1,031,465	874,741	874,329	828,470

TOTAL DEBT (US\$ MILLIONS)



DEBT ASSOCIATED WITH GSP (US\$ MILLIONS)



FINANCIAL PERFORMANCE

(COMPARATIVE LAST 4 YEARS)

KEY FIGURES

	2014		2015		2016		2017	
	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS
Sales	7,008,680	2,344,824	7,815,495	2,289,919	6,190,317	1,842,356	6,080,142	1,873,695
Gross profit	951,569	318,357	649,974	190,440	557,295	165,862	672,786	207,330
Profit before taxes	507,429	169,765	154,616	45,302	-582,865	-173,472	328,713	101,298
Net profit	299,744	100,282	7,097	2,079	-509,699	-151,696	148,738	45,836
EBITDA	911,851	305,069	599,737	175,721	-93,581	-27,851	785,102	241,942
Backlog	11,254,921	3,765,447	13,781,034	4,037,807	10,541,583	3,137,376	7,750,341	2,388,395
Recurring business	1,733,630	580,003	1,529,834	448,237	2,327,822	692,804	1,898,521	585,060
Backlog and recurring business	12,988,551	4,345,450	15,310,868	4,486,044	12,869,405	3,830,180	9,648,863	2,973,455

SALES BY BUSINESS LINES	2014		2015		2016		2017	
	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS	S/. THOUSANDS	US\$ THOUSANDS
Engineering and Construction	5,035,674	1,684,735	5,829,441	1,708,011	4,159,539	1,237,958	3,353,198	1,033,343
Infrastructure	1,249,126	417,907	1,353,062	396,443	912,094	271,457	1,447,926	446,202
Real Estate	224,560	75,129	215,764	63,218	411,518	122,476	647,535	199,548
Services	843,808	282,304	816,851	239,335	1,139,061	339,006	1,060,996	326,963

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

OUR IMPACT ON THE REGION

We generate value for our stakeholders through our environmental, social, and governance activities in the places in which we operate. We base our efforts on our Sustainability Policy, whose guidelines allow us to address seven management priorities* in order to ensure that our operations are carried out in a sustainable manner. In this regard, we highlight the most noteworthy figures for the region.

*(See page 66, Appendix)

31,520
DIRECT JOBS
generated directly

+10,000
suppliers and contractors

+ 90
MILLION DOLLARS
in local purchases

+170,000
HOURS OF TRAINING
for suppliers, customers and communities

5 OUT OF THE 9
DIRECTORS
are independent





15% OF
CONSTRUCTION WASTE
put to use

OUR CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

As signatories of the Global Compact, we are committed to respect for human rights, labor regulations, preservation of the environment and the fight against corruption. In addition, through our business strategies and sustainability priorities, we contribute to the achievement of the Sustainable Development Goals set by the United Nations in the year 2015 in order to bring about positive change in the world.

Our actions, which focus on four Sustainable Development Goals (SDG), are related with the education, the generation of decent employment, the promotion of innovation, and the development of infrastructure and sustainable cities.

Complementarily, our projects made concrete contributions to the achievement of the following SDGs: 1 (No Poverty), 3 (Good Health and Wellbeing), 12 (Responsible Consumption and Production), 13 (Climate Action) and 16 (Peace, Justice and Strong Institutions). Throughout this document, reference is made to specific contributions toward these goals.

			
<ul style="list-style-type: none"> - More than 170,000 hours of training for suppliers, customers and communities in the vicinity of our projects. - 96 students completed a technical education program in Construction Management that was designed and implemented by Graña y Montero. - 412 face-to-face courses and 1,271 online courses offered through the Graña y Montero Academy. 	<ul style="list-style-type: none"> - 412 face-to-face courses and 1,271 online courses offered through the Graña y Montero Academy. - More than 1.1 million hours of training since the foundation of the Developing Skills for Job Placement program in 2005. - 95% of our employees received a salary above the country's legal minimum wage. - 28 construction project committees or unions, with whom we work respectfully. - More than 10,000 local suppliers and US\$ 90 million in local purchases. 	<ul style="list-style-type: none"> - 10 companies in the Group certified according to ISO 14001 and OHSAS 18001. - More than 320,000 passengers transported daily by Line 1 of the Lima Metro. - Operation of more than 1,200 kilometers of highways that facilitate the transportation of millions of citizens. - Foundation of the Digital Workshop, a space where we design new technological solutions for our projects. 	<ul style="list-style-type: none"> - Treatment of 25% of Lima's waste water through the La Chira wastewater treatment plant. - 10 eco-friendly buildings built according to the standards of the Bono Mivivienda Sostenible (Sustainable Housing Bonus). - Different engineering solutions designed for our customers that enable them to reduce their environmental impact. - More than 5,400 hours of training on road safety provided to the community. - M15% construction waste (from soil removal and demolition work) put to use.



2017 HAS GIVEN US AN OPPORTUNITY
FOR TRANSFORMATION IN ORDER
TO STRENGTHEN OUR MANAGEMENT
PRACTICES AND
GROW TOGETHER AS A COMPANY
TO ACHIEVE EXCELLENCE

*Actions
for the
future*

**WE STRENGTHEN
OURSELVES TO GROW**



2017 WAS A YEAR OF PROFOUND CHANGES

We decided to start a process of transformation and turn the reputational crisis that we went through in the year, into an opportunity to strengthen ourselves as an organization and recover the path towards a sustainable future.

This transformation process is complex, has multiple dimensions and some of its results are long-term, but it will allow us to become a benchmark for integrity, compliance, risk management and corporate governance in Latin America.

Below is a summary of the progress of the main actions with which we started the new stage of Graña y Montero:

1
**Strengthening
of our Corporate
Governance**

2
**Strengthening
of our risk
management
and compliance**

3
**Financial
strengthening
and new growth
strategy**

4
**Strengthening
the communication
with our stakeholders**



1

**STRENGTHENING
OF OUR**

*Corporate
Governance*

- NEW GENERAL MANAGEMENT
- NEW BOARD
- NEW RISK, COMPLIANCE AND SUSTAINABILITY COMMITTEE

STRENGTHENING OF OUR CORPORATE GOVERNANCE

NEW CHIEF EXECUTIVE OFFICER

In February 2017, the Board appointed Mr. Luis Díaz Olivero as the new CEO. Luis Díaz has more than 20 years' experience in the organization and prior to holding the current position he worked as corporate operations manager (2016), corporate infrastructure manager (2013-2015), general manager of GMP (2011-2013), among others. He is an industrial engineer from the Pontificia Catholic University of Peru and has a master's degree in Business Administration from the University of Pittsburgh.

Under his leadership, in 2017 we achieved important progress related to the financial strengthening of the company, the design of the new growth strategy and the change in the Group's organizational structure, which will allow us to maximize efficiency, agility and strengthen our focus on the client.

NEW DIRECTION WITH INDEPENDENT MANAGEMENT

To guarantee a greater transparency and complete independence of criteria, the General Shareholders' Meeting appointed a new Board of Directors for the period 2017-2020. This new Board of Directors is chaired by Mr. Augusto Baertl and composed of nine members, all of them external and with an independent majority. It incorporated professionals with recognized career and experience, with very specialized profiles, according to the current needs of the company.

During the year, the Board registered an average of 95% attendance of its members, working hard to reverse adverse circumstances and restore the company's reputation. It has been a key player in strengthening the "tone at the top" in promoting the necessary reforms to strengthen our standards of risk management, compliance and good corporate governance practices.

2017 BOARD

INDEPENDENT EXTERNAL DIRECTORS	EXTERNAL NON-INDEPENDENT DIRECTORS
Pedro Pablo Errázuriz Dominguez	Augusto Baertl Montori
Alfonso de Orbegoso Baraybar	Roberto Abusada Salah
Manuel del Río Jiménez	Alfonso García Miró Peschiera
José Antonio Rosas Dulanto	Carlos Montero Graña
Rafael Venegas Vidaurre	

NEW RISK, COMPLIANCE AND SUSTAINABILITY COMMITTEE

In order to enhance the risk management of the company, the new Risk, Compliance and Sustainability Committee was created at the Board level. This Committee is led by the Chairman of the Board and composed of four directors.

Some of its main functions are: to approve the Group's risk exposure limits and ensure compliance with internal policies and laws that apply to us. Additionally, this Committee incorporated sustainability issues that, until 2016, were being managed by the Human Resources Management and Sustainability Committee.

In 2017, the Risk, Compliance and Sustainability Committee was the most active governing body, registering more than 70 work sessions.



2

**STRENGTHENING
OF OUR**

*Risk Management
and compliance*

- NEW EXTERNAL ADVISORY COUNCIL
- NEW RISK AND COMPLIANCE AREA
- NEW POLICIES, PROCEDURES AND CONTROLS
- TRAINING FOR THE BOARD AND COLLABORATORS

STRENGTHENING OF OUR RISK MANAGEMENT AND COMPLIANCE

CREATION OF THE PROGRAM COMMITTED WITH THE FUTURE

The new Board of the Group renewed its commitment to truth, transparency and integrity and created the *Committed to the Future* Program, which seeks to raise the risk management and compliance standards of the company, through the following pillars:

400 executives trained in the anticorruption training program.

A. NEW EXTERNAL ADVISORY COUNCIL

During 2017, we created an external and independent Council to support the management of the Board of Directors in matters of Corporate Governance, strategic business, risk management, internal control, transparency of information and permanence of the company's policies and values.

The Advisory council is composed of Javier Tovar, an expert attorney in legal strategies for regulatory and corporate matters, Gemma Aiolfi, Director of Compliance and Corporate Governance at the Basel Institute on Governance in Switzerland and Barbara Bruce, renowned professional in the business world in Peru.

B. NEW RISK AND COMPLIANCE AREA

To ensure the independence and resources necessary for proper risk management, in 2017, we created the corporate area of Risks and Compliance and hired Mr. Fernando Dyer, a professional with recognized international experience in Compliance matters, to lead it. This area reports directly to the Board's Risks, Compliance and Sustainability Committee.

Among his main achievements were the definition of a new risk management model for the Group, the incorporation of shared objectives related to the ethical concept and accountability for managers, the reorganization of the internal audit structure and the re-launch of the Ethical Channel.

C. NEW POLICIES, PROCEDURES AND CONTROLS

During the year, we reinforced our main corporate policies and processes, focusing on the evaluation of potential strategic partners and third parties. In this sense, we designed and implemented a new process due diligence process, much more rigorous, which during the second semester was applied to 15 potential businesses or companies.

Likewise, we initiated the processes of updating the Code of Conduct, our policies of interaction with the State, the systems of evaluation and contracting of suppliers, as well as the operating process of the Ethics Channel. During 2018, these policies and related training programs will be deployed.

D. TRAINING FOR THE BOARD AND COLLABORATORS

During 2017, we reformulated our anti-corruption training program, segmenting the contents according to the audience. We conducted more than 10 face-to-face courses aimed at the Board of Directors, Senior Management, and the most sensitive areas of the Group, where we trained more than 400 executives.

We also signed an agreement with the International Anti-Corruption Academy (IACA), an institution created by the United Nations to promote the training of professionals in the fight against corruption. With them, we conducted specialized and in-depth training for 40 directors and senior executives of the Group. In addition, as part of this initiative, the Group organized a discussion on Corporate Governance and Compliance, in which nearly 80 representatives from the private sector, trade union institutions and the Peruvian academic sector participated.

INDEPENDENT INVESTIGATION

In January 2017, the Board of Directors commissioned the firm Simpson Thacher & Bartlett, an independent investigation to fully understand the company's acting - and those involved in the projects in which it partnered with Odebrecht . The investigation was led by a former senior US government official who supervised the prosecution of fraud and corruption crimes.

The investigation concluded without finding evidence that could lead to the conclusion that any of the directors, present or past, executives or employees of the company, had knowledge of, or knowingly participated in any act of corruption or bribery of public officials in the aforementioned projects.

From the results of this investigation, it was then evident that in the company there had never been an agreed criminal structure to carry out illegal business practices, pay bribes or corrupt officials. However, it also showed that there were areas for improvement in the company's risk management systems, which has been strengthening during the course of 2017.

During the independent investigation, which took about ten months, more than 250,000 documents were analyzed. Emails, cell phones, text messages, financial statements, press information and commercial documents were reviewed, as well as other electronic media such as computer hard disks and corporate network data bases. This information was complemented with face-to-face interviews with officials and former employees of the company.

The results of the investigation were reported on November 2, 2017 to the Shareholders' Meeting and are available at www.comprometidosconelfuturo.pe





3

FINANCIAL STRENGTHENING

and new Growth strategy

- NEW GROWTH STRATEGY
- ASSET SALE PROCESS
- REFINANCING AND DEBT REDUCTION
- NEW FINANCING SOURCES

FINANCIAL STRENGTHENING AND NEW GROWTH STRATEGY

NEW GROWTH STRATEGY

As part of the transformation process, we have rethought our growth strategy, seeking to be more agile and efficient company. In this context, we have defined that in the coming years our growth will be focused on the three lines of business: Engineering and Construction, Infrastructure and Real Estate.

At the Engineering and Construction levels, we want to be a regional company with equal capabilities in Peru, Chile and Colombia. Likewise, in Infrastructure, we will seek to take advantage of the experience we already have, concentrating on oil and gas projects, roads, transportation and sanitation. In the Real Estate sector, we will continue to serve the traditional and social housing segments.

With this, we look for more robust and powerful business areas with a structure that favors greater organizational capacities and, in this way, have companies with more agile and business-focused structures, and a lighter and more efficient Holding.

ASSET SALE PROCESS

In order to comply with our commitments during 2017, we sold six assets, which represented US\$ 213.2 million. These sales were made methodically and without sacrificing value, as part of a disinvestment plan, aligned with the new growth strategy of the organization.

THE ASSETS SOLD DURING THE YEAR WERE	
- Cuartel San Martín (02/03/2017)	US\$ 50 MM
- Red Eagle Mining (02/28/2017)	US\$ 11.5 MM
- PRINSUR (02/24/2017)	US\$ 25 MM
- COGA (04/24/2017)	US\$ 21.5 MM
- GMD (06/06/2017)	US\$ 84.7 MM
- Corporate building (09/29/2017)	US\$ 20.5 MM

REFINANCING AND DEBT REDUCTION

The debts generated by the cancellation of the Southern Peru Gas Pipeline project (GSP) amounted to US\$ 330 MM. During the first half of the year, we closed important refinancing agreements with the creditors of these debts, Chubb Perú SA, Credit Suisse AG and four other international banks, obtaining new payment terms until 2020. The achievement of these financing reflected the confidence of our creditors and substantially reduced the financial risk of the company.

Also, thanks to the disinvestment plan executed during the year, at the end of 2017, the GSP debt was reduced by approximately 50%. With this, we improved our debt levels in relation to EBITDA, going from 6.5 (2016) to 4.1 (2017).

NEW FINANCING SOURCES

Despite the complex current reputational situation faced by the Group, during 2017, we obtained a new syndicated credit line with five major local banks (Banco de Credito del Peru, Scotiabank, Interbank, Citibank Peru and BBVA) for US\$ 161.1 million and an additional line of bail bonds for up to US\$ 100 million to take care of future company projects.

We also obtained new financing for a total of US\$ 416 million for the execution of our projects, such as the extension of Line 1 of the Lima Subway, which will increase our transport capacity from 320,000 to 500,000 people; or the expansion of the storage terminals that our oil company GMP manages, in the north of the country.

With these agreements, we successfully completed a stage of financing negotiations, which allowed us to reaffirm the confidence of financial institutions in the future of the Graña and Montero Group.

RELIABLE FINANCIAL STATEMENTS

DURING 2017, THE COMPANY APPROVED A NEW MEASURE TO GUARANTEE INDEPENDENCE IN ITS AUDIT PROCESS OF FINANCIAL STATEMENTS. WITH IT, NO FIRM THAT IS PROVIDING THESE SERVICES MAY BE HIRED TO PERFORM OTHER SERVICES, FOR THE DURATION OF THE DESIGNATION PERIOD.



4

STRENGTHENING COMMUNICATION

*with our
stakeholders*

- NEW COMMUNICATION CHANNELS
- NEW RELATIONSHIP STRATEGY

STRENGTHENING COMMUNICATION WITH OUR STAKEHOLDERS

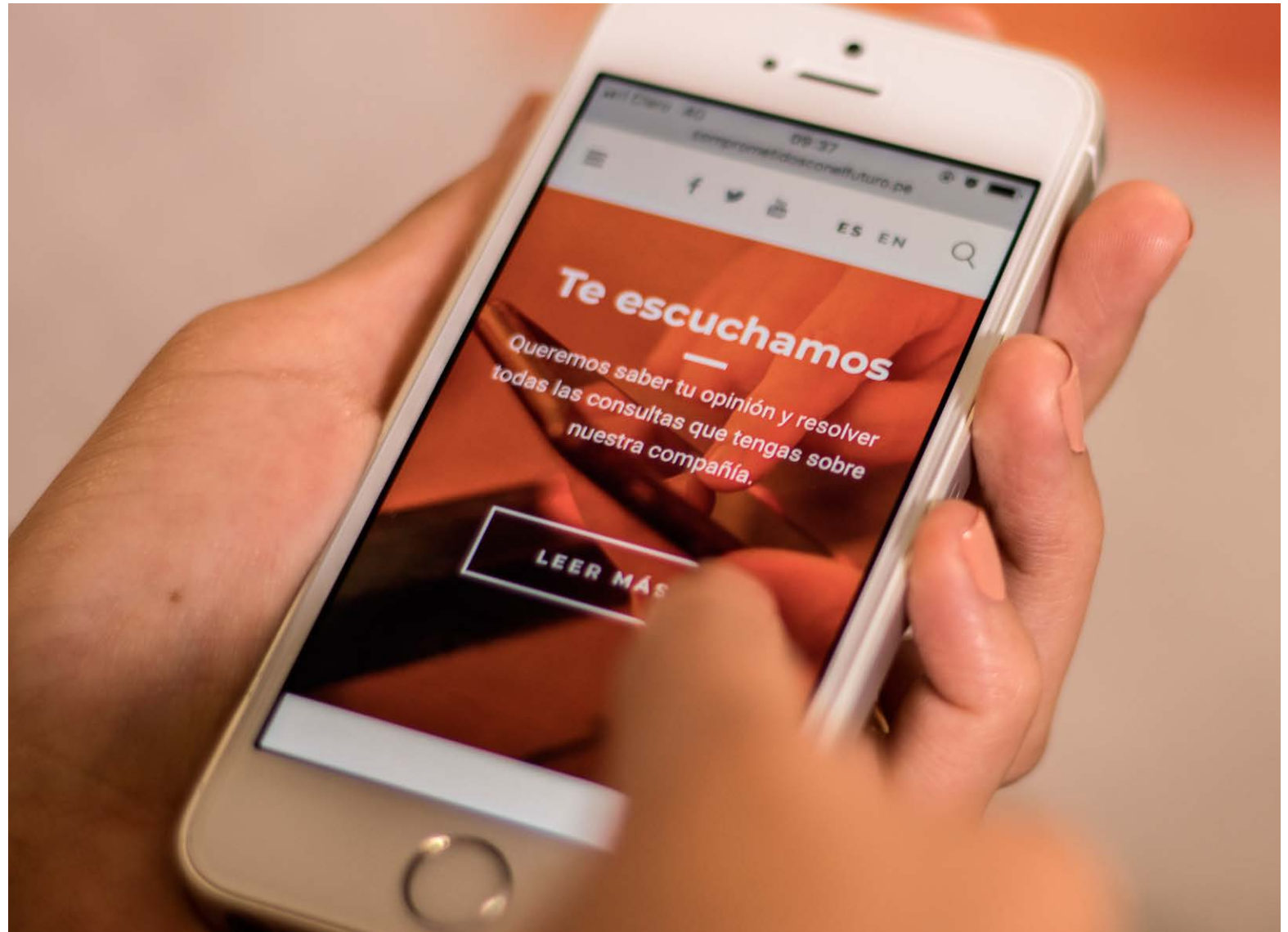
NEW COMMUNICATION CHANNELS

As part of our commitment to transparency and integrity and with the aim of keeping our different stakeholders informed, we created new communication channels, among which the following stand out:

- **Web page *Committed with the Future*:** portal that generated more than 47,000 visits in 2017 and is used to inform about the progress of our program *Committed with the Future* and our strengthening process.
- **Channel *Te Escuchamos*:** Section of the website of *Committed with the Future* that allows users, whether internal or external, to write to us about any doubt and/ or concern. During the year 134 doubts or queries were cleared up.

NEW NETWORK MARKETING STRATEGY

In addition to digital channels, we opened face-to-face instances to exchange views, collect comments and solve queries from our stakeholders. Thus, during 2017, we more than 50 meetings 1 to 1 and through informative breakfast, we achieve to solve the doubts of more 60 companies.





WE MAINTAIN OUR
COMMITMENT TO UNDERTAKE
THE REGION'S MOST
CHALLENGING PROJECTS
AND TO GENERATE WELFARE
IN THE COMMUNITIES IN
WHICH WE OPERATE.



A
permanent
commitment

**TO CONTINUE
BUILDING A BETTER
FUTURE**

A PERMANENT COMMITMENT

We are a Peruvian company with 84 years' experience and we are committed to the future of our workers, investors, customers, users, suppliers and communities in the countries where we operate.

Throughout our history we have developed more than 1,500 projects, which have allowed us to accompany the growth, especially of Peru, and create value, through the generation of new jobs, the improvement of industry safety standards, the development of local economies and the reduction of the country's infrastructure gaps.

We continue to be the Engineering and Construction Group with the greatest technical capacity in Peru and, thanks to the talent and experience of our more than 31,500 employees, we can design, build and operate the most complex projects, with the best standards quality.

During 2017, we worked on more than 150 projects, located in 17 regions of Peru, as well as in Chile, Colombia, Mexico and Panama. Thanks to them, we generated more than 100,000 direct and indirect jobs and involved approximately 13,000 suppliers, who trusted us. Undoubtedly, all these projects had a positive economic impact, but they also improved the life quality of thousands of people. Thus, in Graña y Montero, we not only ensure the technical quality and economic profitability of our projects, but we also seek to have a positive social and environmental impact. In this way we promote a virtuous circle of development, where both the company and society win.

To achieve this, since 2016, we have a Corporate Sustainability Policy, which provides guidelines and clear commitments on the seven most important issues for our sustainable management. These issues have been defined based on the assessment of our environmental, social and governance risks (ESG) and our potential impacts on stakeholders.

Given its close relationship with comprehensive risk management, since 2017 the sustainability issues have been monitored by the Board's Risks, Compliance and Sustainability Committee. With this, it is expected to achieve greater alignment with the business and consistency in the long term.

1

**Transcendental projects
for Peru and the region**

2

**Responsible business for a
better future**

¹ Ver Anexos Pág. 105: Proceso de Materialidad seguido para determinar las prioridades de Sostenibilidad del Grupo



1

Major projects

**FOR PERU AND
THE REGION**

VALUE PROPOSITION

What started as a construction company, today has become a group of companies divided into business lines. Each business line gathers together companies with similar operations and management systems. This solution allows us to build the capacities and strengthen the skills of the different areas and to boost the group's internal synergies. (G4-17)



GMI
ENGINEERING

GyM
CONSTRUCTION IN PERU

VIAL Y VIVES - DSD
CONSTRUCTION IN CHILE

MORELCO
CONSTRUCTION IN COLOMBIA

STRACON GyM
MINING SERVICES



NORVIAL
HIGHWAY CONCESSION

SURVIAL
HIGHWAY CONCESSION

CANCHAQUE
HIGHWAY CONCESSION

VESUR
URBAN CONCESSION

GYM FERROVIAS
LINE 1 OF THE LIMA METER

GMP
OIL INFRASTRUCTURE
OPERATION

LA CHIRA
RESIDUAL WATER TREATMENT
PLANT

CONCAR
ROADS AND INFRASTRUCTURE
OPERATION



VIVA GyM
REAL STATE DEVELOPMENT

ALMONTE
INDUSTRIAL LOTS



CAM
ELECTRICAL SERVICES

ADEXUS
INFORMATION TECHNOLOGY

* In february 2018, STRACON GyM left the Group.

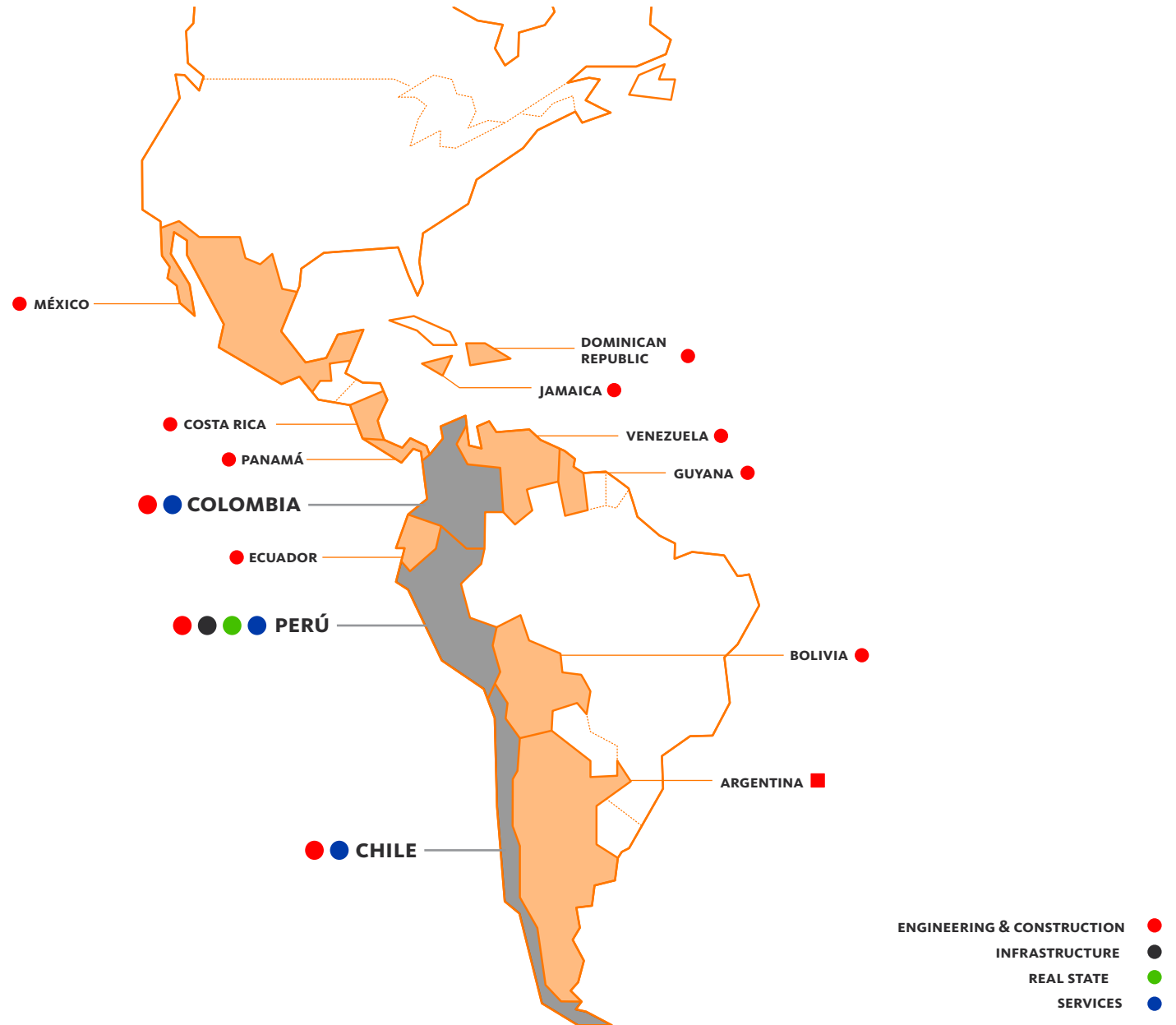
REGIONALIZATION

STRATEGIC PARTNER FOR PROJECT DEVELOPMENT

in the region.

WE HAVE DEVELOPED PROJECTS IN 13 COUNTRIES OF LATIN AMERICA

we have offices installed in Peru, Chile and Colombia.





**Graña y
Montero**

**Engineering &
Construction**





**Graña y
Montero**

**Engineering &
Construction**

2017 was a complex year for the Group and the country, where the political scenario delayed the start of several public projects and kept the private sector expectant and prudent. Besides, we have to add the clients' concerns about the situation of the Company in Peru, which affected the performance of the Engineering and Construction area.

Despite the difficult scenario, many of our clients kept trusting in our technical strength and because of this, the area was renewed and awarded important contracts in Peru, Chile and Colombia, most importantly for the mining sector. An example of this is the renewal of the operation contract in La Zanja, a mine located in Cajamarca. Also a contract for the realization of the Vertical Work Package N°1 (VWP1) project in the Spence mine (Chile), which belongs to BHP Billiton, or the awarding of complementary contracts for Ecopetrol in Colombia.

Additionally, we strengthened our regional presence not only with the awarding of new projects, but also with our permanent establishment in Mexico, where we are aiming at developing EPC projects specialized in the sanitation and mining sector.

To close 2017, we achieved a total of US\$ 1,033 MM on sales and a backlog of US\$ 1,457 MM.

It is important to underline that with the projects done, not only did we show our great ability to carry out complex projects, which have technical and geographical challenges and short deadlines, but we also improved our performance on safety, registering a frequency rate of 0.25 disabling accidents for every 200,000 hours of work.

Besides, as part of our value proposal, we had a positive impact on thousands of people's lives, generating 18,265 direct jobs, buying from more than 5,000 suppliers and contractors, and giving more than 80,000 training hours to communities located near our project, so as to promote their local recruitment.

**US\$
1,033
MILLIONS**
in sales

**ADJUDICATION
AND RENEWAL**
*of important
contracts in Peru,
Chile and Colombia*

**18,265
DIRECT JOBS**
generated

**US\$
1,457
MILLIONS**
in backlog

GMI ENGINEERING

During 2017 we decided to strengthen our regional position, so we opened a subsidiary in Mexico in order to have a permanent offer of our services in that country. In Chile, partnered with Vial y Vives-DSD, we carried out the EPC of the storage and delivery of concentrate copper plant located in Totoralillo's harbor, Chile for the "Compañía Minera del Pacífico" (CAP).

At the same time, we continued our operations in Peru, where we develop important projects for the water sector, such as the EPC contract for the water treatment plant of the Antapaccay Company. This plant generates large environmental benefits for the region, due to its necessary technology to treat up to 300 liters of water excess per second, which allows to retake advantage of this resource in the vegetable watering, animal consumption or once again, pour it into the river without causing environmental impacts.

In the hydrocarbon sector, we were awarded two modernization projects for the hydrocarbon storage terminals located in Mollendo, Cusco, Juliaca, Pisco, Ilo and Moquegua. These projects seek to adjust the terminal infrastructure according to the newest safety and environment regulations in order to reduce accident and spilling risks.

On the other hand, within the mining sector we carried out the detail engineering, phase 1, for Bear Creek Mining in their Corani polymetallic mining project. Currently, we are working on the extension of the tailing dam project for the Cerro Corona mine located in Cajamarca.

Finally, within the infrastructure sector, we received the awarding and initiated the supervision contract for the repair of several sections of the north Peruvian oil pipeline. Also we carried out the engineering for the second road, as well as the Chiclayo-Piura highway improvement studies. Eventually, we began the supervision works from the EPC contracts of the iron Mineral Processing Plant for the Shougang mining company.



ANTAPACCAY MINING EFFLUENT PLANT
CUSCO - PERU

GMI
ENGINEERING

ECOTEC

We carried out the environmental management for the construction of the new IQ Farma plant, a company dedicated to the research, manufacturing and commercialization of medicine. Likewise, we made the Sustainability Reporting studies (Informe Técnico Sustentatorio) for the Pukaqaqa and Magistral of Minera Milpo. Also we did the detailed EIA (Environmental Impact Assessment) for the industrial plant ETNA, and the lime plant of Unacem – Unidad Condorcocha. Additionally, we started with the environmental monitoring services for the construction of Yellow Line, Lima Subway Line 1 and the Consorcio Ermitaño projects.

**We decided to
strengthen our regional
position by opening
a branch in Mexico.**



TOTALILLO PORT
CHILE

GMI ENGINEERING

URBAN ROADS AND TRANSPORTATION

By the end of 2017 we had achieved a 97% of construction progress of the Yellow Line project in Lima for our client Vinci Concessions. This project meant important challenges because of the short deadlines and the innovative infrastructure used, which included elevated viaducts, underground viaducts and underpasses. However, the experienced human team allowed us to accomplish the client's expectations.

It should be noted that the project was developed within a complex social context, which demanded innovations on our social management in order to create trustworthy relationships with the community. Among the steps taken, for the first time, we successfully promoted the reinsertion of people with criminal records in the job market, working for the project.

On the other hand, we finished the year with a progress of 34% in the extension of the Lima Subway Line 1 project, which includes the stations remodeling, the improvement of the electrical system and the construction of a second access to the Yard (Patio Taller), among others.

It is important to mention that these works will result in an increase in the number of daily commuters being transported by the Lima Subway Line 1, from 320,000 to 500,000, which will in turn lead to an improvement in the life quality for millions of Peruvians.



GMI ENGINEERING

MINING

During 2017, a team composed by over 900 people from Tacna and Moquegua carried out five important contracts for the Toquepala and Cuajone mines of the Southern Cooper Corporation. Overall, the latter represented the most important investment mining projects of the year.

In Cuajone we completed two contracts to assemble a conveyor belt as well as the tailing thickeners, and we signed additional contracts for the commissioning of these. In spite of the large amount of interferences, we managed to finish the construction on the stipulated deadlines with no inconveniences. In Toquepala, where we have 3 contracts, we closed the year with a 69% progress.

GAS AND OIL

In 2017 we also worked in the realization of the most important project of this sector; the modernization and extension of the Talara's Refinery infrastructure located in the north of Peru. By the end of 2017, the project had reached a 55% progress and for such purpose, we hired around 4,500 people.



CUAJONE MINING PROJECT
MOQUEGUA - PERU

VIAL Y VIVES - DSD CONSTRUCTION IN CHILE

In 2017, through the TyV Committee, where we keep a 50% shareholding, we were awarded an important contract for the realization of the Vertical Work Package N°1 (VWP1) Project of the Spence S.A Mining Company for a total of US\$ 131.8 MM.

This Project will be developed in the copper open pit mine that belongs to Spence Mining Co., a subsidiary of BHP Billiton, and is located in Sierra Gorda, in the region of Antofagasta-Chile. It will mainly consist of the construction and assembly of a material grinding and transporting plant, as well as the development of all the necessary facilities.

On the other hand, we obtained a new contract with the National Petroleum Company (ENAP) for the construction and assembly of a Wet Gas Scrubber system in the Bío-Bío refinery. The project, whose duration will be 12 months, consists of the construction and assembly of a new heat recovery machine (Flue Gas Steam Generator), a new gas washer (Wet Gas Scrubber), a new effluent liquid treatment system (Purge Treatment Unit), among others.

This new awarding was added to the Static Equipment Maintenance Service and Implementation of Projects in Plant Shoutdowns contract which was already being carried out, and finished successfully in 2017 for the same refinery, whose average output is 116,000 barrels per day. It should be mentioned that during the last quarter of the year we earned an extra contract: the MHC Plant contract for an amount of US\$ 1.8MM. Finally, a fact to be noted is the continuation of the EPC Project of the concentrated of copper boarding system for the CAP client in Totalillo,

which was a big challenge for the team due to the short execution deadlines requested by the client. By the end of 2017, we had achieved a 100% progress and this has been accomplished thanks to the integration of the different company's strengths, including the design, procurement and the construction.

**We will carry out the
Vertical Work Package
project for Minera
Spence.**



MORELCO CONSTRUCTION IN COLOMBIA

During 2017, we continued carrying out the construction and maintenance works of the hydrocarbon transport system in the Western Colombian Zone for Ecopetrol.

Thanks to our successful performance in the project, we managed to be awarded five additional projects, which include: the construction of the diversions in different sections of the oil pipeline and the maintenance of the Eastern Oil Pipeline (Bases Galán and Ayacucho). Likewise, the implementation of the new model of maintenance in the pumping stations of Buenaventura, Dagua, Yumbo, Cartago, Pereira, Manizales, Fresno, Herveo, Mariquita, Cisneros, Medellín, Sebastopol, Vasconia, Ayacucho, Galán, Lizama y Chimita; among others.

On the other hand, we were awarded a project to build and assemble an air cooling system at the Suria and Ocoa Thermoelectric Plants, both located in Villavicencio. The design phase began in 2017 and will last for 450 days. In addition, we signed a contract to carry out the construction and reconditioning of dams and facilities at the Cartagena refinery (REFICAR, S:A).

Finally, in the water sector, we were awarded the ordinary, preventative, predictive and corrective general maintenance project of the residual treatment plant of Cañaveralejo, which will go on for 23 months.



POLYDUCT MAINTENANCE
COLOMBIA

STRACON GYM MINING SERVICES

Thanks to the quality of our services, in 2017 we renewed the trust of important clients, who decided to extend their construction contracts: Hudbay Perú in their mine Constancia until 2019, and Minera La Zanja S.R.L., until late 2018.

Likewise, we managed to enter the Mexican market and strengthen our regional positioning through the awarding of two important contracts for the Canadian mining company AlioGold. It is an operation contract for 51 months for La Chicharra pit of San Francisco, a mine located in the state of Sonora. And also the underground development contract for the Ana Paula mine located in the state of Guerrero. The last one includes the construction of a 2,400 m ramp, as well as the underground drilling stations.

It should be noted that we also closed the year with excellent outcomes on safety concerns, reaching a frequency rate of 0.22 incapacitating accidents each 200,000 work hours. Besides, for third consecutive year, we received the Excelencia en Seguridad 2017 Award given by MAPFRE (insurance company) and the Excelencia ARL SURA Award in recognition to our pre-emptive work on the San Ramón project of the Red Eagle Mining client in Colombia.

In addition, as part of our social management, our Operators Training Program stood out. The latter gave more than 8 thousand hours training to the nearby communities in order to promote the hiring of local heavy machine operators.

Finally, considering our commitment with social responsibility, for the second time, we received the Socio Emprendedor 2017-2019 certification by the ABE (Asociación de Buenos Empleadores) of the Peruvian American Chamber of Commerce (AmCham Perú).



CONSTANCIA MINING PROJECT
CUZCO - PERU



**Graña y
Montero**
Infrastructure





The Infrastructure arm of the Company consolidates the Investment and Operations businesses, and is the largest Peruvian Concession Operator, with operations in road infrastructure, urban rail transport, sanitary infrastructure and oil and gas.

Our participation in these sectors allows us to contribute to the development of the countries in which we operate, either by channeling private investment to finance projects of public interest, assuming the risks of performance and compliance with service levels or by providing our technical capabilities to design operate and maintain infrastructure.

Thanks to the work of our more than 2,500 collaborators, the area generated revenues of US\$ 446 million and a backlog of US\$ 545 million. Also, during this year we had important achievements, such as:

- The launching of the operation of two new trains on Line 1 of the Lima Subway, and the start of the expansion works as part of the project that will allow us to progressively increase the transport capacity from 320,000 to 500,000 daily people until 2018.
- The first year of investments in Lot IV, located in Talara. In total, 33 oil production wells were drilled, becoming the company that has drilled the most wells in Peru.
- Modernization investments in the main hydrocarbon storage terminals in the country, through Terminales del Peru.

- The treatment of approximately 230 million m³ of wastewater, equivalent to more than 93,000 Olympic swimming pools, through the La Chira wastewater treatment plant.

On the other hand, as part of our process of organizational transformation, Concar, the company dedicated to the operation of the Group's infrastructure, joined the Infrastructure area. With this, we are seeking to consolidate our infrastructure operation and public services capabilities to generate even more efficient service proposals of greater value for the needs of users and the market.

Another highlight was the sale of COGA, a company dedicated to the operation and maintenance of gas transportation systems, as part of the new strategy's Group, which is the Concentration its commercial offer in the engineering, construction, concessions and real estate businesses.

It should be noted that, the safety of our collaborators and the protection of the environment continued to be one of our priorities and thanks to our risk management system, we closed the year with zero fatal accidents and a frequency index of 0.39 accidents with lost time per every 200,000 hours worked. Despite this, we believe that road safety continues to be a huge challenge in the countries of the region. Therefore, in 2018 we will seek to strengthen the road safety education programs that we currently apply, to more actively involve transporters and high-risk users.

US\$
446
MILLION
in sales

2,500
COMMITTED
COLLABORA-
TORS

230
MILLION
*of m³ of treated
residual water*

US\$
545
MILLION
in Backlog

NORVIAL

HIGHWAY CONCESSION

The franchisee of the highway from Ancón to Pativilca, located in the North of Lima, recorded an increase in traffic of 3.74% compared to 2016, reaching 21 million collectable axles.

In regards to the Works of the Second Stage of the highway, a cumulative advance of 93% has been achieved. Likewise, we delivered the Second Stage Works, corresponding to 52.2 out of 57 km, as well as bridges and road interchanges already built. Pending work will be carried out during the course of 2018.



NORVIAL HIGHWAY
LIMA - PERU

SURVIAL

HIGHWAY CONCESSION

SURVIAL is a road concession going from San Juan de Marcona, in the department of Ica, to Urcos in the department of Cusco. In this road, the execution of periodic maintenance was completed according to the Technical Report of Maintenance N° 4 for an amount of US\$ 18.6 MM, which meant a challenge due to the climatic difficulties and the high altitude at which the interventions were located. Likewise, the signing of a Minute of Agreement with the Grantor was achieved to execute during the year 2018 the Work of reconstruction of the Stretches affected by Catastrophic Events for an amount of US\$ 15.6MM.

**New reconstruction
project for 2018.**



SURVIAL HIGHWAY
ICA - CUZCO

CANCHAQUE

HIGHWAY CONCESSION

CANCHAQUE is a road concession going from the junction of the IIRSA North road to Buenos Aires, until reaching the town of Canchaque, located in the highlands of Piura, in northern Peru. In the middle of the year the authorization of the Grantor was obtained to start the periodic maintenance activities according to the Technical Report of Maintenance N° 1 for an amount of US\$ 7.8 MM, the same which is being executed, and to end at the beginning of 2018

VESUR

URBAN CONCESSION

This project will extend the Expressway (Vía Expresa) of Paseo de la República, located in Lima, until it is connected to the South Pan-American Highway. It aims to be a direct link between the city center and the south exit of Lima.

The approved design of the project involves the construction of alternative roads for free circulation, the 4.9 km toll road, new road integration interchanges and the possible expansion of the public transport system in segregated COSAC corridors.

In 2017, the Vía Expresa Sur concessionaire and the Municipality of Lima reached an agreement to extend the term of the construction beginning for a period of 12 months.



CANCHAQUE HIGHWAY
PIURA - PERU

GYM FERROVIAS

LINE 1 OF THE LIMA METER

During 2017, we made more than 107 million trips and maintained excellent performance in service level indicators required by the State. Thus, for example, we recorded a 97.62% in the punctuality of our trips and we achieved a 90% level of satisfaction; that is, 2.5% better than the previous year.

On the other hand, the franchisee achieved the financial closing for the execution of the expansion works of Line 1, which will serve 500,000 passengers per day and reduce waiting times in rush hour, from 6 to 3 minutes.

**97.62% of trips
made punctually.**



LINE 1 OF THE LIMA METER
LIMA - PERU

GYM FERROVIAS

LINE 1 OF THE LIMA METER

As part of this project, we began remodeling works at Bayovar, Grau, Gamarra, La Cultura and Villa El Salvador stations, without affecting the operation or the normal movement of passengers.

We also put into operation 2 of the 20 new Alstom trains contemplated in the investment plan, which arrived in Peru from Barcelona, between the months of October and November.

It is important to mention that, the services of Line 1 of the Lima Subway contemplate a proposal of integral value. For this reason, as part of our social management, we continued executing our Culture Metro, Neighborhood Art and Graffiti Plan programs, which allowed us to sensitize more than 15 thousand people and recover 2,659 m² of deteriorated public spaces. Likewise, we offered 12 trainings in railway safety and carried out preventative health campaigns, which benefitted more than 24,000 people. All this, generated that 91% of our users continue to believe that Line 1 promotes citizenship.

Finally, in environmental matters, we continued recycling in our different stations, 70% of the water used in the washing of our trains and we promoted the recycling of waste, such as electrical and electronic equipment, paper, plastic and glass.



GMP

OIL INFRASTRUCTURE OPERATION

EXPLORATION & PRODUCTION

We have been developing hydrocarbon exploitation operations in Lots I, III, IV and V in Talara, Paita and Los Órganos, located in the Piura region of northwest Peru. By the end of 2017, we had achieved an average production of 3,158 barrels of crude oil per day and 12.88 MMPCD of natural gas, from 662 wells in operation.

It should be noted that, during 2017, at GMP we developed various investment projects that allowed us:

- To drill 22 new wells in Block IV. The current production of these wells is 665 BOPD, which contributed, by the end of 2017, along with the 11 wells drilled between November and December 2016, with approximately 340,000 barrels of oil to the value chain. These wells have a reserve of 1.6 million barrels.
- To drill the exploratory well No. 13683X of the Chimenea deposit in Zone B of Block IV. The productive result of this well generated 61,000 barrels of reserves, which will allow to continue drilling 10 additional wells in such area.
- To install a LACT unit (Automatic Measurement Unit for Custody Transfer or Lease Automatic Custody Transfer) in lot III that will improve the infrastructure inspection for oil production with state-of-the-art equipment.



OIL LOTS
PIURA - PERÚ

GMP

OIL INFRASTRUCTURE OPERATION

NATURAL GAS

In April 2017, we began the commercialization of condensate natural gas as a wholesaler, with which we were able to optimize the profitability of this product. Also, in June, we began the sale of storage capacity of condensate natural gas in our gas plant, located in Pariñas.

On the other hand, as part of the technological transformation project that we have been executing, we launched the real-time information system for plant operations, both for the Osinergmin auditing entity and for the GMP Operations Control Center. This allows us to provide technical support to operations, from Lima, and optimize the sales schedule, knowing the production and inventory online. An estimated 300 barrels per month more in sales is estimated.



GMP

OIL INFRASTRUCTURE OPERATION

TRANSPORTATION & DISTRIBUTION

Through two consortiums, we take care of the operation of ten hydrocarbon storage terminals. With Terminales del Perú, we operate those in the north and center (Chimbote, Salaverry, Eten, Supe and Callao), and with Consorcio Terminales, we have in charge, those in the south (Pisco, Mollendo, Ilo, Cusco and Juliaca).

Likewise, this year we improved the fuel reception process in the operation of the Supe Pisco and Ilo terminals, eliminating water interfaces to reduce the risk of sea pollution.

During 2017, as part of our investment program for expansion and modernization of the facilities, Terminales del Perú completed the construction of four tanks of 90,000 barrels of capacity, each in the terminal of Callao. With this, it managed to increase its capacity by 35% for the storage of liquid fuels, such as Turbo Jet and Diesel.

On the other hand, Consorcio Terminales concluded the construction of 2 tanks of 90,000 barrels, which allowed to expand its capacity by 23%. Additionally, the installation of a new berth was completed to receive ships of up to 60,000 tons DWT, which means an increase of 70% over the previous capacity.



OIL AND GAS TERMINAL
PISCO - PERU

LA CHIRA

RESIDUAL WATER TREATMENT PLANT



By the end of 2017, we had completed a year and a half of operation and maintenance of the wastewater treatment plant, La Chira. During this period, about 230 million cubic meters were treated, which is equivalent to more than 93,000 Olympic wastewater pools. Thus, more than 20 million kilos of solid waste were removed, which otherwise would have ended at sea.

The PTAR La Chira treats about 14 million m³ of water per month, which represents more than 25% of Lima's wastewater. It is a successful project, which has allowed to recover the quality of the sea from the beaches, located between the Ravine of Armendáriz (Miraflores) and Conchán (Villa El Salvador); benefiting more than 9 million people in Lima.

**230 million cubic
meters of water
treated.**



LA CHIRA RESIDUAL WATER
TREATMENT PLANT
LIMA - PERU

CONCAR

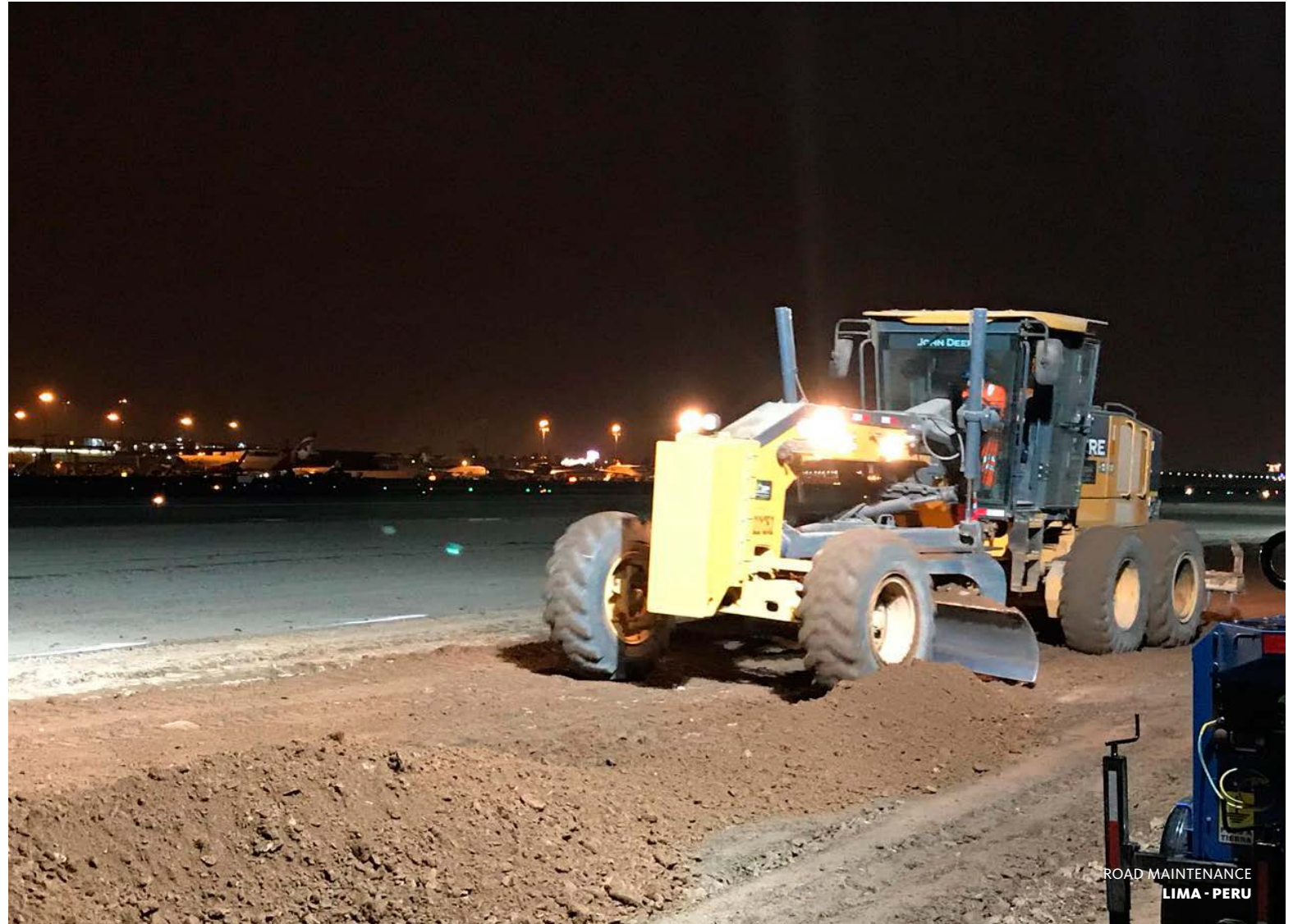
ROADS AND INFRASTRUCTURE OPERATION

One of the most important milestones of the year was signing the contract for the "Rehabilitation of the External Railroad Road to the Cajamarquilla Refinery", because it is the second contract for the railway sector being carried out in Peru.

Complementing our experience in this sector, we began, in February, the Maintenance Service for the Electric System of the Santiago Subway Lines 4, 4A, extension of Line 5, train batteries and systems, whose contract was signed in 2016, in partnership with CAM.

On the other hand, we closed two complementary contracts with Provías Nacional to carry out the Cora Cora Conservation Project and the Pasco Road Conservation Project, both for a period of two years.

Also, two important projects for air transport in Peru. One of them, with Lima Airport Partners, will allow us to develop the engineering and construction of the Stabilization of Unpaved Areas North Side of Jorge Chávez Airport; and another one with Aeropuertos Andinos del Perú to carry out, together with GyM, the Rehabilitation of the Asphalt Pavement of the Air Side of Ayacucho Airport.



CONCAR

ROADS AND INFRASTRUCTURE
OPERATION



Our management system in safety and preventative culture allowed us to have an excellent performance in safety, closing the year with a frequency index of 0.28 accidents per 200,000 hours worked, which reflects a great improvement compared to the 0.83 obtained in 2016. In this same line, we continue to transfer our culture of prevention to society, by carrying out more than 60 workshops and educational campaigns on road safety, which benefited 4,000 people in our areas of influence.

This year, in addition, we achieved the ISO 14001: 2015 and OHSAS 18001: 2007 certifications, as well as the maintenance and updating of the ISO 9001: 2015 standard for our Management System in Operation, Conservation and Road Infrastructure Management.

**We benefit more than
4,000 people in our
areas of influence.**



ROAD REHABILITATION
HUANUCO - PERU



**Graña y
Montero**
Real Estate





In 2017, the Real Estate sector faced a challenge when the State Government decided to eliminate the subsidy bonus for homes with a value greater than 30 UIT. In spite of this, the company managed to regain the first position in market share, both in units, as in amount for sales.

Also, according to the reports of the Mi Vivienda Fund, VIVA GyM was recognized as the top company in mortgage disbursements of the Mi Vivienda y Techo Propio program (low-income social housing)

The Parques de Comas project, with its three products, managed to stand out again, thanks to the acceptance of the public, thanks to a varied offer that adapts to the needs of the customers.

Likewise, there were substantial improvements in the sales of our projects and products aimed at other market segments such as El Nuevo Rancho (traditional homes), Los Parques de Huancayo (plots of developments), among others. It is important to highlight the consolidation of the area in the upper segment through the Klimt housing project located in the heart of San Isidro, which managed to close the year with 24 out of 32 homes sold.

Thus, we closed 2017 with 1602 units sold, a sales volume of US\$ 200 MM and a net profit of US\$ 36 MM.

**US\$
200
MILLIONS**
in sales

**#1
PROJECT**
*in disbursements
with Mivivienda*

**1,602
UNITS**
sold in 2017

**US\$
36
MILLIONS**
of net profit

VIVA GyM

REAL STATE DEVELOPMENT



TRADITIONAL HOUSING

We finished the works and started the delivery of our emblematic Klimt project, located on Pezet Avenue in San Isidro. We closed the year with 24 units sold, leaving 8 to be placed in 2018. Thanks to the level of service and the quality of this product, we have managed to consolidate the experience of VIVA GyM in the luxury housing segment.

For its part, the El Nuevo Rancho condo also had a positive progress in 2017, by achieving 13 sales and 20 deliveries.

In regards to the new project Los Parques del Mar, located in the district of San Miguel, during the year we were working to consolidate the supply of our products. Thus, we managed to sell 14 housing units.

During the year, we improved our efficiency in measuring progress and control of our sales processes, through the incorporation of technology. Now we have digital signature systems, a virtual consultation platform Vivatudepa, among others.



EL NUEVO RANCHO PROJECT
LIMA - PERU

VIVA GyM

REAL STATE DEVELOPMENT

HOUSING OF SOCIAL INTEREST

Los Parques de Comas was the star project of VIVA GyM due to its high rate of sales. 1,097 apartments were sold in their different modalities: 720 apartments Techo Propio of 50 m², 194 apartments of 60 m² in the Villa Los Molles condo and 183 apartments of 72 m² in the Alborada Residential Club.

Additionally, this project incorporates, within its proposal, 10 eco-friendly buildings under the Sustainable Mivivienda Bono modality, which have technologies to reduce the consumption of water and energy from its design; ensure proper management of waste during the construction process; and include training in environmental issues for future owners. On the other hand, our new product of urbanization of lots, Los Parques de Huancayo managed to place 150 units in sales. At the end of the year, the habilitation works and the sale of the second stage began.

In Los Parques de Piura project, we managed to consolidate the sales of stage II-A and make 96 deliveries. As for the towers of stage II-B, these were redesigned so that they have an area of 50m² and be more accessible to the public, at a value ranging from 20 UIT (S/ 83,000) up to a roof of 25 UIT (S/ 104,000). On the other hand, we consolidated the sale of our product of houses in closed condos.



LOS PARQUES DE COMAS PROJECT
LIMA - PERU

VIVA GyM

REAL STATE DEVELOPMENT

In regards to the sales of the other projects, Los Parques de Carabayllo II sold out its apartments stock in 2017; The Parks of Villa El Salvador II managed to sell 65 units and deliver 68; finally, Los Parques de San Martín de Porres has almost sold out all its apartments, by achieving 100 units in sales and 112 deliveries. In short, we managed to sell 1,561 units between homes (apartments and houses) and plots and deliver 1,353 homes.

Likewise, as part of our proposal of social value, in 2017 we reformulated our Ayni program, expanding its lines of intervention. As a result, in addition to training new owners of our real estate projects in legal issues, conflict resolution and leadership (ConViva), we integrated two other training axes to promote environmental sustainability (EcoVIVA) and the caring of infrastructure (AdministraBien). The program was implemented by 100% of social housing projects and managed to train 2,443 people.



VIVA GyM

REAL STATE DEVELOPMENT

OFFICES

During 2017, we completed the sales of the Rivera Navarrete building and the Real 2 building, both located in the main commercial areas of San Isidro. In regards to the Panorama building, located in La Molina, we made 80% of sales.

RENTS

This business corresponds to the rental of advertising space in the Plaza Agustino Shopping Center and in the Lima Subway Line 1 stations, which are managed by VIVA GyM. In sum, we achieved sales of US\$ 2.6 MM and an EBITDA of US\$ 1.6 MM.

ALMONTE

During the year, we worked in the negotiations for the sale of 14.7 ha, which represents US\$ 12.5 MM in the period. On the other hand, we built 56,243 m² of roads in the lower area and managed to recover the possession of 6.8 ha. of land.





**Graña y
Montero**
Services





We operate in Peru, Chile and Colombia and offer several electric, Information Technologies and Telecommunications services to different sectors.

During 2017, this services area experienced significant changes. Concar moved to the Infrastructure area and GMD was sold to the Advent International company. This is due to the Group's new commercial strategy, through which we seek growth with the engineering, construction, concessions and real estate businesses. Thus, the area is now made up by companies like CAM and Adexus, both of which have achieved important progress in their own markets.

Thanks to the commitment of our 10,387 collaborators, we generated a US\$ 460 MM Backlog and US\$ 327 MM of sales, meeting the economic objectives proposed for these businesses.

Additionally, we achieved our clients' expectations, by registering better levels of accomplishment in the operational management. Besides, through our work, we share our standards of performance with more than 2,800 suppliers.

US\$
460
MILLIONS
of backlog

+ 2,800
SUPPLIERS

10,387
COMMITTED
COLLABORA-
TORS

US\$
327
MILLIONS
in sales

CAM

ELECTRICAL SERVICES

The most relevant achievement in 2017, in Chile, was the contract which we got to maintain, during 4 years, the power system and low tension power of the complete Metro network, which includes 109 stations, as well as the contract that will allow us to build the definitive electric network for the new Santiago airport, which is one of the most significant projects in the country.

On the other hand, in Telecommunications, we achieved the awarding of two important contracts with the Claro and VTR operators for the network maintenance service of Hybrid Optical-Coaxial Fiber.

Another contract to be mentioned in the Assembly division is the engineering service, civil and control works, construction and implementation of high tension substations of Transelect.

Likewise, as part of our social management, in CAM Chile we implemented an agreement with institutes and schools for the formation of young technicians who, are eventually trained by ourselves to incorporate them as collaborators in the Telecommunications division.



CAM

ELECTRICAL SERVICES

In Peru we achieved to close several projects, mainly with the electric and telecommunication sector, being some of the most important contracts: RLP21 + RLP35 for Repsol, which consists in the assembly of electric equipment, facilities and instrumentation at the refinery of La Pampilla in Lima; the heat maintenance of MV networks with Enel Distribution, as well as the equipment and system modernization project of Claro Peru for América Móvil.

Finally, in Colombia we initiated the first significant contract with EPM, the largest power company in the country, which is one of the most important in public services in Latin America. This contract consists of the recovery of power losses, and its objective is to control and mitigate power theft. On the other hand, we signed several contracts of FTTH supplies (Home Pass) with Huawei, which will allow us get the necessary experience to continue with the commercial development in this market.



ADEXUS

INFORMATION TECHNOLOGY

During 2017, ADEXUS consolidated its operations with important contracts, among which we can note the ones developed in the hydrocarbon, telecommunications, mining, retail and government sectors.

ENAP (National Petroleum Company) trusted in ADEXUS services to manage and optimize all the communication infrastructure of its regional and international offices for the next 5 years. This project involved the migration of LAN and WiFi Platform Services, Extended LAN Networking (MESH), Industrial LAN Platform Supply, Safety Services and Unified Communication Service, which also involved the migration of all the IP telephone service, and the granting of new videoconference equipment.

In the mining sector, ADEXUS closed important contracts as well, among them, we can note the Minera Escondida one. The contract consisted of the incorporation of the control and display room of all the geotechnical systems which will allow the company to count on a line to monitor the stability of the two pits under exploration, and with this, it will be possible to anticipate contingencies that might jeopardize the work in the mine.

On the other hand, La Polar, one of the biggest retail stores, with presence in different Chilean cities, chose ADEXUS for the incorporation of the services of support and help desk in field for three years; NOC 360 communication services and centralized CCTV, both for 5 years.

Finally, another important contract for ADEXUS was the one signed with SERVEL (Servicio Electoral de Chile), which consisted of the design of an electoral data process and publication system.





2

Responsible business

FOR A BETTER FUTURE

- SEVEN MANAGEMENT PRIORITIES

RESPONSIBLE BUSINESS FOR A BETTER FUTURE

OUR SUSTAINABILITY PRIORITIES

Our management priorities have been defined based on the matters most relevant to our companies and our stakeholders*. They enable us to integrate social, environmental and governance activities in the projects in order to generate greater value in the operations.

*(See page 92, Appendix)

GRAÑA Y MONTERO WAS INCLUDED IN THE PRESTIGIOUS DOW JONES SUSTAINABILITY INDEX - MILA

During the year, we faced with the Dow Jones Sustainability Index Mila Pacific Alliance evaluation process, an index that recognizes the leading companies in sustainability in the region of the Pacific alliance.

In this first edition of the index, promoted by S & P Dow Jones Indices (S & P DJI), the International Financial Corporation (IFC), RobecoSAM and the stock exchanges of the Latin American Integrated Market (MILA), Graña y Montero shared the ranking with another 41 companies leaders in sustainability of Chile, Colombia, Mexico and Peru.



**Righteous
conduct**



**People's
development**



**Operational
excellence**



**Security
and health**



Environment



Communication



**To share
wellness**



RIGHTEOUS CONDUCT



RIGHTEOUS CONDUCT

“In Graña y Montero we are firmly committed to the truth, transparency and integrity and we are working tirelessly to become a benchmark in the region. In 2017, the new Board of Directors launched the Committed with the Future program, which will strengthen our Risk and Compliance Management System through six specific measures.

Today, more than ever, it is essential for the continuity of our business to have an effective management system, especially in the fight against corruption, which will allow us to train, prevent, detect and punish potential acts of corruption in our activities and relations with groups of interest”.



- Augusto Baertl -
Chairman of the Board

500+
MAN HOURS

*of training on
the Code of Ethics, Code
of Conduct and use of
the Ethics Channel*

+ 70
**WORKING
SESSIONS**

*of the Compliance
and Sustainability
Risks Committee*

400+
MAN HOURS

*of training on
anticorruption
matters*



OUR MANAGEMENT SYSTEM

APPROACH

- Senior Management's Commitment
- Risk assessment
- Policies and procedures
- Training and communication
- Monitoring and self-evaluation

ETHICS CULTURE

- Accountability
- Aligned incentives and clear disciplinary measures

EVALUATION AND CONTINUOUS IMPROVEMENT

- External audits
- Internal control
- Ethics Channel
- External channel "We listen to you"

MAIN PROGRESS 2017

- Visible commitment of the new administration, through the active participation of the Board in matters of conduct and integrity.
- We created the Risk, Compliance and Sustainability Committee at the Board level that carried out more than 70 work sessions in the last seven months.
- We created the Risk and Compliance area, led by a professional with extensive experience in these matters, who reports directly to the Crisis Committee.
- We conducted an exhaustive evaluation of the Group's corruption risks and developed new methods to deepen our knowledge about customers and partners.
- We evaluated 15 potential associations or businesses through a new, more rigorous and risk-based due diligence process.
- We restructured the Ethics Commission and the functioning of the Ethics Channel, transferring the responsibility of investigation to the Corporate Risk and Compliance Manager to increase efficiency.
- We created the "We listen to you" channel to address the concerns and potential complaints from external stakeholders.
- We began the process of updating our Ethics Charter (1995) and Code of Conduct (2012)
- We began the reformulation of our policies with suppliers, including ethical variables from the evaluation and selection of them.
- We concluded the review of our donation policy.
- The International Anticorruption Academy (IACA) trained our board of directors, general and corporate managers in the best anti-corruption practices.
- We began the reorganization of the internal audit area.
- This year we received 74 complaints through the Ethics Channel. Of these, 33 cases have been closed and 16 of those were declared unfounded. Additionally, 41 cases are under investigation, of which 8 are in the process of being closed by the Ethics Committee.



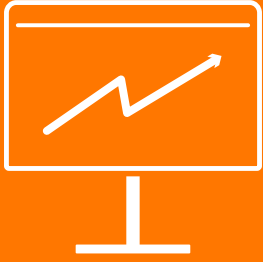
2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- Review and continue strengthening our policies and procedures, mainly those related to strategic partners.
- Update our matrix of existing risks, processes and controls in the Group.
- Strengthen our policies and procedures related to the election and registration of suppliers.
 - Implement a segmented training plan, according to companies, areas and critical positions.
 - Strengthen the compliance area and monitoring systems.

2018 CHALLENGES

- Consolidate the implementation of the new Risk and Compliance Management System.
- Approve and deploy the new relationship policy with suppliers and contractors, and the updated Code of Conduct.
- Implement the training plan on the new approved policies, especially the Code of Conduct.
- Reinforce the importance of an ethical culture in the organization, by aligning the system of goals and incentives of our executives.



PEOPLE DEVELOPMENT



PEOPLE DEVELOPMENT

"We are proud of our more than 31,500 employees. Thanks to their talent and commitment, we are the Peruvian company with the greatest technical capacity in engineering and construction and we contribute to the welfare of millions of families in the country.

2017 was a year of organizational changes that demanded great challenges also at the level of our human teams. Our correct person strategy in the right place, became more important than ever and was accompanied by a process of cultural transformation, which will allow us to promote a new leadership style and become a more agile and accountable organization."



- Rafael Venegas -
Independent director

35
JUNIOR
ENGINEERS
in our Trainee
Program

+54,000
MAN HOURS
training to surrounding
communities of our
projects

31,520
DIRECT JOB
generated



OUR MANAGEMENT SYSTEM

FOCUS

"Right person in the right place" in all our processes:

- 1.- Attraction
- 2.- Performance Management
- 3.- Development and Loyalty

EVALUATION AND CONTINUOUS IMPROVEMENT

- System for following up objectives and more rigorous performance evaluations
- Cultural diagnosis
- Ethics Channel and external channel "We listen to you"
- Internal control


MAIN PROGRESS 2017

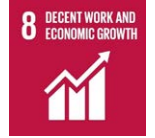
- The right person strategy in the right place, allowed us to efficiently accompany the downsizing processes and the rightsizing that the organization faced during the year, favoring the retention of critical talent, greater internal mobility and the replacement of key positions.
- We reorganized the corporate area of human management to promote greater proximity to the projects and strengthen the area of shared services, centralizing all the processes of selection, payroll, compensation, work advice and welfare at the Group level.
- We created the Knowledge Centers (CC) of human management in order to generate high impact solutions according to the needs of the projects.
- We created the culture area and made a diagnosis to identify the aspects of the Graña y Montero Style that we must modify to accompany the transformation process required by the Group.
- We defined a new style of leadership necessary to promote a more agile and accountable organization.
- In 2017, there were 0 complaints of discrimination in the Ethical Channel.

- We strengthened our internal communication strategy by making it more open, clear, multidirectional and timely, training leaders and using new channels.
- We created the program of internal ambassadors to promote a more fluid and close communication throughout the organization.
- We maintained positive relations with 28 unions or Work Committees*, showing complete respect for freedom of association. we should specify, that in 2017 we registered a work committee conflict, which was resolved satisfactorily

* GyM: 5 unions, 10 work committees / Stracon GyM: 3 unions, 1 work committees / GMP: 1 unions / Cam Chile: 8 unions

We set up 7 Knowledge Centers, which bring professionals together to find solutions to problems.

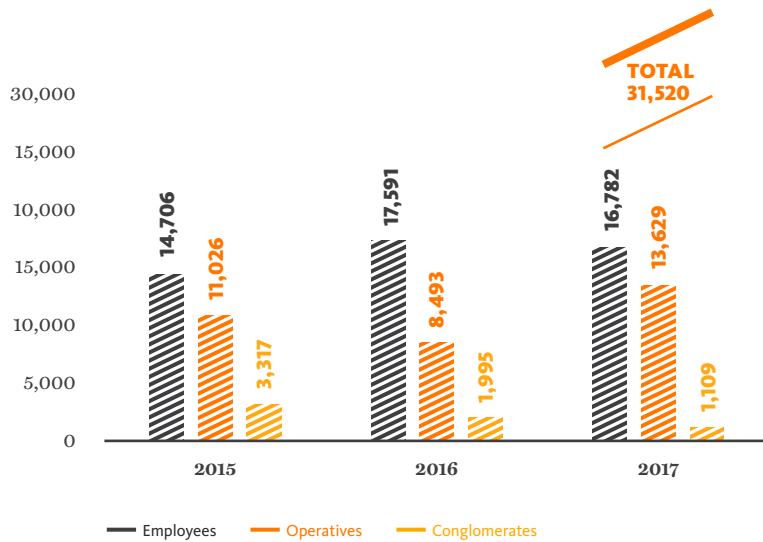




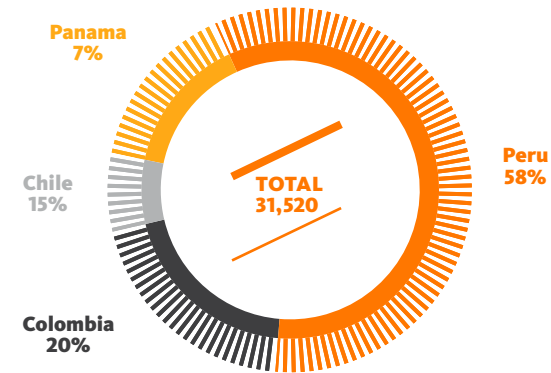
OUR TEAM

Despite the lower activity in the construction industry in Peru and the reputational and financial crisis faced by the Group, our team closed the year with 31,520 people (employees, operatives and consortiums), a figure that represents an increase of 12 % compared to 2016, mainly driven by the Yellow Line, Toquepala, Cujajone and the Talara refinery projects.

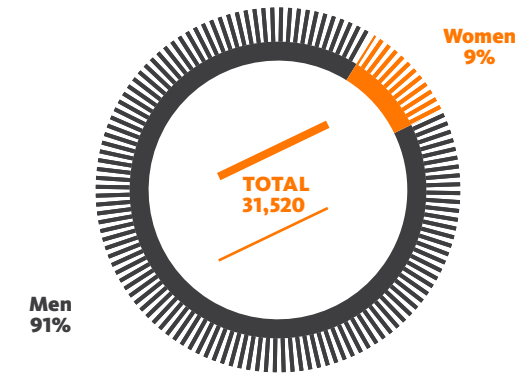
GRUPO GRAÑA Y MONTERO TEAM



DISTRIBUTION OF COLLABORATORS BY COUNTRY



DISTRIBUTION OF COLLABORATORS BY GENDER



DIRECTIVE ROLES	TOP DIRECTIVE ROLES*	JUNIOR DIRECTIVE ROLES	DIRECTIVE ROLES IN THE OPERATION**
Men	89%	81%	87%
Women	11%	19%	13%

*It includes up to two levels lower than the CEO

**It does not include support areas



TALENT ATTRACTION

- Through our Trainee program, we recruited 35 outstanding students from the main engineering faculties in the country. With them, 801 junior engineers from Lima and provinces have already been hired since 2010.
- We were considered the fifth most attractive company to work in Peru and first in the construction and real estate sector, according to the Marca Empleadora 2017 study prepared by Laborum.
- Through our program Developing Skills for Employment, we provided more than 70,000 man-hours of training to the communities surrounding our projects, which allowed us to ensure that 100% of the unskilled labor is hired locally.
- We have an accumulated database of more than 130,000 civil construction curricula (GyM).
- We obtained more than 114,000 applications to operational positions, through our decentralized offices in Lima, Arequipa, Cajamarca, Cusco, Moquegua, Talara and Tacna.

PERFORMANCE MANAGEMENT

- In 2017, the process of improving our systems for monitoring objectives and evaluating performance began. The results of these processes were an important input to promote objective promotions and internal movements, which allowed 899 vacancies of employees to be covered with Group employees.
- At the operational collaborators level, we managed to get 293 people to be recategorized within the civil construction career. Also, thanks to our internal recruitment program, 65% of the operational staff hired during the year comes from our own projects. This has favored the performance of the company and reduced the costs of training and adaptation

DEVELOPMENT AND LOYALTY

- Through the Graña y Montero Academy, during 2017 we offered curricular subjects of 412 face-to-face courses and 1,271 virtual courses related to technical, management or leadership aspects.
- We managed 26 travel courses for our teams in projects both nationally and internationally.
- Regrettably, due to the situation, the number of man-hours of face-to-face training provided by the company was reduced from 419,000 to 35,500. However, this situation meant an opportunity to enhance our digital tools, encouraging 8,000 employees to take at least one virtual course in the year.
- We continued to measure the leadership index of our Senior Management executives, achieving a better result (84.4%).
- At the Group level, we carried out the NET evaluation Promoter Score, whose result showed that there is a high sense of pride and permanence of the employees towards the company. Also, that the internal reputation would not be affected negatively by the conjuncture.



2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- Continue working on the “right person in the right place” concept, focusing on execution.
- Strengthen the culture of self-development so that workers take better advantage of the training tools available.
- Respond to Peruvian Ministry of Labor requirements related to qualifications of operations personnel.
- Standardize and expand the performance evaluation process for operations personnel in all of the projects.

2018 CHALLENGES

- Consolidate the “right person in the right place” strategy.
- Strengthen our performance evaluation system for the Group’s top executives and resume the evaluation process for the Group’s workers.
- Design a new salary incentive system.
- Consolidate the new leadership style desired.
- Continue the cultural transformation process, focusing on the values of collaboration, integrity and accountability.



—
**OPERATIONAL
EXCELLENCE**



OPERATIONAL EXCELLENCE

"The success of our projects depends on our execution capacity with operational excellence which allows us to meet the needs of our customers with high standards of quality, efficiency and compliance with the set agreements. We achieve all this with good management systems, with the best talent and an exemplary discipline.

As part of our transformation process, during 2017, we promoted important changes at the level of structure and people. This will allow us to be more competitive, ensure the desired results and become a more agile and resilient organization."



- Manuel Del Río -
Independent Director

90%
**CLIENTS'S
SATISFACTION**
*on Metro Lima
LINE 1*

77%
OF COMPLIANCE
*in operative management
of our service companies*

100%
OF PROJECTS
*completed before
the agreed deadline*

OUR MANAGEMENT SYSTEM

APPROACH

- Process Quality
- Simple reports
- Capable, trained and evaluated people

CULTURE

- Processes must be fulfilled
- Processes are questioned and improved

EVALUATION AND CONTINUOUS IMPROVEMENT

- Diagnoses and evaluations of Operational Excellence
- ISO Audits
- Internal Control

MAIN ADVANCES 2017

- We appointed Mr. Antonio Cueto as the new Corporate Operations Manager. His leadership will ensure the integrated execution of our business strategy and the fulfilment of planned operational objectives.
- We promote the use of new technologies in our projects for the automation of online reports and indicators.
- We maintained our compliance levels, both in terms of delivery times and agreed service levels.

DIGITAL TRANSFORMATION

We founded the Digital Workshop, a space where agile and collaborative methodologies are used to develop technology solutions for business.

As a first project, in 2017 we designed and implemented Cappazo, a platform that promotes more efficient information management in projects, facilitating decision making and productivity. Currently, this solution is already used in most GyM projects and it has allowed our foremen to be released in the equivalent of one working day per month, thanks to the use of technology.

COMPLIANCE BEFORE THE DEADLINE

INDICATOR	GYM	GMI	GMP	VIVA GYM
% of projects delivered before the agreed deadline	100%	100%	100%	100%

COMPLIANCE OF SERVICE LEVELS

INDICATOR	CONCAR	CAM CHILE	CAM COLOMBIA	CAM PERÚ	ADEXUS
% compliance of operational management (contracts and / or services)	81%	90%	81%	47%	77%

CLIENTS´S SATISFCTION

INDICADOR	VIVA GYM	CONCAR	CAM PERÚ	CAM COLOMBIA	ADEXUS	LÍNEA1-METRO DE LIMA
% de satisfacción de clientes	86%	85%	69%	80%	84%	90%

INTERNATIONAL STANDARDS

COMPANY	ISO 9001 (QUALITY)	ISO 14001 (ENVIRONMENTAL)	OHSAS 18001 (SECURITY AND HEALTH)	ISO 27001 (SECURITY OF THE INFORMATION)	ISO 20000	OTHERS
GyM ¹	X	X	X			
GMI	X	X	X			
Morelco	X	X	X			X ²
VV - DSD	X	X	X			
GMP ³	X	X	X			
Ferrovías GyM	X					
CONCAR	X	X	X			
CAM Chile	X	X	X			X ⁴
CAM Colombia	X	X	X			X ⁵
CAM Perú	X	X	X			X ⁶
Adexus	X	X	X	X	X	X ⁷

¹ ISO 9001 for our Project Management Control processes; ISO 14001 and OHSAS 18001 for the engineering, procurement and construction activities of our Electromechanical, Civil Works and Building projects.

² ASME ESTAMPES U/S NATIONAL BOARD ESTAMPER

³ Processes of oil and gas production in lots I and V, gas processing in the Pariñas plant and the processes developed in the main office of the Graña y Montero Petrolera S.A.

⁴ LC-070 / Calibration Laboratory, LE-629 / Test Laboratory, CP-076 / Product Certification Body

⁵ Accreditation ONAC 17020, Accreditation ONAC 17025

⁶ ISO/IEC 17020: 2012

⁷ SAP Provide of Hosting Partner and SAP in Cloud Provide



2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- Continue with the digitalization processes on site, seeking more efficiency and better results for our customers (GyM).
- Increase the use of technology in services to improve control and efficiency of the operation.
- Implement a segmented training plan, according to companies, areas and critical positions. Develop specific training programs for operational excellence, together with the Academy for service companies.

2018 CHALLENGES

- To implement the new operational structure of the Group and ensure the necessary equipment and resources to accompany the transformation process in a successful manner.
- To consolidate the advances in the digitalization of processes, with special emphasis on the integration of information and data analysis.
- To promote the development of digital capabilities at the individual and organizational levels.



SAFETY AND HEALTH



SAFETY AND HEALTH

"Our priority is to protect the lives of all the people present in our operations. In order to achieve our objective of "zero accidents", we evaluate the risks inherent in our activities, provide safe working conditions and promote a preventative culture among our employees and contractors.

During 2017, we continued to drive improvements in our management systems, with very good results especially at the engineering and construction level. Our challenge is to take this preventive culture out of the organization."



*- José Antonio Rosas Dulanto -
Independent Director*

**+ 1.4
MILLION
MAN HOURS**
*of safety training
for collaborators
and contractors*

**10
COMPANIES
OF THE GROUP**
*certified with
OHSAS 18001*

**ROAD
AUDITS**
to 34 projects

MANAGEMENT SYSTEM

APPROACH

- Identification, evaluation and mitigation of the risks inherent to our activities in a timely manner.
- OHSAS 18001 Guidelines
- Corporate Sustainability Policy
- Risk Prevention Policy for each business
- Corporate Security Commission to align strategies and share lessons learned.
- Health and safety committees.

CULTURE

Security based on leadership

- 1.- Training and technical training
- 2.- Aligned financial incentives


Safety based on behavior

- 1.- Risk perception
- 2.- Good practices at work

EVALUATION AND CONTINUOUS IMPROVEMENT

- Internal audits
- Leadership supervision visits
- OHSAS 18001 Audits
- Control panels in the Business Directories

135 thousand hours of training on operational safety for the chain of command.



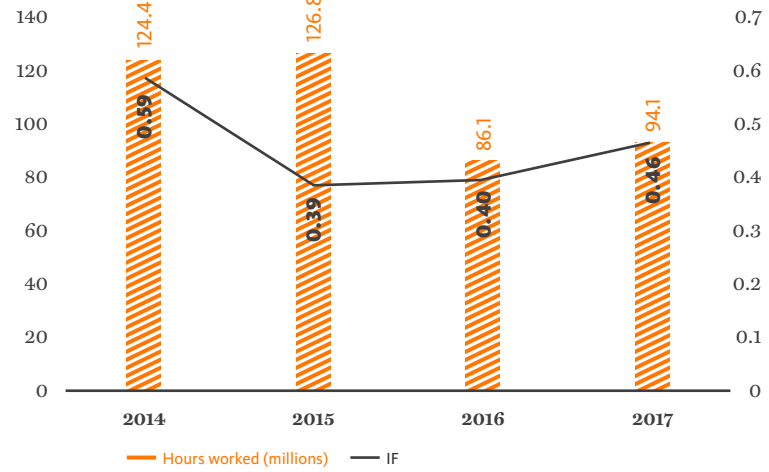
** The reported data correspond to the following companies of the Group: GyM, GMI, Stracon GyM, Morelco, VyV - DSD, GMP, Concar, LINE 1 Metro de Lima, Viva GyM, Cam Peru, Cam Chile, Cam Colombia, and Adexus*

MAIN ADVANCES 2017

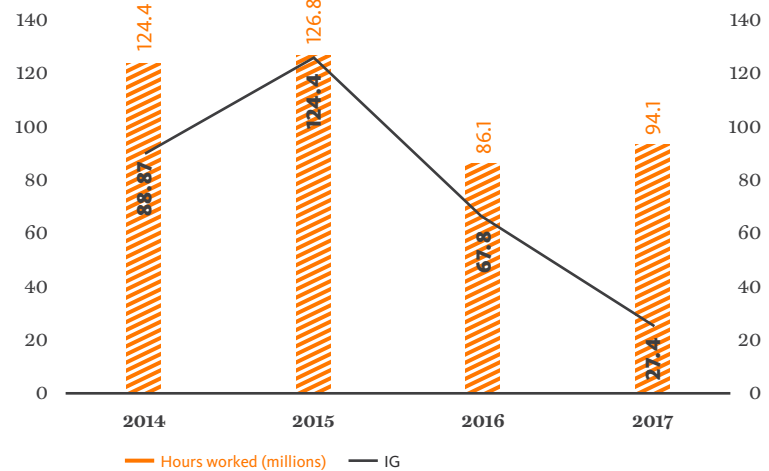
- We maintained our efforts in risk prevention and obtained an accident frequency index (IF) of 0.46 for every 200,000 hours worked*.
- We improved our severity index with respect to the previous year, going from 67 to 27 unworked days for every 200,000 hours worked. Furthermore, we registered 0 occupational diseases*.
- Highlights the performance of the Engineering and Construction and Real Estate areas, which managed to reduce their accident frequency index from 0.34 to 0.25, and from 0.38 to zero, correspondingly.
- We strengthened our security training system, generating strategic alliances with Mapfre, Rimac and Aon. Thus, we managed to provide more than 1.4 million man-hours of training to our lines of command, collaborators and subcontractors.
- We have around 5,000 vehicles under our security management, which traveled more than 92 million kilometers during the year. Therefore, to face the risk of road accidents we continued training our drivers in defensive driving, reinforcing preventative attitudes and carrying out road audits of 34 projects.
- For the third consecutive year STRACON GyM was recognized with the "Excellence in Security" award from the insurer MAPFRE. It also received the "Excellence - Category: Care through Innovation" Award from ARL SURA, for its outstanding work in the San Ramón project of the Red Eagle Mining client (Colombia).

2017 RESULTS

INJURY FREQUENCY RATE (IF) EVOLUTION



INJURY SEVERITY RATE (IS) EVOLUTION





2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- To implement the road safety action plan, incorporating the recommendations of the road audit.
- To train in soft skills, negotiation and leadership of the risk prevention team, and continue with segmented training plans for managers and collaborators.
- To standardize security processes in the different companies of the Group, especially in projects outside the country and consortiums.
- To strengthen the dissemination and learning mechanisms in projects of the lessons learned.

2018 CHALLENGES

- To continue to strengthen the culture of prevention, involving more actively suppliers, contractors, surrounding communities and users of our concessions.
- To standardize the Group's security processes in projects outside the country and consortiums.
- To consolidate the action plan on road safety.
- To reduce the number of accidents with wasted time in the service area.



THE ENVIRONMENT



THE ENVIRONMENT

"The environmental management of Graña y Montero works under three lines of action: (i) reducing the environmental impact of our operations, (ii) promoting a responsible environmental culture, inside and outside the organization, and (iii) designing engineering solutions that improve the environmental performance of our customers and society.

As part of our improvement process, in the coming years we must have a more active strategy to contribute to the fight against climate change, identifying the risks and opportunities associated with this phenomenon."



- Alfonso García Miró -
External Director

10
GROUP
COMPANIES

certified with
ISO 14001
standards

229,722
TON CO₂ EQ

was our level of
emissions in 2017

230
MILLION M³

of wastewater
treated by the PTAR
La Chira



OUR MANAGEMENT SYSTEM

APPROACH

- Identification, evaluation and control of the environmental risks derived from our activities in a timely manner.
- ISO 14001 guidelines.
- Corporate Sustainability Policy
- Environmental Policy of each business.
- Applicable environmental regulations.

CULTURE

- Awareness campaigns inside and outside the organization.
- The Graña y Montero Code of Conduct.

EVALUATION AND PERMANENT IMPROVEMENT

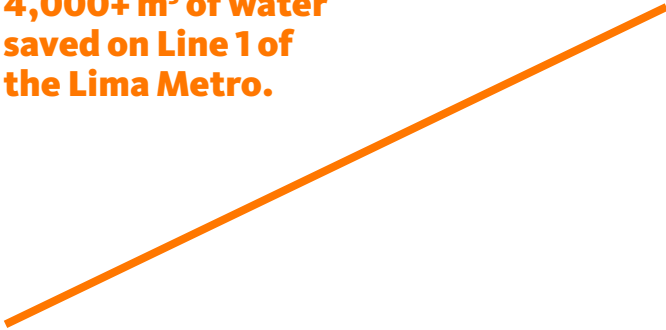
- ISO 14001 audits.
- Control panels and GRI reports
- Environmental monitoring stations (natural bodies and emission sources)

MAIN ADVANCES 2017

- Our electricity consumption decreased slightly from 115 to 110 million kWh in 2017. 65% of consumption continued to be concentrated in the infrastructure area due to the operation of the L1 Lima Subway.
- At the fuel level, we recorded a considerable increase in our consumption, mainly at the level of the service line. Faced with this fact, we have been implementing different initiatives, including the use of specialized software to monitor the consumption of our equipment.
- In 2017 we generated approximately 7.2 million tons of waste*, of which 99% was construction waste (from soil removal and demolition work). Of this percentage, 15% was put to use and the rest was placed in authorized Excavation Material Deposits.
- We reduced our water consumption from 1.6 to 1.1 million m³ in relation to 2016.
- We carry out different initiatives to prevent spills in our operations. At the level of STRACON GyM, we managed to reduce the number of fuel spills in 10% in projects. However, in the case of GMP, unfortunately we recorded five spills in the year, two in the Pariñas pipeline (7 thousand liters) and three in the Eten, Salaverry and Callao terminals (44 thousand liters). For these cases, sanctioning processes have been opened, which currently are in legal disclaimer. Faced with these facts, we carried out the necessary remediation measures, reported the incidents to the authority and implemented new operational controls as corrective measures.

- We designed, built and operated different projects that generated significant environmental benefits for our customers and society. Some of the most important were the Chira WWTP, the Water Surplus Treatment Plant of the Antapaccay mine (GMI) or the 10 eco-friendly buildings developed by Viva GyM under the Sustainable Mivivienda Bond modality.

4,000+ m³ of water saved on Line 1 of the Lima Metro.



*The amount of waste generated corresponds to the companies: GyM, GMI, STRACON GYM, Morelco, GMP, Concar, LINE 1 Metro de Lima, La Chira, CAM Peru, CAM Chile, CAM Colombia, and Adexus



MAIN RESULTS 2017

ENERGY CONSUMPTION

ENERGY	OPERATIONS AND SERVICES				ADMINISTRATIVE OFFICES/ ⁵	TOTAL
	ENGINEERING AND CONSTRUCTION / ¹	INFRASTRUCTURE / ²	REAL ESTATE/ ³	SERVICES/ ⁴		
Electricity (kWh)	22,385,847	72,264,632	NA	9,546,217	6,293,860	110,490,555
Fuel(Gl)	19,264,391	962,118	NA	6,676,283	63,375	26,966,166

WATER CONSUMPTION

WATER	OPERATIONS AND SERVICES				ADMINISTRATIVE OFFICES/ ⁵	TOTAL
	ENGINEERING AND CONSTRUCTION / ¹	INFRASTRUCTURE / ²	REAL ESTATE/ ³	SERVICES/ ⁴		
Volumen total de agua (m³)	744,507	320,931	NA	64,805	14,264	1,144,508

^{1/} Engineering and Construction: Includes information from GMI, GyM, STRACON GyM and Morelco.
^{2/} Infrastructure: Includes information on LINE 1 of the Lima Metro GMP and Concar.
^{3/} Real Estate: It mainly develops commercial and administrative activities, included in the "offices" category.
^{4/} Services: Includes information from CAM Peru, CAM Chile, CAM Colombia and Adexus.
^{5/} Administrative offices: Includes the offices of Surquillo, Petit Thouars.

GREENHOUSE GASES (GHG) EMISSIONS 2017

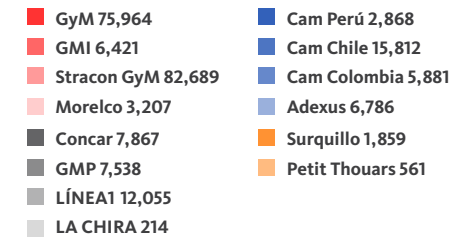
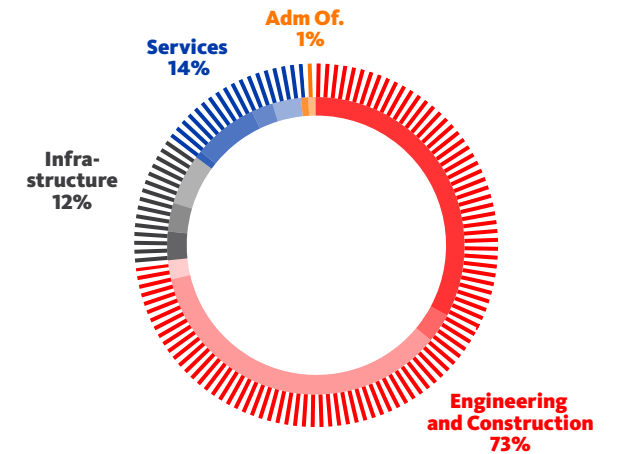
For the fifth consecutive year we continued measuring our GHG emissions, registering 229,722 tons of CO2 eq.

This measurement accounts for the direct and indirect emissions generated by the activities of our 10 main subsidiaries, as well as those of all our administrative offices

Our GHG emissions increased slightly (11%) compared to 2016. Based on this, we will work on action plans that will allow us to reduce our emissions and contribute more actively to the fight against climate change.

The GHG measurement includes scopes 1 and 2. The measurement process was carried out by an independent third party.

CARBON FOOTPRINT OF GRAÑA Y MONTERO'S GROUP
(GREENHOUSE GASES = 229,722 Tn CO2 eq)





2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- To generate a research project to increase the reuse of construction waste.
- To automate the processes of environmental information reporting, enhancing the use of technology.
- To carry out measurements to quantify the environmental benefits of Eco Viva.
- To consolidate an environmental culture in our collaborators.

2018 CHALLENGES

- To automate the environmental information reporting processes, enhancing the use of technology.
- To promote the reuse of waste, especially at the engineering and construction level.
- To increase the number of man hours training in Environmental Management issues.
- To update the legal-environmental compliance matrix and prepare a database of the loss events



COMMUNICATION AND DIALOGUE



COMMUNICATION AND DIALOGUE

"In line with our commitment with the future, during 2017 we sought to make our work transparent, by providing clear and timely information about the company's situation and promoting a more active and bidirectional participation of our stakeholders.

Thus, we created new communication channels, such as the website Committed with the Future or the Te Escuchamos channel, which allowed us to keep the public informed about our progress in terms of risks and compliance. In this same line, we generated new spaces for dialogue with employees, customers, investors, partners and media.

We know that there are still many challenges to overcome, but we see the future with optimism. We will continue working hard to recover the trust of all Peruvians.."



- Alfonso de Orbegoso -
Director Independiente

+ 47,000
MONTHLY
VISITS
to the website

110,000
FOLLOWERS
on Facebook

NEW
COMMUNICATION
CHANNEL
with the external
front

OUR STAKEHOLDERS



MAIN ADVANCES 2017

- We created the portal "Committed with the Future", which generated more than 47,000 visits and allowed us to communicate to society our progress in terms of risks and compliance.
- We created the channel Te Escuchamos, which allowed us to answer 134 doubts or concerns from external audiences.
- We sent written communications to the different unions to which we belong to explain our situation and progress towards the strengthening of the company.
- We increased the spaces for dialogue with our suppliers, who patiently continued to support us during the year.
- We strengthened our relationship with customers and strategic partners, providing them with updated information about the company and clarifying their concerns.

- We kept our investors and the general market carefully informed through quarterly calls and the publication of important facts and press releases.
- We generated personalized meetings and work breakfasts with opinion leaders and journalists.
- We held the panel of experts "Corporate Governance and Compliance: A new challenge for companies in Peru?" Open for the academy and the business sector.
- We continued to implement specific procedures for the proper management of complaints and claims from users and communities surrounding our projects, which allowed us to timely address their needs.

**100% of Metro Lima
LINE 1 claims attended
satisfactorily.**



HOW DO WE DIALOGATE WITH OUR STAKEHOLDERS?

STAKEHOLDERS	RELATIONSHIP MECHANISMS	RELATIONSHIP FREQUENCY	
Collaborators	<ul style="list-style-type: none"> - Activation of the internal bulletin, Committed with the Future. - Group meetings with executives, middle managers and commercial areas to keep them informed about the company's situation. - Open doors policy, which brings collaborators and teams closer to their directives. 	<ul style="list-style-type: none"> - Mass media: newsletters, intranet and web pages. - Interactive media: Facebook, LinkedIn - Leadership and feedback surveys 	Diverse
Investors	<ul style="list-style-type: none"> - General Shareholders' Meeting - Permanent communication with the Investor Assistance Office - Open quarterly calls and meetings with investors and analysts - Annual Integrated Report 	<ul style="list-style-type: none"> - Quarterly management reports - Publication of important facts and press releases - Corporate website 	Diverse
Suppliers	<ul style="list-style-type: none"> - Provider Portal (SISPROV System) - Direct and permanent networking. 		Diverse
Strategic partners	<ul style="list-style-type: none"> - Work meetings - Corporate website - Annual Integrated Report 		Daily
Clients	<p>CORPORATE CLIENT (B2B)</p> <ul style="list-style-type: none"> - Permanent meetings - Interviews and satisfaction surveys - Annual Integrated Report - Website of each company 	<p>CUSTOMER USER (B2C)</p> <ul style="list-style-type: none"> - Customer service office (Viva GyM and LINE 1 Lima Subway) - Complaint book and suggestion box - Call center and free call - Social networks: Facebook (Grupo Graña y Montero, Viva GyM, LINE 1 Lima Subway) and the LINE 1 Lima Subway Twitter - Website of each company 	Diverse
State	<ul style="list-style-type: none"> - Written communications - Annual Integrated Report 	<ul style="list-style-type: none"> - Institutional Relations Management - Participation in fairs and events 	Diverse
Community	<ul style="list-style-type: none"> - Community relations representative - Query and complaint systems - Social diagnoses - Academic spaces: conferences, fairs, forums, guilds - Social networks: Facebook and Twitter of LINE 1 Lima Subway 		Daily
Media	<ul style="list-style-type: none"> - Personalized meetings and work breakfasts with opinion leaders and journalists - Interviews on strategic issues - Press releases 		Diverse
All	<ul style="list-style-type: none"> - Portal "Committed with the future" - Channel "We listen to you" 	<ul style="list-style-type: none"> - Ethic Channel - Social Media 	Diverse



2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

- To implement a communication strategy to recover our reputation against public opinion.
- To consolidate the registration and monitoring of customer complaints from the Group's companies.

2018 CHALLENGES

- To consolidate the communication strategy to strengthen the Group's position and its reputation in the face of public opinion.
- To implement the new commercial strategy and strengthen the relationship with customers.
- To conduct a brand reputation study.



**TO SHARE
WELLNESS**

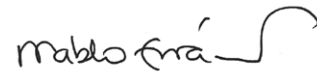


TO SHARE WELLNESS

"In Graña y Montero we are committed to the sustainable development of the countries where we operate and, through our businesses, we seek to generate long-term value for our different interest groups.

Our priorities for social investment are education and the development of skills that favor the creation of new jobs, as well as the promotion of responsible citizen behavior, especially in our users, suppliers and surrounding communities.

During 2017, we evaluated a large part of our programs, seeking greater efficiency in the use of resources. As a consequence, some of them were suspended and others re-empowered to continue generating value to society."



- Pedro Pablo Errázuriz -
Independent director

+ 170,000
HOURS OF
TRAINING

*with suppliers,
Customers and
communities*

+ 90
MILLION
*dollars in
local purchases*

570
SPACES
*for dialogue with
suppliers*

MAIN PROGRAMS

SUPPLIERS

- Development of local suppliers.

CLIENTS

- Metro Culture (L1 Lima Subway) /¹
- Road Education (CONCAR) /²
- Ayni (Viva GyM) /³

COMMUNITIES

- Developing skills for labor insertion (GyM) /⁴
- Educational Management in Construction Program (Corporate)

¹/ Page: 44. Infrastructure Section - Metro Lima LINE 1

²/ Page: 53. Infrastructure Section - Concar

³/ Page: 58. Real Estate Section - Viva GyM

⁴/ Page: 101. Engineering and construction section - GyM



SUPPLIERS

Thanks to the support of our more than 13,000 thousand suppliers and contractors, during 2017 we achieved the goals and commitments assumed with our customers. They represent 48% of our revenues and are our strategic partners to ensure the responsible execution of our operations and projects.

Main advances

- The circumstances in 2017 affected our ability to pay different suppliers and contractors at certain times. In front of this situation, we jointly created more than 570 spaces for dialogue to keep them informed, we prioritized the payment of the smallest suppliers, and restructured the payment schedules to be able to comply with all of them.
- The progress in the disinvestment plan and the generation of individual trusts by project allowed us to overcome this challenge.
- We reformed our supplier approval process, with more demanding questionnaires that included the evaluation of anti-corruption aspects, as well as potential environmental, social, security, and governance risks, among other issues.
- We standardized, through third parties or through self-assessment processes, more than 200 suppliers of the Group.
- We conducted training sessions with more than 150 suppliers and contractors to promote the transfer of our standards in technical, legal, environmental and safety issues.
- We continue promoting local and decentralized purchases, which favor the growth of the areas surrounding our operations. In 2017, the Group's main companies made local purchases for more than US \$ 90 million.
- Due to the context, we temporarily reduced the scope of our local provider development programs

¹ It includes the information of GyM, GMI, STRACON GyM and Morelco.

² It includes information on GMP and CONCAR

³ It includes information from CAM Peru, CAM Chile and CAM Colombia.

⁴ They correspond to purchases made from suppliers with a Unique Taxpayer Registry (RUC) in the province.

⁵ Correspond to purchases made from suppliers whose tax address matches the location of the project (region level)

⁶ It only includes the information of CAM Peru.

Decentralized and local purchases

	ENGINEERING AND CONSTRUCTION ¹	INFRASTRUCTURE ²	SERVICES ³
Nº Suppliers	5,17%	2,484	2,802
% Decentralized purchases ⁴	28%	31%	13% ⁵
% Local purchases ⁶	52%	22%	NA

COMMUNITIES

We seek to share our knowledge to generate employment and development opportunities in society. During 2017, our different social programs allowed us to provide more than 170 thousand man-hours of training and to build positive relationships with the community and to have a better management of the risks of our businesses.

Main advances

- **Developing job skills (GyM):** In the 12 years of the program, we have trained more than 24,000 people in the community in construction techniques, safety and leadership, providing more than 1.1 million man-hours of training. In 2017, we trained 1,429 participants, out of which 53% joined GyM.
- **Educational Management in Construction Program (Corporate):** We trained 96 students within the framework of the technical career Management of Construction, designed and implemented by Graña y Montero to promote the employability of more young people with scarce resources in construction projects. By 2017, 44 students have graduated, with a 100% employability rate.

- **Corporate Volunteering:** In 2017, we had more than 200 active volunteers. The collaborators of the project of Expansion of the National Institute of Neoplastic Diseases - INEN, who complemented their engineering work with the delivery of play workshops for hospitalized children, stood out.
- **Support in the face of the emergency of the landslides:** We lead the actions in the Ancón-Pativilca area, we provided 7 machineries (tractors and excavators) for the emergency zones of Pucusana, Coayllo, Huayacoloro, Supe and Trujillo. We delivered 19 tons of food, water and clothes, donated 2 10x6 tents for the Pampapacta shelter and more than 1,700 pairs of rubber boots for those affected in Piura.

Social Investment

TYPE OF INITIATIVE*	NUMBER OF BENEFICIARIES	MAN TRAINING HOURS	INVESTMENT U \$	%
Related training	10,379	158,889	264,576	46%
Unrelated training	9,783	3,693	59,384	10%
1. TRAINING	20,162	162,582	323,960	56%
Social investment	66,892	2,739	81,535	14%
Environmental investment	7,708	2,211	32,806	6%
Economic investment	764	6793	51,187	9%
Corporate philanthropy	15,027	790	87,853	15%
2. OTHER ACT. COMPANIES	90,391	12,533	253,381	44%
TOTAL ACTIVITIES (1+2)	110,553	175,115	577,341	100%

* It includes information on social programs: Developing capacities (GyM), Metro Culture (LINE 1 Metro of Lima), Road Education (Concar), Aymi (Viva GyM) and Construction Management (Corporate). Training and dialogue spaces, aimed at suppliers and the community. Furthermore, the Corporate Volunteering and philanthropic donations of the Group.



2017 PROGRESS

● = Logrado ○ = Avanzado ○ = En proceso

Clients

- Maintained the levels of satisfaction and safety of users in the context of the metro expansion works (LINE 1 Lima Subway)
- Promoted greater dissemination of the benefits of the Ayni Program (Viva GyM)
- Reformulated the Road Education Program to involve transport companies (CONCAR)

Suppliers

- Aligned the different approval systems, seeking to generate synergies among the companies of the Group (Corporate).
- Implemented the reformulated supplier approval program (GyM, GMI and STRACON GyM).
- Applied centralized monitoring, incorporating the different performance evaluations (GyM, GMI and STRACON GyM).
- Incorporated random audits to suppliers and third-party intermediaries (Corporate).

Communities

- Developed the programs under the Works for Taxes modality.
- Continued with the evaluation of the emblematic program for the development of technical capabilities.



2018 CHALLENGES

Clients

- To maintain levels of satisfaction, security and perception of citizenship in the context of works to expand the metro (L1 Lima Subway)
- To start the certification of Eco Homes VIVA in at least one social housing project. (Viva GyM)
- To reformulate the Road Education Program to involve transport companies (CONCAR)

Providers

- To consolidate the new homologation of suppliers (GyM, GMI and STRACON GyM).
- To strengthen the centralized monitoring process and evaluation of suppliers, thus generating an integrated data base (GyM, GMI and STRACOM GyM).

Communities

- To transfer the management of the Construction Management Program to the Fe y Alegría Association.

IV

A NEW STAGE, THAT HELP US
TO WORK IN TEAM, FOCUSED
ON THE SAME GOAL, GROW
TOGETHER AS A COMPANY

Appendix



**ANNEX 1:
CORPORATE INFORMATION**

1. CORPORATE GOVERNANCE

2. RELATIONS WITH INVESTORS

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

FROM JANUARY TO MARCH 2017

JOSÉ GRAÑA MIRÓ QUESADA*
Chairman of the Board

MARIO ALVARADO PFLUCKER*
Internal Director – Corporate General Manager

CARLOS MONTERO GRAÑA
External Vice-president Director

PEDRO PABLO ERRÁZURIZ DOMÍNGUEZ
External Independent Director

MARK HOFFMAN ROSAS
External Independent Director

FEDERICO CÚNEO DE LA PIEDRA
External Independent Director

HERNANDO GRAÑA ACUÑA*
Internal Director

HUGO SANTA MARÍA GUZMÁN
External Independent Director

**José Graña Miró Quesada, Mario Alvarado Pflucker and Hernando Graña submitted their resignation to the Board of Directors on February 27, 2017.*

FROM APRIL TO DECEMBER 2017

On March 31st, 2017, the Group Graña y Montero renewed the members of its board, thereafter it consists of:

AUGUSTO BAERTL
Chairman, Board of Directors

ALFONSO DE ORBEGOSO BARAYBAR
External Independent Director

MANUEL DEL RÍO JIMÉNEZ
External Independent Director

JOSÉ ANTONIO ROSAS DULANTO
External Independent Director

RAFAEL VENEGAS VIDAURRE
External Independent Director

ROBERTO ABUSADA SALAH
Non-Independent External Director

ALFONSO GARCÍA MIRÓ PESCHIERA
Non-Independent External Director

CARLOS MONTERO GRAÑA
Non-Independent External Director

PEDRO PABLO ERRÁZURIZ DOMÍNGUEZ
Non-Independent External Director

BOARD COMMITTEES, AND BOARD OPERATIONAL COMMITTEES

FROM JANUARY TO MARCH 2017

AUDIT AND PROCESSES COMMITTEE

- Federico Cúneo de la Piedra, Chairman
- Hugo Santa María Guzmán
- Mark Hoffmann Rosas

HUMAN RESOURCES AND SUSTAINABILITY MANAGEMENT COMMITTEE

- Pedro Pablo Errázuriz Domínguez, Chairman
- Federico Cúneo de la Piedra
- Mark Hoffmann Rosas

INVESTMENTS AND RISKS COMMITTEE

- José Graña Miró Quesada, Chairman*
- Hugo Santa María Guzmán
- Pedro Pablo Errázuriz Domínguez

ENGINEERING AND CONSTRUCTION COMMITTEE

- Mario Alvarado Pflucker, Chairman*
- José Graña Miró Quesada,*
- Hugo Santa María Guzmán
- Hernando Graña Acuña *
- Carlos Montero Graña

INFRASTRUCTURE COMMITTEE

- Mario Alvarado Pflucker, Chairman *
- José Graña Miró Quesada *
- Hugo Santa María Guzmán
- Hernando Graña Acuña *
- Pedro Pablo Errázuriz Domínguez

REAL ESTATE COMMITTEE

- Mario Alvarado Pflucker, Chairman*
- José Graña Miró Quesada *
- Mark Hoffmann Rosas

SERVICES COMMITTEE

- Mario Alvarado Pflucker, Chairman*
- José Graña Miró Quesada*
- Carlos Montero Graña
- Federico Cúneo de la Piedra

FROM APRIL TO DECEMBER 2017

AUDIT AND PROCESSES COMMITTEE

- Rafael Venegas Vidaurre
- Manuel Del Río Jiménez
- José Antonio Rosas Dulanto
- Alfonso De Orbegoso Baraybar

HUMAN RESOURCES MANAGEMENT COMMITTEE

- Rafael Venegas Vidaurre
- Pedro Pablo Errázuriz Domínguez
- Alfonso De Orbegoso Baraybar

INVESTMENTS COMMITTEE

- José Antonio Rosas Dulanto
- Manuel Del Río Jiménez
- Alfonso García Miró Peschiera
- Augusto Baertl Montori
- Pedro Pablo Errázuriz

RISKS, COMPLIANCE AND SUSTAINABILITY COMMITTEE

- Rafael Venegas Vidaurre
- Pedro Pablo Errázuriz Domínguez
- Alfonso De Orbegoso Baraybar
- Augusto Baertl Montori
- Manuel Del Río Jiménez

ENGINEERING AND CONSTRUCTION COMMITTEE

- Augusto Baertl Montori
- Rafael Venegas Vidaurre
- Roberto Abusada Salah
- Alfonso de Orbegoso Baraybar
- Alfonso García Miró Peschiera

INFRASTRUCTURE COMMITTEE

- Augusto Baertl Montori
- Rafael Venegas Vidaurre
- Juan Antonio Rosas Dulanto
- Alfonso García Miró Peschiera
- Manuel del Río Jiménez

REAL ESTATE COMMITTEE

- Augusto Baertl Montori
- Roberto Abusada Salah
- Alfonso García Miró Peschiera
- Carlos Montero Graña
- José Antonio Rosas Dulanto

SERVICES COMMITTEE

- Augusto Baertl Montori
- Alfonso de Orbegoso Baraybar
- Manuel del Río Jiménez

**José Graña Miró Quesada, Mario Alvarado Pflucker y Hernando Graña submitted their resignation to the Board of Directors on February 27, 2017.*

PROFILE OF THE NEW BOARD OF DIRECTORS

AUGUSTO BAERTL

Chairman, Board of Directors.

Mr. Baertl is the Chairman of the Group's Board since March 31st, 2017. He has a degree in Mine Engineering by the Universidad Nacional de Ingeniería, with postgraduate degrees by the Harvard Business School and the Northwestern University. He has more than 30 years of experience and leadership in mining companies such as Milpo and Antamina, where he was Chairman and General Manager between 1997 and 2003. Former Chairman of the Boards of The National Society of Mining, Oil and Energy (SNMPE) and of the Institute of Mining Engineers of Peru among other positions. He is also an active member of the SNMPE and COMEX Boards of Directors.

ALFONSO DE ORBEGOSO BARAYBAR

External Independent Director

He joined the Group in March 2017, as a Director. Attorney by profession with a degree by the Universidad Católica del Perú, he has a Masters' Degree by the Duke University School of Law, and has attended specialized courses at the London School of Economics and the Georgetown University. He has been a partner in the Ludowieg, Andrade & Associates Attorneys Firm, and Vice-President of Legal and Regulatory Affairs for Nextel, Peru.

MANUEL DEL RÍO JIMÉNEZ

External Independent Director

He joined the Group as a Director in March 2017. Mechanical Engineer by the Pontificia Universidad Católica del Perú, he has a Master's Degree in Industrial Management by the Krannert Graduate School of Management. Former partner in Tax & Legal, KPMG, Peru, responsible for transactions, transfer prices, corporate finances and business development, with more than 9 years as a leader in the area of Financial Control and CFO at Citibank, Peru. He has also been a lecturer at the Graduate School of Business Administration, ESAN.

JOSÉ ANTONIO ROSAS DULANTO

External Independent Director

He joined the Group, as a Director in March 2017. Business Administrator and Accountant by the Universidad del Pacífico, with a MBA in Finances by the Wharton School University of Pennsylvania. He implemented the Program of High Potential for Leaders as well as the Advanced Management Program, both at the Harvard Business School. Former Corporate Financial Manager of Supermercados Peruanos S.A., and Intercorp Peru Ltd. Presently, Director at MLW Institute for the Development of Dreamfutures and Managing Partner in Nexus Group.

RAFAEL VENEGAS VIDAURRE

External Independent Director

He joined the Group, as a Director, in March 2017. Industrial and Systems Engineer by the Universidad Nacional de Ingeniería, he has a specialization in administrative and finance processes by the A .Andersen School of Chicago, and Management in CEO Programs by the Kellogg Graduate School, as well as Program of Strategic Planning, Human Resources Management and Marketing by the Harvard University. Former General Manager of the Banco Internacional de Colombia, of Citibank Peru, BankBoston Peru and Banco Sudamericano.

ROBERTO ABUSADA SALAH

External Non-Independent Director

He joined the Group as a Director, on March 2017. With a degree in Economics by the PUCP, and further studies in Harvard and a PhD in Economics by the Cornell University. Co-founder of the Instituto Peruano de Economía (Peruvian Institute of Economics), which he presides to this date. He has taught economics at the Universidad Católica del Perú, the Universidad del Pacífico, UPC, ESAN, and the Boston University. Former consultant for the United Nations, the World Bank, the Inter-American Development Bank and several Governments. He is presently an Ad-Honorem Consultant for the Peruvian Government in matters concerning the Pacific Alliance, and a Representative of the Office of the President of the Council of Ministers, at the Board of the Fiscal Stabilization Fund.

ALFONSO GARCÍA MIRÓ PESCHIERA

External Non-Independent Director

He joined the Group, as a Director, in March 2017. Economics Degree by the Universidad de Piura. Chairman and CEO of IPN Investments, he also chairs Swissport GBH Honduras, a business that caters for airport cargo handling. Former Chairman of the National Confederation of Private Business Associations, former Chairman of COMEX (Peruvian Foreign Trade Association), he is a member of the MALI, the Lima Art Museum, as well as member of the board of Proeducación, an NGO dedicated to education issues.

CARLOS MONTERO GRAÑA

External Non-Independent Director

He has been a Director in the Group since 1966. With a degree in Civil Engineering by the Universidad Nacional de Ingeniería, and postgraduate studies in the Senior Management Program of the Universidad de Piura. He has been a Director in Graña y Montero S.A.A. from August 1996 up to this date. He is also Chairman of the Board of CONCAR S.A. and Director of GMP S.A.

PEDRO PABLO ERRÁZURIZ DOMÍNGUEZ

External Non-Independent Director.

He joined the Group as a Director since March 2014. Civil Engineer by the Universidad Católica de Chile, with a Master's Degree in Engineering Sciences by the same University, and a Master's Degree in Financial Operations Research by the London School of Economics. Presently a partner in Veta Tres. Former Secretary of Transport and Telecommunications of Chile, Chairman of the Board of Biodiversa, of Esval, of Aguas del Valle and the SAESA Group. He held the position of General Manager and Chairman of the Board of ESSBIO, a company dealing with sanitary services. Also former General Manager of LAN Express, and Vice-Chairman of Corporate Planning of LAN, Chile.

EXECUTIVE COMMITTEE

MARIO ALVARADO PFLUCKER

Chief Executive Officer, Chairman of the Executive Committee.
He left this position in February 2017

LUIS DÍAZ OLIVERO

Chief Executive Officer, Chairman of the Executive Committee.
He took over this position in March 2017

ANTONIO CUETO SACO

Chief Operating Officer
Infrastructure Business Line Manager

ANTONIO RODRÍGUEZ CANALES

Chief Commercial Officer

FERNANDO DYER ESTRELLA

Chief Risk and Compliance Officer.
He took up this position in June 2017

CLAUDIA DRAGO MORANTE

Legal and Corporate Affairs Officer

JORGE LUIS IZQUIERDO RAMÍREZ

Chief Human Resources Officer

MÓNICA MILOSLAVICH HART

Chief Financial Officer

ROLANDO PONCE VERGARA

Real Estate Business Line Manager

JAIME DASSO BOTTO

Services Business Line Manager.
He left his position in June 2017

MANUEL FERNÁNDEZ POLLÁN

Services Business Line Manager.
He took this position in June 2017.

JUAN MANUEL LAMBARRI

Engineering and Construction Line Manager.
He left this position in December 2017

RELATIONS WITH INVESTORS

During 2017, we participated in four international meetings in Santiago de Chile, New York, London and Lima. We also contacted 108 investors in several occasions through personal visits, calls and conferences.

Further information at: adriana.caballero@gym.com.pe

FAMILY CONNECTIONS

Mr. José Graña Miró Quesada held the position of Chairman of the Board until February 2017. He is related in first degree of kinship with Ms. María Teresa Graña Cánepa, stockholder of the company and former director of our subsidiaries, GyM, Viva GyM, GMD, GyM Railways Ferrovías and GMI; cousin twice removed with Miss Yamile Brahim Graña, stockholder of the company, as well as with the former Director and stockholder Mr. Hernando Graña Acuña, cousin three times removed, who also held the position of Chairman of the Boards of Directors of our subsidiaries GyM and Stracon GyM, as well as Director of our subsidiaries Vial and Vives-DSD SA, and MORELCO.

SOCIAL CORPORATE NAME

Graña y Montero S.A.A. is a company established by public notary deed on August 12th., 1996, following the process of demerging investments Graña y Montero S.A, registered in record n° 1316/7 and digital record N° 11028652 of the Registry of Legal Entities of Lima.

EQUITY

On December 31st. 2017, the equity capital was of S/,660,053,790.00, Peruvian Soles represented in 660,053,790 shares at a par value of S/,1.00 each.

MAIN SHAREHOLDERS

As of December 31st., 2017, the company had 2076 shareholders, among which approximately 99.33% own less than 1% of the equity capital, and about 0.66% own between 1 and 5%. Our main shareholders are JP Morgan Chase Bank NA, as depository and representative of all the holders of ADS (American Depository Shares), GH Holding Group Corp, represented by Mr., José Graña Miró Quesada, who held the position of Chairman of the Board until February 2017, and Bethel Enterprises Inc., represented by Mr. Carlos Montero Graña, Vice-Chairman of the Board until February 2017.

The Main Shareholders until December 31st. 2017

NAME	N° OF SHARES	PARTICIPATION	COUNTRY
JP Morgan Chase Bank NA as depository and representative of ADS holders	259,302,745	39.29%	Estados Unidos
GH Holding Group Corp.	117,538,203	17.81%	Panamá
Bethel Enterprises Inc.	33,785,285	5.12%	Panamá
Integra AFP	31,303,316	4.74%	Perú
Profuturo AFP	23,136,533	3.51%	Perú
SUBTOTAL	465,066,082	70.47%	
OTHER SHAREHOLDERS	194,987,708	29.53%	
TOTAL	660,053,790	100.00%	

EVOLUTION OF THE SHARES.

Share prices, at the closing of the year, was of S/.1.87 each. The traded volume during the year reached S/.329'013,918.15. Finally, the S&P General Index at the Peruvian Stock Exchange showed an increase of 28.3% in comparison with 2016, and likewise the S&P Select PEN Index at the Peruvian Stock Exchange showed an increase of 23.5% compared with the previous year. It should be noted that the variation in GRAMON C1 showed a decrease of 60.2% compared to the closing prices of 2016.

GRAÑA Y MONTERO S.A.A. VARIABLE ANNUITY

ISIN CODE MNEMONIC CODE	YEAR - MONTH	MARKET QUOTES 2017				AVERAGE PRICE S/.
		OPENING S/	CLOSING S/	MAXIMUM S/	MINIMUM S/	
PEP736581005 GRAMONC1	2017-01	4.70	3.01	4.70	2.00	3.41
PEP736581005 GRAMONC1	2017-02	3.00	1.90	3.49	1.47	2.13
PEP736581005 GRAMONC1	2017-03	1.99	2.19	2.12	3.45	1.66
PEP736581005 GRAMONC1	2017-04	2.10	2.19	3.05	2.08	2.08
PEP736581005 GRAMONC1	2017-05	2.25	2.67	2.43	1.83	2.07
PEP736581005 GRAMONC1	2017-06	2.07	2.16	2.32	1.88	2.20
PEP736581005 GRAMONC1	2017-07	2.18	2.12	2.20	2.05	2.09
PEP736581005 GRAMONC1	2017-08	2.15	2.28	2.30	1.98	2.14
PEP736581005 GRAMONC1	2017-09	2.35	3.08	3.15	2.35	2.82
PEP736581005 GRAMONC1	2017-10	3.15	2.94	3.42	2.74	3.05
PEP736581005 GRAMONC1	2017-11	3.00	1.05	3.30	1.93	2.30
PEP736581005 GRAMONC1	2017-12	1.95	1.87	2.07	1.55	1.88

DIVIDEND POLICY

The Company's Dividend Policy, in place during 2016, consists in distributing between 30 and 40% of the profits generated during each fiscal year. This, based on Consolidated Financial Statements, subject to the financial results reported in the Financial Statements of Graña y Montero S.A.A., individually, that must cover those amounts. If the amounts reported in the above mentioned Financial Statements are not sufficient, the distribution will be done only up to the limit therein stated. No dividends will be paid in advance.

COMPANY PURPOSES

The main purpose of the Company is to make investments and trade operations in general: acquisitions, transfers and negotiation of shares, participations or quotas, representative titles or bonds, credit entitlements and derivatives, issued by Peruvian or foreign companies whichever their financial activities may be, directly or through the Stock Exchange, as well as providing managerial and administrative services to related companies and/or third parties.

The Company can also participate in the construction business in all its categories, forms and modalities: construction of buildings and other urban works; development of real estate projects in general, as well as heavy construction and electro-mechanic works, and assemblies of every kind and, in general, all engineering and construction activities in every field of interest, participating in all kinds of selection processes, either public or private, providing services to exploration activities, development and exploitation in mining activities as well as related and ancillary undertakings: providing services to the hydrocarbons industry in connection with drilling, exploitation and services at oil and gas wells,

as well as the construction works of oil and gas pipelines, processing plants for gas, oil and by-products, refineries and infrastructure for the petrochemical industries and their maintenance in general: investing in the construction, servicing, maintenance and exploitation of public infrastructure and services through the concession system, as well as the acquisition and rental of assets and real estate properties either in urban or in rural areas and, in general, to carry out all activities related directly or indirectly to its purpose, aiming at fulfilling its objectives.

ISIC – 6619

DURATION OF THE COMPANY

Graña y Montero S.A.A. was established with no time limits.

COMPANY NAME	Graña y Montero S.A.A.	
ADDRESS:	Av. Paseo de la República 4667, Surquillo	
TELEPHONE:	51-1-213 6565	
RELATION WITH INVESTORS:	51-1-2136573	
PERSON RESPONSIBLE:	Samantha Ratcliffe *	
E-MAIL:	Samantha.ratcliffe@gym.com.pe *	
ESTABLISHMENT OF THE COMPANY	Public Registry dated August 12th., 1996	
PUBLIC REGISTRY	Registry 131617, Digital Registry 11028652	
EQUITY CAPITAL	S/ 660,053,790.00	
SHARES	660'053,790, all of them fully subscribed and paid	
SHARES IN PORTFOLIO	None	
ISIC	6619	
PERIOD	Indefinite	
EVENTS	Transcendental Projects Chapter	
AREAS OF COMPETENCE	Graña y Montero S.A.A. is an investment Company, with main subsidiaries in the fields of construction, engineering, oil, informatics, concessions, shopping malls and entertainment. It also provides managerial services exclusively to its subsidiaries.	
NET SALES	Year 2016	Year 2017
RENTALS	8,459,395.00	
MANAGEMENT	53,610,605	
ALL SERVICES HAVE BEEN PROVIDED WITHIN THE COUNTRY		
INVESTMENT PLANS	US\$ 235 MM	

* The head of Relations with Investors was taken over by Adriana Caballero in April 2018. Contact: adriana.caballero@gym.com.pe

SHARES	PERCENTAGE
GYM S.A.	98.24%
GMP S.A.	95%
CONCAR S.A.	99.99%
GMI S.A INGENIEROS CONSULTORES	89.41%
CONCECIÓN CHANCAQUE S.A.C.	99.96%
SURVIAL S.A.	99.99%
VIVA GYM S.A.	63.44%
NORVIAL S.A.	67%
PROMOTORA LARCO MARS S.A.	46.58%
GYM FERROVÍAS S.A	75%

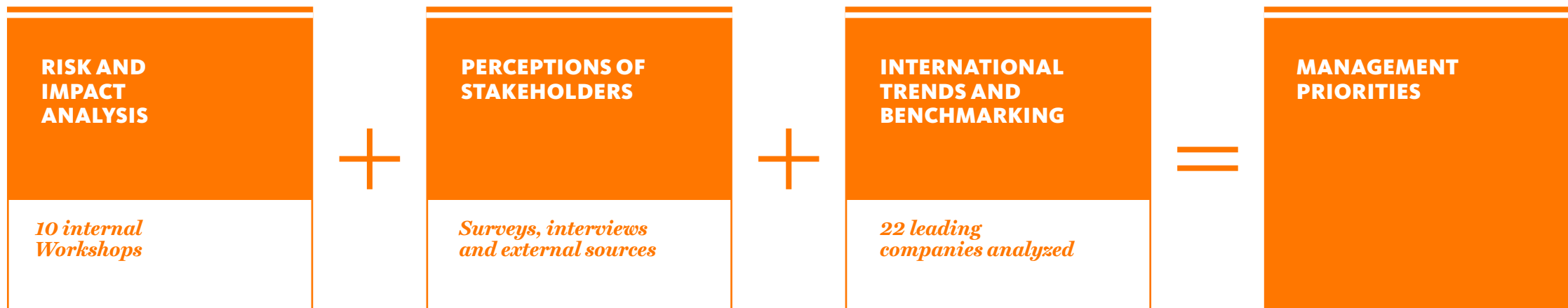
SHARES	PERCENTAGE
GENERADORA ARABESCO S.A.	99%
CONCESIONARIA VÍA EXPRESA SUR S.A.	99.98%
CONCESIONARIA CHAVIMOCHIC S.A.	26.50%
RECAUDO LIMA S.A.	99.76%
AGENERA S.A.C	99%
ADEXUS S.A.	91.03%
CONCESIONARIA LA CHIRA S.A.	50%
CAM SERVICIOS DEL PERÚ S.A.	73.16%
CAM HOLDING S.P.A CHILE	100%
PROMOTORES ASOCIADOS DE INMOBILIARIAS S.A.	100%

ADMINISTRATIVE OR ARBITRATION PROCESSES	See notes to the Audited Financial Sheets
PERSONS IN CHARGE OF PREPARING AND REVIEWING FINANCIAL INFORMATION	Julia Cabrera Calle - Corporate General Accountant Luis Díaz Olivero – Chief Executive Officer
EXTERNAL AUDITORS	Moore Stephens

MATERIALITY PROCESS DESCRIPTION

HOW WE DETERMINE OUR PRIORITIES OF SUSTAINABILITY

Every other year, the 10 most important companies of the Group carry out internal workshops to review and prioritize their environmental, social and governance risks (ASG). The perceptions of the main stakeholders are also collected, and international trends and best practices of leading companies are reviewed to complement this.



TOPICS	SPECIFIC ASPECTS	ENGINEERING AND CONSTRUCTION	INFRASTRUCTURE	REAL ESTATE	SERVICES
ETHICAL BEHAVIOUR	Compliance and fight against corruption	●	●	●	●
	Good corporate governance	●	●	●	●
PROFESSIONAL DEVELOPMENT	Professional development	●	●	●	●
	Knowledge management	●			
	Turnover and retention				●
OPERATIONAL EXCELLENCE	Quality	●	●	●	●
	Compliance with deadlines	●		●	
	Compliance with service levels		●		●
	Innovation and technology	●	●	●	●
SAFETY AND HEALTH	Safety and occupational health	●	●	●	●
	Road safety	●	●		●
ENVIRONMENT	Waste management	●			●
	Spill prevention		●		
	Energy and emissions	●	●		
	Environmentally efficient products and services	●	●	●	
COMMUNICATION AND DIALOGUE	Relationship with the government	●	●	●	●
	Relationship with strategic partners	●		●	
	Relationship with client companies (B2B)	●			●
	Relationship with customers (B2C)		●	●	
	Relationship with the community	●	●	●	●
SHARING WELFARE	Skill development – Community	●	●		●
	Transfer of standards – Suppliers	●			●
	Citizenship promotion – Clients		●	●	

**SUSTAINABILITY
CORPORATE REPORT
SUPERINTENDENCIA DEL
MERCADO DE VALORES
(SMV/SUPERINTENDENCE
OF THE SECURITIES MARKET)**

REGISTERED COMPANY NAME:

Graña y Montero S.A.A.

YEAR

2017

WEBSITE:

www.granaymontero.com.pe

SECTION A: IMPLEMENTATION OF CORPORATE SUSTAINABILITY ACTIONS

QUESTION A.1

	YES	NO	EXPLANATION
HAS THE COMPANY VOLUNTARILY ADHERED TO STANDARDS OF GOOD PRACTICES IN CORPORATE SUSTAINABILITY?	X		<p>We are an Engineering and Infrastructure Group committed to the sustainable development of the countries in which we operate. Through our business, we seek to generate value for our different stakeholders in the long term. We are convinced that this will only be possible if we guarantee economically viable, socially beneficial, environmentally safe results.</p> <p>In January 2016, the Group's Board of Directors approved our Corporate Sustainability Policy, which is an update and consolidation of the previous Environmental Policy (1998), Risk Prevention Policy (1999) and Corporate Social Responsibility Policy (2005). This important document establishes clear guidelines and commitments on the seven most important aspects of our sustainable management, which were determined based on an assessment of our risks and impacts on stakeholders.</p>

If the answer is yes, indicate the standard and compliance date:

STANDARD	COMPLIANCE DATE
UNITED NATIONS GLOBAL COMPACT	29/04/2004

If sustainability reports other than this report are prepared, indicate the following information:

THESE REPORTS ARE PREPARED:	YES	NO
VOLUNTARILY	X	
DUE TO INVESTOR REQUIREMENTS	X	
DUE TO REQUIREMENTS BY PUBLIC INSTITUTIONS		X
OTHER (LIST):		

These reports are available through:

SUPERINTENDENCE OF THE SECURITIES MARKET (SMV) PORTAL	X
CORPORATE WEBSITE	X
SOCIAL NETWORKS	X
OTHER:	No

QUESTION A.2

	YES	NO	EXPLANATION
DOES THE COMPANY HAVE A CORPORATE POLICY THAT COVERS THE IMPACT OF ITS ACTIVITIES ON THE ENVIRONMENT?	X		<p>We have a Corporate Sustainability Policy that includes the environmental dimension.</p> <p>It explicitly states, "We respect and protect our environment with a preventative approach. Therefore, we implement the best management practices to reduce the environmental impact of our operations and services, we foster an environmentally-responsible culture, and we provide engineering solutions that improve the environmental performance of our clients and society."</p> <p>In addition, on an annual basis, we publicly disclose our environmental performance and investment in designs, projects and technologies that produce environmental benefits for society.</p>

a. If your answer to question A.2 is yes, indicate the company document which regulates the policy and the body that approves it.

DOCUMENT	BODY
CORPORATE SUSTAINABILITY POLICY	Board of Directors of the Graña y Montero Group and subsidiaries
CODE OF ETHICS	Board of Directors of the Graña y Montero Group
CODE OF CONDUCT	Board of Directors of the Graña y Montero Group

b. Does the company quantify greenhouse gas emissions produced by its activities (carbon footprint)?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE RESULTS OBTAINED:
X		During 2017, the Graña y Montero Group produced 229,722 tons of CO2 eq, calculated under scopes 1 and 2. For further details, see page 90 of the 2017 Integrated Annual Report.

c. Does the company quantify and document the total amount of energy used in its activities?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE RESULTS OBTAINED:
X		During 2017, the Graña y Montero Group consumed 110.5 million kWh of electrical energy and 26.9 million gallons of fuel. For further details, see page 90 of the 2017 Integrated Annual Report.

d. Does the company quantify and document the total amount of water used (water footprint) in its activities?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE RESULTS OBTAINED:
X		During 2017, the Graña y Montero Group consumed 1.1 million cubic meters of water. For further details, see page 90 of the 2017 Integrated Annual Report

e. Does the company quantify and document waste produced as a result of its activities?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE RESULTS OBTAINED:
X		During 2017, the Graña y Montero Group produced 7.2 million tons of solid waste. For further details, see page 89 of the 2017 Integrated Annual Report

QUESTION A.3

	YES	NO	EXPLANATION
DOES THE COMPANY HAVE A POLICY TO PROMOTE AND ENSURE ITS WORKERS' FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK?¹	X		<p>We have a Corporate Sustainability Policy that includes our position and commitment with regard to our employees.</p> <p>It states, "Our employees are the foundation of our success and our most important stakeholder group. Therefore, we seek their professional and personal growth, developing the competencies necessary for achieving their potential, within the framework of our corporate values, with respect for human rights and rejecting any form of discrimination."</p>

¹ According to the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the principles and rights fall into the following four categories: (i) freedom of association and the effective right to collective bargaining, (ii) the elimination of forced or compulsory labor, (iii) the abolition of child labor and, (iv) the elimination of discrimination in respect of employment and occupation.

a. If your answer to question A.3 is yes, indicate the company document which regulates this policy and the body that approves this document.

DOCUMENT	BODY
CORPORATE SUSTAINABILITY POLICY	Board of Directors of the Graña y Montero Group
CODE OF ETHICS	Board of Directors of the Graña y Montero Group
CODE OF CONDUCT	Board of Directors of the Graña y Montero Group

b. Does the company keep a record of work-related accidents?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE AREA RESPONSIBLE FOR KEEPING THE RECORD AND TO WHOM THE AREA REPORTS.	
		AREA RESPONSIBLE	REPORTS TO
X		Corporate Operations	Corporate General Manager
		Risk Prevention area of each subsidiary	General Manager of each subsidiary

c. Does the company have a training plan for its workers?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE AREA RESPONSIBLE FOR KEEPING THE RECORD AND TO WHOM THE AREA REPORTS.	
X		BODY	REPORTS TO
		Graña y Montero Academy	Corporate General Manager
		Corporate Human Resources	General Manager of each subsidiary

d. Does the company take surveys or make evaluations regarding the work environment?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE RESULTS OBTAINED:
	X	

QUESTION A.4

	YES	NO	EXPLANATION
DOES THE COMPANY HAVE A POLICY THAT ESTABLISHES BASIC GUIDELINES FOR ITS RELATIONS WITH THE COMMUNITIES WITH WHICH IT INTERACTS?	X		The Corporate Sustainability Policy covers relations with the communities with which the company interacts. We are committed to contributing to their welfare, especially through capacity building and the promotion of civic virtues.

a. If your answer to question A.4 is yes, indicate the company document which regulates this policy and the body that approves this document.

DOCUMENT	BODY
CORPORATE SUSTAINABILITY POLICY	Board of Directors of the Graña y Montero Group
CODE OF ETHICS	Board of Directors of the Graña y Montero Group
CODE OF CONDUCT	Board of Directors of the Graña y Montero Group

b. Has the company encountered social conflicts (strikes, marches, etc.) in the community where it conducts its main activities as a consequence of its activities?

YES	NO	IF YOUR ANSWER IS YES, EXPLAIN THE IMPACT OF THESE SOCIAL CONFLICTS ON THE COMPANY'S OPERATIONS.
X		Despite not having recorded any conflicts that affected the scheduling of our activities and projects, during the year we had some complaints and situations related to the community's dissatisfaction with our projects: 1. Yellow Line, 2. El Ermitaño and 3. Santa Rosa Tunnel. These were handled through dialogue and transparent communication.

c. Does the company work in collaboration with the community in the joint creation of value, including the identification and solution of the main problems they have in common?

YES	NO
X	

d. Does the company invest in social programs in the community where it conducts its main activities?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE PERCENTAGE THE INVESTMENT IN SUCH PROGRAMS REPRESENTS WITH REGARD TO GROSS REVENUE ACCORDING TO THE COMPANY'S FINANCIAL STATEMENTS:	
X		(%) GROSS REVENUE	0.03

QUESTION A.5

	YES	NO	EXPLANATION
DOES THE COMPANY HAVE A POLICY THAT ESTABLISHES BASIC GUIDELINES FOR MANAGING SUPPLIER RELATIONS?	X		The Corporate Sustainability Policy and the Third Party Due Diligence Policy

a. If your answer to question A.5 is yes, indicate the company document which regulates this policy and the body that approves this document.

DOCUMENT	BODY
CORPORATE SUSTAINABILITY POLICY	Board of Directors of the Graña y Montero Group
THIRD PARTY DUE DILIGENCE POLICY	Board of Directors of the Graña y Montero Group
ANTICORRUPTION POLICY	Board of Directors of the Graña y Montero Group
CODE OF CONDUCT	Board of Directors of the Graña y Montero Group

b. Does the company keep an up-to-date list of its suppliers?

YES	NO	IF YOUR ANSWER IS YES, INDICATE THE AREA RESPONSIBLE FOR KEEPING IT AND THE BODY TO WHICH THE AREA REPORTS.	
X		AREA RESPONSIBLE	REPORTS TO
		Logistics Area of each subsidiary	General Manager of each company

c. Does the company have a criterion for supplier selection that covers ethical matters and compliance with labor legislation?

YES	NO
X	

d. Does the company have a procurement or hiring policy on selecting suppliers that adhere to sustainable or environmental management standards?

YES	NO
X	

QUESTION A.6

	YES	NO	EXPLANATION:
DOES THE COMPANY HAVE A POLICY THAT ESTABLISHES BASIC GUIDELINES FOR MANAGING CUSTOMER RELATIONS?	X		Our Code of Conduct and Corporate Sustainability Policy establish guidelines on our customer relations. Some of the main topics covered are adherence to ethical standards, the confidentiality of information, compliance with safety and quality standards, delivery before the due date, and reliability in business relations, among others.

a. If your answer is yes, indicate the company document which regulates this policy and the body that approves this document.

DOCUMENT	BODY
CORPORATE SUSTAINABILITY POLICY	Board of Directors of the Graña y Montero Group
CODE OF CONDUCT	Board of Directors of the Graña y Montero Group
CODE OF ETHICS	Board of Directors of the Graña y Montero Group

b. Does the company keep an up-to-date log of customer complaints?

YES	NO	AREA RESPONSIBLE	REPORTS TO
X		Customer Service (Line 1 of the Lima Metro)	Institutional Relations Manager (Line 1)
		Customer Service (Viva GyM)	Social Management Manager (Viva GyM)

c. Does the company have regular channels for dealing with the public and for receiving suggestions and complaints related to the products and services it provides?

YES	NO
X	

d. Has the company received any recognition for the quality of its customer service?

YES	NO
	X

SECTION B: **DETAILS OF ACTIONS IMPLEMENTED BY THE COMPANY**

This section details the Company's stakeholders and the actions implemented during the year in relation to the impact of its operations on social development (labor practices, community and customer relations, and product liability) and the environment (materials, energy, water, emissions, effluents and waste), complementing the information provided in Section A.

See chapter III - 2 Responsible Businesses for a Better Future, from page 65 of the Integrated Annual Report 2017

GRI TABLE OF CONTENTS				
GRI STANDARD	CONTENT	GLOBAL COMPACT	RELATED SDG	DETAIL
GRI 101: Foundation 2017				
GENERAL CONTENT				
GRI 102: GENERAL DISCLOSURES 2017	ORGANIZATIONAL PROFILE			
	102-1 Name of the organization			Graña y Montero S.A.A
	102-2 Activities, brands, products, and services			Pages 32-64
	102-3 Location of headquarters			Graña y Montero's headquarters are located at: Av. Paseo de la República 4667- 4675, Surquillo, Lima.
	102-4 Location of operations			We have permanent offices in Peru, Colombia and Chile. Furthermore, we have operations in Mexico and Panama.
	102-5 Ownership and legal form			Graña y Montero S.A.A., the parent company, was incorporated by means of a public document on August 12, 1996 as part of a growth process which began in Gramonvel in 1933. The company is mainly dedicated to investments and mercantile operations in general, especially engineering services, management consulting, real estate investments and concessions. All of the companies in the Group are private corporations, with the exception of the holding company itself, Graña y Montero S.A.A. The capital stock as of December 31, 2017 was S/ 660,053,790.00 represented by 660,053,790 shares with a nominal value of S/ 1.00 each.
	102-6 Markets served			We have permanent offices in Peru, Colombia and Chile. Our operations are in Mexico and Panama.
	102-7 Scale of the organization			Page 74
	102-8 Information on employees and other workers	Principle 1 Principle 2 Principle 4 Principle 5 Principle 6		SDG 8 Page 74
	102-9 Supply chain	Principle 2		Page 100
	102-10 Significant changes to the organization and its supply chain			Pages 23,78
	102-11 Precautionary Principle or approach	Principle 7		Pages 88, 89
102-12 External initiatives			We have been adherents to the United Nations Global Compact since 2004.	

GENERAL CONTENT			
GRI 102: GENERAL DISCLOSURES 2017	ORGANIZATIONAL PROFILE		
	102-13 Membership in associations	Principle 3	<ul style="list-style-type: none"> - Asociación para el Fomento de la Infraestructura Nacional (AFIN), an industry association that brings together the major private companies in the public service infrastructure sector. - Perú 2021, which recognizes Socially Responsible Companies. - Procapitales, association of companies that promotes private investment. - Through GyM we belong to the Peruvian Chamber of Construction (Capeco). - Through Vial and Vives we belong to the Chilean Chamber of Construction. - Through Viva GyM we belong to the Peru Green Building Council, a socially committed organization seeking sustainable construction in Peru. - Through GMI we belong to the Federación Panamericana de Consultores (FEPAC/ Pan-American Federation of Consultants), which is affiliated with the International Federation of Consulting Engineers. - Through GMP, we belong to the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Engineers (SPE) and the Sociedad Nacional de Minería y Petróleo (SNMP/ National Society of Mining and Petroleum), whose code of conduct we follow. - ADEXUS: Asociación Chilena de Empresas de Tecnología de Información A.G. (ACTI/Chilean Association of Information Technology Companies), AMCHAM CHILE, American Chamber of Commerce, Santiago Chamber of Commerce.
STRATEGY			
	102-14 Statement from senior decision-makers		Page 6-13
ETHICS AND INTEGRITY			
	102-16 Values, principles, standards, and norms of behavior	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6 Principle 10	SDG16 Pages 68-70

CONTENIDOS GENERALES				
GRI 102: ASPECTOS GENERALES 2017				
	102-17 Mechanisms for advice and concerns about ethics	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6 Principle 10	SDG16	Pages 68-70
GOVERNANCE				
	102-18 Governance structure			Page 18
STAKEHOLDER ENGAGEMENT				
	102-40 List of stakeholders			Pages 94-95
	102-41 Collective bargaining agreements	Principle 3	SDG 8	At GyM, there are two types of collective agreements: one with the Federation of Civil Construction Workers (union) and another with the representative of the union of each construction project. In both cases, they are applicable to 100% of the workers pertaining to the ordinary system.
	102-42 Identifying and selecting stakeholders			In order to determine the stakeholders and topics to report and address, every two years we carry out a materiality process in line with that suggested by the Global Reporting Initiative (GRI) in each of the companies in the Group included in this report.
	102-43 Approach to stakeholder engagement			Page 95
	102-44 Key topics and concerns raised			Stakeholder relations are covered in the "Communication and Dialogue" section. During 2017, the primary concern was related to the company's image and legal and financial situation, following acts of corruption which Odebrecht, our partner in six projects, admitted to committing.
REPORTING PRACTICE				
	102-45 Entities included in the consolidated financial statement			The entities included in the financial statements audited are: GMI, GyM, STRACON GyM, Vial y Vives - DSD, Morelco, CAM, Ferrovías GyM, La Chira, Norvial, Survial, Canchaque, Vesur, GMP, Concar, Viva GyM, and Adexus. The contents of the aforementioned entities are found on the pages 10-12
	102-46 Defining report content and topic boundaries			Page 117
	102-47 List of material topics			Page 117
	102-48 Restatements of information			No significant restatements of information from previous reports have been made.

CONTENIDOS GENERALES				
GRI 102: ASPECTOS GENERALES 2017	PERFIL DE LA ORGANIZACIÓN			
	102-49 Changes in reporting			GMD, a subsidiary of the Group that was sold to Advent in early 2017, has not been considered in this report. In addition, our subsidiary Concar went from the services area to the infrastructure area.
	102-50 Reporting period			2017
	102-51 Date of most recent report			2016
	102-52 Reporting cycle			Annual
	102-53 Contact point for questions regarding the report			Department of Legal and Corporate Affairs sostenibilidad@gym.com.pe
	102-54 Claims of reporting in accordance to the GRI Standards GRI			Compliance - Essential
	102-55 GRI content index			Page 130
	102-56 External assurance			Currently, the company does not have an external assurance policy.

GRI STANDARD	CONTENT	GLOBAL COMPACT	RELATED SDG	DETALLE
MATERIAL TOPICS				
GRI 201: ECONOMIC PERFORMANCE	201-1 Direct economic value generated and distributed			Page 10-12
ETHICAL CONDUCT				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary			Pages 68-69
	103-2 The management approach and its components			Pages 68-69
	103-3 Evaluation of the management approach			Page 68
	Internal indicator - Number of workers trained on anticorruption guidelines	Principle 2 Principle 10		Page 20
PERSONNEL DEVELOPMENT				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary		SDG 4	Pages 72,73. The reported coverage of the social indicators are 77.87% of the Group's total revenues.
	103-2 The management approach and its components			Pages 72,73
	103-3 Evaluation of the management approach			Page 73
GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee	Principio 1		Due to the situation the Group faced during 2017, the average number of hours of training per person decreased from 22 (2016) to 3 hours (2017).
	Internal indicator - Number of man hours of training for employees and laborers			Page 75
	404-2 Programs for upgrading employee skills and transition assistance programs			Pages 73,75
	404-3 Percentage of employees receiving regular performance and career development reviews			During 2017, 1,402 employees had performance evaluations. They represent 8% of our employees.
GRI 414: SUPPLIER SOCIAL ASSESSMENT	414-1 New suppliers that were screened using social criteria	Principle 1 Principle 2 Principle 4 Principle 5	SDG 8	During the year, 233 suppliers of different companies in the Group were analyzed through self-assessment processes or third-party due diligence. Our questionnaires were standardized and covered ethical, social and environmental matters.
	Internal indicator - Knowledge management initiatives	Principle 1	SDG 4	We provided 26 traveling courses, 180,000 online class sessions, more than 22 thousand searches and 2 thousand documents of value in our virtual library, 21 knowledge communities, etc.
	Internal indicator - Percentage of workers from the local community in places where there are significant operations	Principle 1	SDG 4, SDG1	Page 75
	Internal indicator - Number of operations personnel reclassified	Principle 1	SDG 4	Page 75

GRI STANDARD	CONTENT	GLOBAL COMPACT	RELATED SDG	DETALLE
	Internal indicator – Mechanisms for providing variable compensation			We have a compensation policy and procedure that establish the variable concepts of our employees' compensation in a transparent manner. Among the mechanisms are the annual bonus for executives, the project award (given to workers who supervised a project and made an outstanding contribution to its execution), the loyalty-building bonus, etc.
SAFETY				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary		SDG 8	Pages 82,85
	103-2 The management approach and its components			Pages 82,85
	103-3 Evaluation of the management approach			Page 85
GRI 403: SALUD Y SEGURIDAD EN EL TRABAJO	403-1 Representación de los trabajadores en comités formales trabajador-empresa de salud y seguridad	Principle 1 Principle 3		In the companies in the Group, 100% of the workers are represented in the Health and Safety Committees.
	Internal indicator – Accident frequency rate and number of hours worked with risk exposure	Principle 1		Page 85
	Internal indicator – Road safety management with workers, users and society	Principle 1	SDG 3	Page 84
ENVIRONMENT				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary			Pages 88,89 The reported coverage of the environmental indicators are 96.71% of the Group's total revenues.
	103-2 The management approach and its components			Pages 88,89
	103-3 Evaluation of the management approach			Page 89
GRI 302: ENERGY	302-1 Energy consumption within the organization	Principle 7 Principle 8 Principle 9	SDG 7	Page 90
GRI 305: EMISSIONS	305-1 Direct (scope 1) GHG emissions	Principle 7 Principle 8	SDG 13	Page 90
	305-2 Energy indirect (scope 2) GHG emissions			Page 90
GRI 306: EFLUENT AND WASTE	306-2 Residuos por tipo y método de eliminación	Principle 7 Principle 8 Principle 9	SDG 12	During the year, we produced approximately 80 thousand tons of solid waste, of which 34% was put to use, recycled or commercialized.
	306-3 Significant spills			Page 89

STANDARD GRI	CONTENIDO	PACTO GLOBAL	ODS ASOCIADO	DETALLE
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT	308-1 New suppliers that were screened using environmental criteria	Principle 1 Principle 2 Principle 7 Principle 8 Principle 9		During the year, 233 suppliers of different companies in the Group were analyzed through self-assessment processes or third-party due diligence. Our questionnaires were standardized and covered ethical, social and environmental matters.
	Internal indicator – Water consumption and reuse	Principle 7 Principle 8 Principle 9	SDG 6	Pages 34,90
COMMUNICATION				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material topic and its boundary	Principle 1		Pages 93, 94
	103-2 The management approach and its components			Pages 93, 94
	103-3 Evaluation of the management approach			Pages 93, 94