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JUSTIFICATION OF BETA ASOCIADOS, S.L., SHAREHOLDER WITH A SHAREHOLDING GREATER THAN 3% IN THE SHARE CAPITAL OF SACYR, S.A., AS RELATES TO THE ITEMS INCLUDED IN THE SUPPLEMENT TO THE NOTICE OF MEETING AND PROPOSED FOR INCLUSION IN THE AGENDA FOR THE ANNUAL GENERAL SHAREHOLDERS' MEETING OF SACYR, S.A., CALLED TO A MEETING ON 6 JUNE 2018, IN FIRST CALL, AND 7 JUNE 2018, IN SECOND CALL

The justification provided by Beta Asociados, S.L., shareholder with a 4.55% interest in the Company, thus surpassing the minimum shareholding requirement of at least 3% of the Company's share capital), as relates to the items included in the supplement to the notice of meeting and which it proposes for inclusion in the Agenda for the Annual General Shareholders' Meeting of Sacyr, S.A., called to a meeting on 6 June 2018, in first call, and 7 June 2018, in second call, is transcribed **verbatim** below:

ITEMS FOR WHICH INCLUSION IN THE AGENDA IS REQUESTED

1. **Item 6.8.** *Amendment of the Articles of Association. Amendment of Article 43.3* to adapt said provisions to the requirements laid out in the Supreme Court Ruling of 26 February 2018.
2. **Item 6.9.** *Amendment of the Articles of Association. New Article 43.7* to govern the remuneration of SACYR, S.A. directors and parties related thereto in the case of directors serving as shareholder-appointed directors of affiliated companies.
3. **Item 6.10.** *Amendment of the Articles of Association. New Article 43.8* to bring the contracts signed with the executive directors into compliance with the requirements laid out in Clause 3.4 of the Commission Recommendation of 30 April 2009 (OJ L 120, 15.5.2009).
4. **Item 6.11.** *Amendment of the Articles of Association. New Article 54.3* to separate the duties of the Chairman and the CEO when the latter reaches the age of 65.
5. **Item 6.12.** *Amendment of the Articles of Association. New Article 56.5* to lend transparency to the existing obligations and commitments between directors (and parties related thereto).
6. **Item 6.13.** *Amendment of the Articles of Association. New Article 56.6* to lend transparency to the financial and social conditions of the legal persons serving as directors of SACYR, S.A. and of the parties related thereto.

VERBATIM TRANSCRIPTION OF THE JUSTIFICATION PROVIDED BY BETA ASOCIADOS, S.L.

“3. **GENERAL JUSTIFICATION FOR THIS SUPPLEMENT TO THE NOTICE OF MEETING.** *The shareholder requesting this Supplement to the Notice of Meeting, and who is also a director of SACYR, S.A. (the Company), is convinced of the need to make radical and necessary changes to the **good governance and transparency** principles guiding the activity of the Company's governing body. Beta Asociados SL has been demanding rebalancing and reorganization of the composition of the Board of Directors for some time now, having sent several letters to the Chairman of the Board, including but not limited to the letter dated 7 June 2017. Thanks to this activity and to its complaints regarding imbalance in the composition of the Company's governing body, Beta Asociados SL has been able to force at least some change. Although the Company's Board of Directors did make timid attempts to restructure by appointing new independent directors, the Board was afflicted by several imbalances, including but not limited to the unique situation whereby two parents and their respective children held four positions on the Board, with one of the latter representing a corporate director that has been in breach of its legal obligation to file annual financial statements since 2009.*

*However, these initial changes are not sufficient and Beta Asociados SL therefore sees no other option but to propose a set of good governance and transparency measures. The measures being proposed herein by way of amendment to the Articles of Association would help to increase shareholder value and establish appropriate incentives for senior managers of the Company. The proposals contained in the Supplement to the Notice of Meeting were already put before the Board of Directors by Beta Asociados SL on 22 March and 26 April 2018, but unfortunately, the proposals **were rejected** by the Board. Beta Asociados SL believes that the importance of these reforms for the Company requires that they be debated and decided on by the General Shareholders' Meeting.*

In short, this Supplement to the Notice of Meeting is intended to open debate on the transparency and good corporate governance of the Company to ensure that the appropriate decisions are made.

The content, justification and specific proposals for each new Agenda Item proposed in the Supplement to the Notice of Meeting are provided herein below:

4. **ITEM 6.8. AMENDMENT OF ARTICLE 43.3 OF THE ARTICLES OF ASSOCIATION.**

- a) **Report/Justification.** This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (*Ley de Sociedades de Capital - LSC*). The recent **Supreme Court Ruling of 26 February 2018** handed down an opinion interpreting article 217 LSC in such a way as to provide for greater transparency and participation of the General Meeting in the establishment of executive director remuneration. One of the basic principles laid out by the Supreme Court is the principle that **annual maximum remuneration** of directors as approved by the General Meeting should include remuneration of both executive and non-executive directors. Although it is true that this ruling does not expressly address the regime applicable to listed companies, it is nonetheless true that said article 217 LSC as interpreted in the ruling of 26 February 2018 does apply to listed companies, and that if the overall remuneration of executive and non-executive directors exceeds the annual maximum remuneration approved by the General Meeting, this could have negative consequences for the Company including various sorts of legal contingencies. **There is no advantage to not adopting the interpretation given to article 217 LSC in the Supreme Court Ruling**, and this would eliminate the risk of violating the law should remuneration of the executive and non-executive directors exceed the annual maximum. The rationale behind the proposed reform is simply to include all items and all remuneration of directors, both executive and non-executive, in the calculation of this annual maximum remuneration, thus offering greater **transparency** to shareholders and preventing the Company from facing **unnecessary risks** and legal contingencies.
- b) **Current Wording of the Provision:** "Remuneration of directors (executive and non-executive) must be submitted to the General Meeting under the terms and conditions established by the prevailing legislation in force from time to time."
- c) **Proposed Resolution.** Proposal for approval of the new wording of article 43.3 of the Articles of Association. The proposed wording reads as follows: "The overall amount to be received by directors (executive and non-executive) as remuneration for all items shall be submitted to the General Meeting for approval of the maximum annual compensation applicable to the directors a whole."

5. **ITEM 6.9. NEW ARTICLE 43.7 OF THE ARTICLES OF ASSOCIATION.**

- a) **Report/Justification.** This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (*Ley de Sociedades de Capital - LSC*). The shareholders' rights of transparency and information are inalienable rights, in particular as relate to the remuneration of the Company's directors. Where a director of the Company serves on the Board of an affiliate company, the duties performed on such Board are a mere extension of his/her duties as an officer of the Company. In short, where directors of SACYR, S.A. hold office as shareholder-

appointed directors of affiliate companies, they are doing so exclusively on the grounds of SACYR, S.A.'s participation in said companies. This therefore means that **a director of SACYR, S.A. may not receive additional remuneration** for the performance of such duties on the Board of affiliate companies. Furthermore, where the affiliate companies provide remuneration to their directors, any remuneration attributable to positions on the Board that are allocated to SACYR, S.A. must be paid out to the latter. This requirement is consistent with Clause 5 of the Remuneration Policy of SACYR, S.A. of May 2016, which provides that the dedication and remuneration of the executive directors of SACYR, S.A. requires **exclusivity**. This requirement is also consistent with the provisions of article 229.1.e) LSC which requires directors to abstain from “obtaining advantages or remuneration from third parties **other than the company**,” which is exactly what would happen if a director of SACYR, S.A. were to accept the remuneration paid thereto by the Board of an affiliate company. There is also another factor that requires action be taken in this regard, and that is the principle of transparency as relates to director remuneration. SACYR, S.A.'s Report on Director Remuneration for 2018 does not include any information whatsoever on the benefits **being received** by two directors of SACYR, S.A. **in their condition as directors of REPSOL**, and which, in theory, **SACYR, S.A. is foregoing**, even though the Company is the holder of the shareholding interest. Given the lack of transparency regarding this remuneration, the shareholders may wrongly believe that the remunerations being paid for the two positions on the Board of REPSOL, **totaling approximately €500,000 in 2017**, are being paid to SACYR, S.A., when in fact, the directors are personally collecting such remuneration. The shareholders have requested clarification on this issue at previous General Meetings, but have not been given a transparent response. Our proposal is intended to regulate the payout of such remuneration to those directors of SACYR, S.A. who also serve as directors for affiliate companies, as well as to foster full and absolute transparency in such regard. We believe that information should neither be hidden from nor misrepresented to the shareholders.

- b) **Proposed Resolution.** Proposal for approval of the new wording of article 43.7 of the Articles of Association. The proposed wording reads as follows: “The remuneration applicable to shareholder-appointed directors serving on the Boards of affiliated companies of the Company and who are also directors or officers of the latter, or parties related thereto, shall be paid out to the Company. However, on a case-by-case basis, and in light of the circumstances, the Company's General Meeting may authorize payout of such remuneration directly to the persons holding such positions. In the latter case, such remuneration as received by the Company's directors or parties related thereto shall be annually reported in a transparent manner in the Annual Report on Director Remuneration.”

6. ITEM 6.10. NEW ARTICLE 43.8 OF THE ARTICLES OF ASSOCIATION.

- a) **Report/Justification.** This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (Ley de Sociedades de Capital - LSC). Clause 3.4 of the Commission Recommendation of 30 April 2009 established many years ago that: “Contractual arrangements with executive or managing

*directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.” This Recommendation was issued as a result of the scandal that involved certain executive directors receiving extraordinary remuneration based on falsified or inaccurate accounting results. SACYR, S.A.'s Report on Director Remuneration for 2018 states, under paragraph A.13, that “although the contract executed with the executive director does not include a reimbursement clause, this shall not prevent the company from, if necessary, implementing such measures as may be required to demand payback of any variable compensation components that were awarded on the basis of data which subsequently proved to be inaccurate.” In other words, SACYR, S.A.'s Report on Director Remuneration acknowledges that “if necessary” the payback of amounts unduly received by the executive directors shall be demanded. And yet, SACYR, S.A.'s Report on Director Remuneration mysteriously **omits any reimbursement clause** from the contracts signed with the executive directors, thus making reimbursement nearly impossible. This shareholder agrees with the opinion expressed in SACYR, S.A.'s Report on Director Remuneration for 2018 insofar as it acknowledged that **a reimbursement clause should be in place should undue payments** be made to the executive directors. However, this shareholder **does not share** the indifference expressed in the Report on Remuneration, which fails to demand inclusion of the necessary reimbursement clauses in the contracts signed with the executive directors of SACYR, S.A. This proposal is aimed at **requiring the inclusion of reimbursement clauses** in all executive director contracts with a view to establishing appropriate incentives and, ultimately, to ensuring the protection of corporate interests.*

- b) **Proposed Resolution.** Proposal for approval of the new wording of article 43.8 of the Articles of Association. The proposed wording reads as follows: “The contracts governing the provision of services by executive directors shall include clauses requiring payback of any variable compensation components that were paid out according to information that is subsequently and clearly proven to be inaccurate.”

7. **ITEM 6.11. NEW ARTICLE 54.3 OF THE ARTICLES OF ASSOCIATION.**

- a) **Report/Justification.** This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (*Ley de Sociedades de Capital - LSC*). The Board of Directors has proposed the abolishment of the cutoff age (65) for serving as an executive director of the Company, a requirement that is currently laid out in article 54.2.(a) of the Articles of Association. In principle, we do not object to this change proposed by the Board of Directors, which would ensure continuity for the position of the current CEO. However, it should be noted that the cutoff age (65) provided for in the Articles of Association is based on the assumption that, after a certain age, executives no longer have the strength, energy and spirit of change that a younger, prepared executive may be assumed to have. The Company's corporate management should establish **suitable rules to defend the corporate interests**, assigning the best people to undertake management tasks. Following best practices and common sense, one such rule should include the rule

that full executive power over the Company should not be held by any single person over the age of 65. As such, the positions of CEO and Chairman should be assigned to two separate individuals after reaching the age of 65. In addition, once the CEO reaches the age of 65, the Company should start to think about and plan a generational replacement for management of the Company, opening up transparent and professional debates to prevent harmful personalization and concentration of management of the Company in one person. This is required not only by common sense and best practices, but also by Principle 16 of the Corporate Governance Code for Listed Companies. What doesn't seem to make much sense is to abolish the age restriction for the CEO, while still allowing an executive over the age of 65 to continue to indefinitely retain full power over the Company, as Chairman and CEO, without any Succession Plan. Corporate interests and the risks inherent in such a situation advise strongly against it.

- b) **Proposed Resolution.** *Proposal for approval of the new wording of article 54.3 of the Articles of Association. The proposed wording reads as follows: “If the office of Chairman is held by an executive director who reaches an age of 65 or older, both positions shall be immediately separated and attributed to two separate individuals. Further, in such circumstances, the Board of Directors shall be required to prepare and approve a Succession Plan within 6 months.”*

8. **ITEM 6.12. NEW ARTICLE 56.6 OF THE ARTICLES OF ASSOCIATION.**

- a) **Report/Justification.** *This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (Ley de Sociedades de Capital - LSC). The Board of Directors of SACYR, S.A. has a particularly high percentage of shareholder-appointed directors. Certain agreements between such directors/shareholders were made public pursuant to article 531 LSC. However, there may be certain agreements or contracts signed between administrators/shareholders that were not required to be made public and that could affect transparency and create conflicts of interest for the directors. For example, if a director has granted guarantees in favor of another executive director so that the latter is able to receive a loan, the vote of the former could be seen as not fully free of conflict of interest when it comes to making decisions that, for example, could result in enforcement or increased risk of enforcement of the guarantee. The director that issued the guarantees for the loans granted to another director by a third party would, for example, have a conflict of interest when voting in favor of a decrease in remuneration of the secured director, or when voting to support elimination of such remuneration. This proposed provision is intended to offer absolute transparency to shareholders as relates to contractual relations, guarantees and legal risks existing between the directors of SACYR, S.A., revealing any hypothetical conflicts of interest that may arise for any of the directors depending on the decision in question.*
- b) **Proposed Resolution.** *Proposal for approval of the new wording of article 56.5 of the Articles of Association. The proposed wording reads as follows: “The directors shall be required to notify the Board of Directors of any agreements of any kind*

existing between two or more directors or between any parties related thereto, as well as of any guarantee of any kind granted by a director or its related parties as security for payment or compliance with loans or other obligations assumed by any other director or parties related thereto. This information shall be transparent and shall be included in the Annual Report on Director Remuneration.”

- c) **Proposed Resolution.** *Proposal for approval of the new wording of article 56.5 of the Articles of Association.*

9. ITEM 6.13. AMENDMENT OF ARTICLE 56.6 OF THE ARTICLES OF ASSOCIATION.

- a) **Report/Justification.** *This Report is included for the purposes set forth in articles 286 and 519.1 of the Corporate Enterprises Act (Ley de Sociedades de Capital - LSC). Although corporate management for listed companies pays close attention to the personal and professional circumstances of the directors, this same attention is not always given where the position of director is held by a legal person. In this regard, just as article 54.2 of the Articles of Association addresses only the need for concern regarding the **honesty, integrity and compliance** with law when it comes to natural person directors, there are no equivalent provisions in place for **legal persons and their related parties**, in particular on a Board with a large number of these types of directors. For example, could a company that has gone more than 5 years without making the necessary filings of its annual financial statements serve as director of SACYR, S.A.? This certainly wouldn't be the best vision of integrity, transparency and good conduct of a corporate director, and this is where our proposal for amendment of the statutory regulations comes from.*
- b) **Proposed Resolution.** *Proposal for approval of the new wording of article 56.6 of the Articles of Association. The proposed wording reads as follows: “Corporate directors and legal persons who are shareholders of the Company and who are considered to be parties related to a director shall be required to promptly file all required annual financial statements. For this purpose, a copy of the annual financial statements of any such legal persons together with proof of deposit with the Companies Register shall be submitted to the Chairman of the Audit and Corporate Governance Committee within six months from the close of each fiscal year. If the director fails to fulfill with this duty, the Chairman of the Audit and Corporate Governance Committee shall notify the Board of Directors, who shall adopt the appropriate measures and report on such circumstance in the next Corporate Governance Report.”*