

DIRECTORS' COMPENSATION POLICY AT SACYR, S.A.



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Pursuant to article 529 *novodecies* of Legislative Royal Decree 1/2010, of July 2, 2010 approving the revised Corporate Enterprises Law (“LSC”), the Board of Directors of SACYR, S.A. has approved the following directors’ compensation policy (the “**Compensation Policy**”).

1. Introduction

1.1 Directors’ compensation policy at Sacyr

The LSC lays down, among other elements, the need for listed companies to have a compensation policy for their directors.

In accordance with article 529 *novodecies* LSC, that policy must be consistent with the compensation system set out in the bylaws and must be approved by the shareholders’ meeting at least every three years under a separate item on the agenda.

To comply with the provisions in that law, the Board of Directors of SACYR, S.A. (“**Sacyr**”, or the “**Company**”), on a proposal, and following a favorable report issued by the Nominations and Remuneration Committee, approves the Compensation Policy herein, which will be submitted for a vote by the shareholders’ meeting under a separate item on the agenda.

Any compensation that may be received by the directors for performing the duties attached to their office or for termination of office and, as applicable, in respect of performing executive functions will be in accordance with the Compensation Policy, with the exception of any compensation that will be expressly approved by Sacyr’s shareholders’ meeting.

Under article 217.3 LSC, the 2006 shareholders’ meeting approved the maximum compensation for directors in respect of their services as such. That ceiling is included in the Compensation Policy, as provided in article 529 *septdecies* (1) LSC.

1.2 Sacyr’s internal regulations on the directors’ Compensation Policy

The Compensation Policy for Sacyr’s Board members is set out in article 43 of its Bylaws which determines the compensation systems applicable to the directors.

That article contains a description of the compensation items that the Company may pay according to the functions carried out by the directors:



- Directors for their services as Board members, and in respect of their supervision and collective decision tasks (“*directors’ for their services as such*”).
- Directors who, in addition to their supervision and collective decision tasks, have had executive functions within the Company conferred on them (“*executive directors*”).

The Board Regulations (article 27) refer to the provisions in the Company’s Bylaws in relation to the directors’ compensation.

Therefore, below is a description of the principles and foundations for Sacyr’s Compensation Policy, pursuant to the LSC and the mentioned Company’s internal regulations.

2. General principles governing Compensation Policy for Sacyr’s directors

The Compensation Policy seeks to attract, retain and engage the best professionals, and to achieve the establishment of a stable and long-standing link among compensation, results and shareholders’ interests, thereby securing the Company’s long-term goals and including the necessary precautions to avoid excessive risk-taking and rewarding unfavorable results.

Additionally, factors such as the economic environment, the Company’s results, the strategy of the group controlled by Sacyr (the “**Group**”), the legal requirements applicable to corporate enterprises, the best practices on the market and, to a large extent, the Good Corporate Governance Recommendations were all taken into account in designing the Compensation policy.

With consideration of all of the above factors, the compensation policy is based on the following principles and standards:

- **Suitability:** the compensation must be a suitable incentive for both assuming the tasks of the executive directors, and for attracting talent from out of the Company as regards the directors for their services as such, by providing adequate compensation for their dedication, qualifications and the responsibilities they assume.
- **Moderation:** an effort has been made for the compensation to be moderated in line with market standards. In this respect, to assist with this goal, the €2,9 million ceiling for all the directors for their services as such has been kept, as authorized by the Sacyr’s 2006 shareholders’ meeting.
- **Proportion:** directors are compensated by reference to the responsibilities and functions they have on the Board of Directors, and therefore those participating in Committees may receive higher compensation.



- Prudent management of the risk inherent to compensation: the compensation of directors for their services as such is not directly linked to the company's results, to avoid conditioning decision-making; all of the above in accordance with the Good Corporate Governance Recommendations.
- Transparency: it is specified that transparency is needed in all processes for proposing, designing, setting and approving policies, models and amounts related to the compensation of its directors.
- Competitiveness: by reference to the market standards for firms in the industry in which the Company carries on its activity.

The Compensation Policy distinguishes between the compensation system applying to directors for their services as such and the system for those carrying on executive functions at the Company.

2.1 Characteristics of the Compensation Policy for directors for their services as such

As a result of applying the above principles, the compensation system applicable to directors for their services as such has the following characteristics:

- It is aligned with the corporate governance standards and with the conditions in the market by reference to the Company's characteristics and its activity.

When determining the directors' compensation structure and levels, the Company analyzes the market practices in compensation matters at other listed business groups and obtains advice from specialist consultants.

- It acts as an incentive and rewards them for their dedication, qualification and responsibility, depending on the positions and responsibilities each director has on the Board of Directors and on its Committees.
- The directors do not have a variable compensation system for their services as such, in line with the Good Corporate Governance Recommendations.

2.2 Characteristics of the compensation policy for the executive directors

The compensation system for directors performing executive functions at the Company is based on the following general principles and criteria:

- The compensation for the performance of executive functions is on top of any compensation that the director may receive for their services as Board members.



- It takes market trends into account concerning the structure and overall amount of the compensation payments, and is positioned with respect to the market in accordance with the Company's strategy, making it competitive regarding other comparable entities so as to be able to attract, retain and motivate the best professionals.
- Variable compensation has greater weight within total compensation, since it includes medium and long-term variable compensation, in line with the Good Corporate Governance Recommendations.
- The variable compensation amounts are linked to the achievement of goals in the medium and long term. This achieves the aim to reduce exposure to risk and adapt the compensation policy to the Company's goals, values and interests.
- That compensation will not under any circumstances risks to the Company's ability to retain its solvency and its financial position.

The compensation policy is therefore geared towards creating value for the Company, and seeks to be in alignment with its shareholders' interests, through prudent risk management and through strict compliance with the legislation in force on directors' compensation.

As part of the compensation programs applicable to the senior management team, the principles and standards governing the compensation policy for executive directors are revised periodically by the Nominations and Remuneration Committee and the Board of Directors to keep the Company's remuneration policy in step with the best practices and trends in the market, as provided in article 17.7.h) of Sacyr's Board Regulations.

3. Structure of directors' compensation for their services as such

Pursuant to article 43.1 of the Company's Bylaws, the directors will be entitled to receive compensation from the Company for their services as such, consisting of a fixed annual amount. The maximum aggregate amount of compensation for directors for their services as such will be set by the shareholders' meeting, and remain in force until it resolves to change that amount. The directors' individual compensation is set by the Board of Directors within the overall amount resolved by the shareholders' meeting.

On approving the Compensation Policy, the shareholders' meeting determines the maximum amount of annual compensation that can be paid to the directors for their services as such. Moreover, it will be the board's responsibility to change and allocate the Board members' compensation for their services as such, which may not be the same for every member. For these purposes, they will take into account and evaluate the functions and responsibilities conferred on each director,



together with any other objective circumstances the board considers to be relevant.

It is incumbent on the Board of Directors, within the limit set by the shareholders' meeting, to set the precise amount to be received by each director, for which they will take into account (i) the positions they hold on the Board of Directors; (ii) the existing characteristics of those positions; or (iii) their sitting or otherwise, and degree of responsibility, on the various Committees.

Pursuant to article 529 *septdecies* LSC, it is placed on record that the ceiling on the aggregate annual amount that Sacyr may pay to all the directors for their services as such will amount to €2,900,000, the sum approved by Sacyr's shareholders' meeting held in 2006. This amount will remain in force until the shareholders' meeting resolves to change it. It will be distributed, among the individual members by the Board of Directors which, within the set limit, will have to differentiate the amounts allocated to each director, taking into account the functions and responsibilities conferred on each, and give an account thereof in the Annual Report on Directors' Compensation which will be submitted annually for a consultative vote by the shareholders' meeting.

4. Compensation structure for the CEO

Article 43.2 of the Bylaws provides that any directors who, in addition to their supervision and collective decision tasks, perform executive functions at the Company will be entitled to receive in respect of those functions, and on the terms previously agreed by the Board of Directors, an amount of compensation in addition to the items described in point 3 of the Compensation Policy.

That same article 43.2 of the Bylaws determines that the compensation system for the directors performing executive functions, for which authority is currently held by the executive chairman and chief executive officer of Sacyr (the "CEO"), is composed of the following elements:

- a) a fixed portion, adapted to the services and responsibilities assumed;
- b) a variable portion, linked to an indicator of the performance of the CEO or the enterprise;
- c) a benefits portion, which will contemplate the appropriate benefit and insurance systems;
- d) a severance payment in the event of (i) removal not due to a breach attributable to the CEO or (ii) dismissal for unforeseen reasons unrelated to the CEO, and



- e) an amount of compensation in respect of exclusivity, post-contractual non-compete and minimum stay or loyalty covenants.

Additionally, executive officers may be compensated with the award of shares of the Company, stock options or compensation linked to share value. This compensation must be resolved by the shareholders' meeting.

It is incumbent on the Board of Directors to determine the CEO's compensation, together with the precise amount of each of the compensation items mentioned above, following a report by the Nominations and Remuneration Committee and in accordance with the terms and conditions provided in their contract. The Board of Directors oversees that compensation is guided by the conditions in the market and takes into consideration the responsibility and degree of commitment involved in the role that the CEO is called on to play.

4.1 Fixed compensation

The CEO's fixed compensation ("**Reference Base Fixed Compensation**") for the performance of their executive functions reflects their level of responsibility at the Company, the duties attached to the position they perform and their professional experience, ensuring that the compensation is competitive with respect to the compensation paid in companies comparable to Sacyr.

In this respect, the CEO's annual Reference Base Fixed Compensation is composed of the following elements:

- Fixed compensation in cash for fiscal year 2016, amounting to €1,500,000 per annum. This amount was revised by the Board of Directors at a meeting held on March 31, 2016, subject to the approval of this Compensation Policy by the shareholders' meeting.

However, the Board of Directors, following a report by the Nominations and Remuneration Committee, may revise this compensation by reference to any or all of the following factors: (i) the CEO's responsibilities, (ii) the compensation practices of other listed business groups, (iii) the evolution of the Company or (iv) the pay brackets provided in Sacyr's compensation policy for its leadership team. Any such revision will require a novation to their contract, and must be reflected in the Annual Compensation Report which will be submitted annually for a consultative vote by the shareholders' meeting. This revision will have to be done, where appropriate, within an upper limit of two millions of euros (€ 2 million) of the fixed annual compensation in cash.

- Lease installment payments (under a finance lease or hybrid finance/operating lease) for the vehicle allocated to the CEO under the policy in force at the Company.



4.2 Variable compensation

4.2.1 Annual variable compensation

Annual variable compensation is designed as a management program linked to targets through which precise targets are set, monitored and achieved. It is an annual program, aimed at rewarding the performance and the achievement of the Company's economic/financial and strategic targets.

Under this program, the CEO will be entitled to receive an annual sum of variable compensation in cash for the performance of their work in an amount that will be determined each year by the Board of Directors, on a proposal by the Company's Nominations and Remuneration Committee, by reference to the degree of achievement of the targets set by Sacyr's Board of Directors, within given upper and lower limits.

The base figure used to determine the variable compensation will be equal to 100 percent of the Base Fixed Compensation in force from time to time.

The precise amount of the variable compensation will be determined annually by the Board of Directors by reference to the degree to which the chief executive officer has achieved the targets set for their position; and this may range between an upper limit of 130 percent of the Base Fixed Compensation and a lower limit of 70 percent of that Base Fixed Compensation.

The Board of Directors, following a report by the Nominations and Remuneration Committee, may modify the maximum amount of annual variable compensation, which may not overcome, in any case, the 170 percent of the Reference Base Fixed Compensation.

In order to carry out that review the Board of Directors will take into account any or all of the following factors: (i) the CEO's responsibilities, (ii) the compensation practices of other listed business groups, (iii) the evolution of the Company or (iv) the pay brackets provided in Sacyr's compensation policy for its leadership team. The revision, if appropriate, will require a novation to his contract, and must be reflected in the Annual Compensation Report which will be submitted annually for a consultative vote by the shareholders' meeting.

The Board of Directors will set annually the targets to which the variable annual compensation is linked. If in any fiscal year no targets are set by the board before the end of March, those targets will be considered to be as follows:

- a) the evolution and general and reasonable course of the activity, business and value of the Company, in the macroeconomic context in which it takes place; together with,



- b) the adequate and correct performance of their functions by the CEO, within the framework of the Company's activity, business and value as referred to above.

After the degree of achievement and the amount of the variable annual compensation has been determined by the Board of Directors, payment will take place on the required date under the Company's policies.

The Company may, with the approval of the Nominations and Remuneration Committee, make prepayments of the variable annual compensation. Should it be determined, however, on the final pay-out date for the variable annual compensation, that the CEO has received a higher sum than the amount to which they are entitled, the CEO will be required to refund the excess variable annual compensation.

The contract with the CEO will set out the amount of variable annual compensation to which they would be entitled in the event of early termination of the contract.

4.2.2 Long-term variable compensation

The Board of Directors has approved a multiyear bonus plan called "*Plan Bonus Plurianual 2015-2018*" (the "**Plan**"). This plan is a variable compensation system, with non-vesting rights, targeted at the leadership team, and to the company's directors performing executive functions. The CEO's participation in that Plan, as set out in their contract, is subject to the shareholders' meeting approving this Compensation Policy.

The Plan consists in granting to the selected beneficiaries, which include the CEO, a variable compensation system paid out in the form of a given cash sum, subject to the achievement of the EBITDA and Earnings After Taxes targets set out in the 2015-2020 Strategic Plan and to the beneficiary's individual performance. The Plan is for a total term of three years. The Plan starts on January 1, 2016 and will end on December 31, 2018.

The maximum bonus imputed to the CEO amounts to 75 percent of their fixed compensation in cash for fiscal year 2015 for the three-year period in the term of the Plan.

A degree of achievement of the targets amounting to 100 percent or higher will give entitlement to the maximum amount specified.

In all cases, at least 75 percent achievement of the targets linked to the 2015-2020 Strategic Plan will be required for the Plan to create rights for the CEO.



The bonus is paid in full in cash on the date on which the Board of Directors, on a proposal by the Nominations and Remuneration Committee, determines that sum after analyzing achievement of the targets.

The Board of Directors will have the power to deliver a portion of the payment in advance if a significant part of the parameters in the 2015-2020 Strategic Plan occur before the end of the period.

The Plan's standard terms and conditions set out the terms and conditions for payment of the incentive in cases of termination of the relationship between the beneficiary and Sacyr due to the death, permanent disability of the beneficiary, termination without due cause, and in the event of change of control.

The Board of Directors may approve in following years others long term compensation plans which similar characteristics and amounts to the "*Plan Bonus Plurianual 2015 – 2018*", following a report issued by the Nominations and Remuneration Committee and, where appropriate, approved by the shareholders' meeting, if the mentioned compensation plans will be settled through delivery of shares or will be referenced to their market value, with the corresponding novation to his Contract which will be reflected in the Annual Compensation Report submitted annually to the shareholders' meeting for a consultative vote.

Furthermore, because the Share Plan approved by the shareholders' meeting on June 11, 2015 was not launched in fiscal year 2015, the relevant authorization was rendered invalid and ineffective.

4.2.3 Extraordinary variable compensation

The CEO may be entitled to an extraordinary payment of variable compensation, if the Board of Directors, in the case of special transactions, determines compensation payments linked to specific and predetermined targets acting as incentives for the achievement of targets linked to those special transactions.

Similarly, and on an exceptional basis, the Board of the Directors may determine a compensation payment by reference to special achievements which have made a decisive contribution to the Company's results.

Any extraordinary compensation payments which may be approved by the Board of Directors must be set out in the Annual Report on Directors' Compensation which is submitted annually for a consultative vote by the shareholders' meeting.



4.3 Compensation in the form of benefits

The CEO's benefits will consist of the following elements:

- (i) Healthcare insurance policy with reimbursement of medical expenses for the CEO and their family members (spouse and dependent children).
- (ii) An annual contribution to an insurance policy, adapted to the legal nature of the CEO's relationship, to cover the contingencies of survival (the age at which they voluntarily enter legal retirement), death and permanent incapacity in any degree.

The beneficiary of that insurance policy will be the CEO or the persons named by the CEO who are to receive the covered benefit in the event of death.

The annual contribution in respect of an insurance premium covering the contingency of survival (up to the age at which the CEO voluntarily enters legal retirement) will be 25% of the fixed compensation in cash (or the proportional part relating to the calendar year), which will increase by 2% per annum of the amount paid in the immediately preceding year. The Board of Directors, following a report by the Nominations and Remuneration Committee, may increase this annual contribution until an upper limit of 30% of the total incomes of the CEO; modification which will require a novation to his contract, and must be reflected in the Annual Compensation Report which will be submitted annually for a consultative vote by the shareholders' meeting

The target defined benefit to cover the contingencies of death and permanent incapacity will amount to 125% of the fixed compensation in cash from time to time. To cover this amount the Company will pay annually the amount of the insurance premium.

4.4 Severance payments in the event of removal

The contract between the CEO and the Company provides for a severance payment in the event of (i) removal not due to a breach attributable to the CEO or (ii) dismissal on unforeseen grounds unrelated to the CEO, amounting to a gross sum equal to up to 2.5 times the sum of the fixed and variable compensation received in the year immediately preceding the year in which the event that gave rise to that severance occurred.



4.5 Compensation for post-contractual non-compete covenants

In the two-year period following the termination date of the contract, unless the contract was terminated due to voluntary retirement, death or incapacity or resignation or removal on a ground attributable to the CEO, the CEO may receive a sum equal to 1.5 times the fixed compensation, received in the twelve months before the termination date of the contract, in respect of a post-contractual non-compete covenant, which will be paid to them in the non-compete period.

5. Terms and conditions of the CEO's contract

The CEO's compensation, rights and obligations are determined in their contract, approved by the Board of Directors and having the following terms and conditions:

- The contract with the CEO is for an indefinite term.
- The CEO has agreed to provide full-time dedication with Sacyr and its group.

As a result, and unless the Company's Board of Directors gives express authorization, the CEO may not work as an employee or on a self-employed basis, or carry out any other profession or occupation, either compensated or otherwise, which may (a) be detrimental to the performance of their functions or (b) take time or dedication away from the performance required for a position such as one of the nature they perform.

- Severance payment for removal: is described in point 4.4 of the Compensation Policy.
- Post-contractual non-compete covenant: is described in point 4.5 of the Compensation Policy.

6. Other remarks

Pursuant to article 43.5 of the Bylaws, Sacyr has taken out a civil liability insurance policy for directors and senior managers of the Sacyr Group which therefore covers the Company's Board members and senior managers, including the CEO.

The compensation system described above for the CEO will apply to each and every Board member who may join the Board of Directors to perform executive functions in the term of this Compensation Policy, with any required adaptations that may be determined by the Nominations and Remuneration Committee and the Board of Directors according to the prevailing circumstances.



7. Term of the Compensation Policy

Without limiting the provisions in the LSC on the compensation policy for Board members, the policies and procedures contained in this document will be valid in the year in which it is approved by the shareholders' meeting (2016) and in the following three years (2017, 2018 and 2019). Any amendment or substitution during that period of time will required the approval by Sacyr's shareholders' meeting.