REPORT OF THE BOARD OF DIRECTORS OF SACYR, S.A. IN RELATION TO THE PROPOSED AMENDMENT TO THE DIRECTORS REMUNERATION POLICY REFERRED TO IN ITEM EIGHT OF THE AGENDA OF THE ORDINARY GENERAL MEETING CALLED FOR APRIL 28 AND APRIL 29, 2021, AT FIRST AND SECOND CALL, RESPECTIVELY

1. Background and justification for the amendment

The current Directors Remuneration Policy of Sacyr, S.A., applicable for 2020, 2021 and 2022, was approved at the General Shareholders Meeting held on June 13, 2019.

In accordance with the Corporate Enterprises Act, specifically section 529 *novecedies*, any amendment to this policy during its validity period must be approved at the General Shareholders Meeting.

Pursuant to article 17 of the Board Regulations of Sacyr, the Company's Appointments and Remuneration Committee ("ARC") is responsible for proposing to the Board the remuneration policy for directors and general managers. With regard to its power to review this policy, the ARC seeks to ensure continuous improvement and that the Directors Remuneration Policy is fully in line with regulatory and corporate governance changes.

This proposed amendment to the Directors' Remuneration Policy proposes to include the adaptation of the long-term variable remuneration to the new Long-Term Incentive 2020-2025 (the "LTI") approved by the Board of Directors at the meeting held on December 17, 2020, once the previous long-term incentive plan ("LTI 2018-2020") has ended.

The amendment of the Remuneration Policy is therefore limited to introducing the changes approved by the Board of Directors into the characteristics of the new LTI.

The proposed amendments would not affect the validity period of the 2020-2022 Remuneration Policy, which would remain in force, with the proposed amendments until 2022.

Any other amendments or changes during the validity period will require prior approval at the General Shareholders Meeting. The proposed amendments to the Remuneration Policy, which must be submitted at the General Meeting by the Board, is accompanied by a specific report from the Appointments and Remuneration Committee, and both the proposed Policy and the specific committee report must be made available to shareholders on the Company's website as soon as the General Meeting is called.

2. Amendments to the Directors Remuneration Policy with regard to the LTI

Following a favourable report from the ARC, the Board of Directors, at its meeting held on February 25, 2021, approved the proposed amendments to the Directors Remuneration Policy and, therefore, will submit them in due course for approval at the General Shareholders Meeting, as a separate item on the agenda, pursuant to the Corporate Enterprises Act.

Therefore, in accordance with section 1 above, the Directors Remuneration Policy approved at the General Shareholders Meeting held on June 13, 2019 is partially amended with regard to the section relating to long-term variable remuneration in the following terms:

6.2.2 Long-term variable remuneration

The Board of Directors approved a long-term incentive plan known as the "2018-2020 LTI" (the "LTI"). The LTI is a variable remuneration system that cannot be consolidated and directed at the management team, as well as the company's directors who perform executive functions, and has the following objectives: i) Provide incentives to the Company's key personnel with high potential (ii) Maximise the value of Sacyr and its subsidiaries, allowing the Management Team to benefit from the results of its management, linking it to the Strategic Plan. (iii) Reward the permanence of the eligible management team and (iv) Offer the eligible management team a remuneration element in line with best market practices, and which supports the implementation of a remuneration policy based on internal fairness and external competitiveness. The LTI is conditional on the fulfilment of the targets regarding EBITDA, profit after tax and total shareholder return established in the 2015-2020 Strategic Plan, and those that the Company may have at any given time, and on the individual performance of the beneficiary. The LTI is valid for three years, without prejudice to any successive LTIs that may be approved with a validity period of between two and four years.

In the case of the executive director, participation in this LTI, as set out in their contract, is subject to the approval of this Remuneration Policy at the Company's General Meeting.

The Board of Directors, following a report from the Appointments and Remuneration Committee, will set the percentage of the fixed annual salary to be earned by the executive director each year. The minimum threshold will be 70% of the indicators and the maximum threshold will be 130% of the theoretical amount. However, following a report from the Appointments and Remuneration Committee, the Board of Directors may change this maximum threshold, but it may not exceed 200%.

The incentive may be paid in cash or in shares on the date on which the Board of Directors, at the proposal of the Appointments and Remuneration Committee, determines the amount after analysing whether the objectives have been met.

The Board of Directors will have the power to make partial advance payments if a significant portion of the parameters of the 2015-2020 Strategic Plan is achieved prior to the end of the period.

The LTI Regulations govern the terms of payment of the incentive in the event the relationship between the beneficiary and Sacyr is terminated as a result of death or permanent disability, or terminated without just cause, and in the case of a change of control.

In successive years, the Board of Directors may approve other long-term remuneration plans with similar characteristics and for an amount similar to the LTI, for a validity period of between two and four years, following a report from the Appointments and Remuneration Committee and, where applicable, submitted for approval at the General Shareholders Meeting, if the aforementioned remuneration plans are settled through of the delivery of shares or are tied to their value; this will entail the corresponding *contractual novation, and will be reported in the Annual Remuneration Report issued each year.*

"On December 17, 2020, the Board of Directors approved a new incentive plan, (the "LTI 2020-2025"), with the same objectives as the previous one, conditional on the fulfilment of the targets regarding EBITDA, profit after tax and total shareholder return in accordance with the current Strategic Plan. The incentive may be paid in cash or in shares. It is expected to last six years and is divided into five overlapping and independent cycles, the first of which lasts two years and the rest of which last three years, as follows:

First cycle:	***2020-2021***
Second cycle:	***2020-2022***
Third cycle:	***2021-2023***
Fourth cycle:	***2022-2024***
Fifth cycle:	***2023-2025"***

Madrid, February 25, 2021

SACYR, S.A., 2020 - 2022 DIRECTORS REMUNERATIONS POLICY

---

1. INTRODUCTION

The effect of the previous “Sacyr, S.A. Directors remunerations policy" approved by the Shareholders Meeting held on the month of June 2016, expired in 2019.

The Board of Directors, according to a specific previous report issued by the Appointments and Remunerations Committee, agreed in its meeting of March 28, 2019 to propose to the Shareholders Meeting held on June 2019 the approval of the new “Sacyr, S.A. Directors Remunerations Policy” which effect would encompass the 2020, 2021 and 2022 business years.

2. APPLICABLE REGULATION

Without prejudice of any other regulations that may be applicable:

2.1. Capital Company Act

- Article **217, section 2** establishes:
  2. *The remuneration system which has been established will establish the remuneration concept or concepts to be received by the directors as such and can constitute, among others, one or several of the following:*
     a) A fixed allocation
     b) attendance allowances,
     c) profit sharing,
     d) variable allocations with indicators or general reference parameters,
     e) remunerations in shares or linked to its evolution,
     f) compensation due to cessation, as long as the cessation is not caused by the default of the director administrators and
     g) the savings and forecast systems that are considered necessary.

  3. *The maximum amount of the annual remuneration of directors as a whole under their condition as such must be approved by the shareholders meeting and will remain in effect as long as its modification is not agreed upon. Unless otherwise established by the shareholder meeting, the different directors distribution and remuneration will be established by their agreement and in regards to the board of directors, by its decision, which must take into consideration the duties and responsibilities assigned to each director.*

  4. Directors remuneration must at all times be in a reasonable proportion to the importance of the company, its economic situation and comparable companies market standards at the time. In the long term the established remuneration system must be directed to promote the profitability and sustainability of the company and include the necessary caution to prevent assuming excessive risks and the rewarding of unfavorable results.

  Article **249, sections 3 and 4** state the following:

  3. *When a member of the Board of Directors is appointed as managing director or executive duties are assigned to said director inside the scope of another position, it*

will be necessary to sign a contact between the abovementioned director and the company. Said contract must be previously approved by the Board of Directors with the favorable vote of two thirds of its members. The affected director must abstain from attending the deliberation and from participating in the vote. The approved contract must be included as an annex to the meetings minute.*

4. The contract will include the details of all concepts under which a remuneration may be obtained regarding the performance of executive duties, when applicable, the possible compensation due to early termination regarding said duties and the amounts to be paid by the company as insurance premiums or contributions to savings systems. Directors will not be able to receive any remuneration regarding the development of executive duties which amounts or concepts are not scheduled in said contract.

When applicable the contract must comply with the approved remunerations policy approved by the Shareholders Meeting.

Article **529 quindecies, section 3.g,** states the following.

3. *The Appointments and Remunerations Committee, without prejudice of all other duties attributed under the law, the articles of association or according to said articles, the Board of Directors regulation will at least have the following duties:*

(…)

g) Propose the directors and general managers remunerations policy or of those who are developing the duties of high management under the direct supervision of the board, executive committees or chief executive officers to the Board of Directors, as well as their individual remunerating and other contractual conditions of the executive directors, ensuring their compliance.

- Article **529 sexdecies** states:

Except when otherwise stated in the articles of association, the position of director of a listed company will have to be remunerated.

– Article **529 septdecies** states:

1. The directors remunerations policy will determine the directors remuneration according to their condition as such, within the remuneration system, established under the articles of association. Said policy must include the maximum yearly remuneration amount to be paid to the group of directors in their condition as such.

2. The Board of Directors will be responsible for establishing the remuneration of each director in their condition as such, taking into account the duties and responsibilities that are attributed to each director, the participation in committees of each director and other objective circumstances that are considered relevant.

– Article **529 octodecies** states.

1. The remuneration of each director regarding the development of the executive duties scheduled under the approved contracts pursuant to article 249 will comply with the directors remunerations policy, which must necessarily take into consideration the amount of the yearly fixed remuneration as well as its variation regarding the period established in the abovementioned policy, all the different parameters for the establishment of the variable components as well as their contracts main terms and conditions particularly including their duration, compensations due to early termination or termination of the contractual relationship and exclusivity agreements, post contractual non-competes and tenure or loyalty.

2. It is the responsibility of the Board of Directors to establish the remuneration of each Director as well as the terms and conditions of their contracts with the Company according with what is established under article 249.3 and the directors remunerations policy approved by the shareholders meeting.

– Article **529 novodecies** states:

1. *The directors remuneration policy will be adjusted to the corresponding statutorily scheduled remuneration system and will be approved by the shareholders general meeting at least every three years as a separate subject of the agenda.*

2. *The Board of Directors remuneration policy must be caused and accompanied by a specific report from the Appointments and Remunerations Committee. Both documents will be available to shareholders on the company website since the notice of meeting of the shareholders meeting, who may also request their free delivery and shipment. The shareholders meeting notice of meeting will mention this right.*

3. *The approved directors remuneration policy will be in effect during the next three business years after that in which it is approved by the shareholders meeting. Any modification or replacement of the abovementioned policy will require the prior approval of the shareholders general meeting according to the procedure established for its approval.*

4. *In cases under which the annual report regarding directors remunerations is rejected in the consulting vote of the shareholders general meeting, the next remunerations policy applicable over the business year must be subject to the approval of the meeting prior to its application, even when the abovementioned period of three years has not elapsed. Cases in which the remunerations policy has been approved in that same shareholders meeting will be excluded.*

5. *Any remuneration received by the directors for the business year regarding the development of their duties or termination of their position will be made in accordance to the directors remunerations policy applicable at the time, except remunerations that are specifically approved by the Shareholders General Meeting.*

2.2. <u>Company By-laws</u>

- Article **19, section 2.c,** states that the following is the responsibility of the Shareholders Meeting:

  The approval of the maximum remuneration of all directors, as such, and the remunerations policy, pursuant to the terms established under Corporate Law.

- Article **43** states.

1. Directors, according to their condition as Board of Directors members and pursuant to their supervision duties and joint decision making will be entitled to receive a remuneration from the Company which will be comprised by a fixed amount. The directors joint maximum remuneration amount, as such, will be established by the Shareholders Meeting and will remain in effect as long as the Shareholders Meeting does not agree to modify it.

The specific amount to be received by each director will be established by the Board of Directors, within the limitations established by the Shareholders Meeting, taking into consideration the (i) positions occupied within said body, (ii) the concurring characteristics; or (iii) their membership or lack thereof, as well as their degree of responsibility within the different committee.

2. Those directors who in addition to their supervision tasks and joint decision making, have executive duties within the Company, regardless of the relation therein, will have the right to receive, according to said duties, under the terms previously established by the Board of Directors, in addition to those remunerations under section 1 above, and pursuant to section 3 above, a remuneration comprised by: (a) a fixed amount, adequate for the assumed services and responsibilities; (b) a variable amount, related to the performance indicators of the director or the company, (c) an attendance amount, which will include the necessary forecast and insurance systems; (d) compensation in case of (i) termination not due to a default chargeable to the director (ii) resignation due to events outside the control of the director, as well as (e) a remuneration due to exclusivity, post-contractual non compete, tenure and loyalty covenants.

It is the responsibility of the Board of Directors, after having received the report from the Appointments and Remunerations Committee, to establish the remuneration entries as well as their amount corresponding to the executive directors, including, when applicable, the fixed part, configuration modes and calculation markers for the variable part (which under no circumstance can
be comprised by participation in the Company profits), attendance forecast, compensation due to dismissal or resignation due to causes outside the control of the director and remunerations regarding exclusivity, post-contractual non-compete, tenure and loyalty covenants. Those directors who are affected will abstain from attending and participating in the corresponding deliberations. The Board of Directors will ensure the abovementioned remuneration are guided by market conditions and take into account the responsibility and degree of commitment which the director role development entails.

3. The remunerations of the executive and nonexecutive directors will be subject to the Shareholders Meeting under the terms and conditions established under the law in effect, at each time.

4. Directors can also be remunerated with the delivery of Company shares, options over said shares or remunerations linked to share value. Said remuneration will be agreed upon by the Shareholders Meeting. The Shareholders Meeting agreement must include the number of shares to be assigned during each business year to this remuneration system, the price of the business year or the business year calculation price regarding the options over the shares, that value of the shares that, when applicable, is taken as a reference and the plan life span.

5. The Company has the necessary authorization to contract a civil liability insurance for its directors.

6. *The Company will inform the directors regarding the remunerations pursuant to the terms and conditions established under the law in effect at each time.*

2.3. <u>Board of Directors Regulation</u>

- Article **17, section 7, g and h,** states:

7. *Notwithstanding other responsibilities established by the applicable regulations, the Corporate By-laws, the Regulation or the Board of Directors, the Appointments and Remunerations Committee will have the following responsibilities:*

(…)

g) *Propose the directors and general managers remuneration policy or those developing the duties of high management under the direct supervision of the Board of Directors, executive committees or managing directors, as well as the individual retribution and other contractual conditions of executive directors, ensuring their compliance, to the Board of Directors.*

h) *Regularly review the remuneration programs, particularly those of high management and the managing team, weighing its adequacy and performances.*

- Article **27** states:

1. *Directors remuneration will be regulated pursuant to the Articles of Association.*

2. *The Board will annually prepare and publish a report regarding directors remunerations with the content demanded by the applicable regulation in effect at each time*

2.4. <u>Board Regulation</u>

Article 3, section 3, states:

The General Meeting will decided regarding the matters under its supervision according to the applicable regulation and Articles of Association, being responsible for the adoption of the following agreements:

(…)

Approval of the directors maximum remuneration as a group, as such, as well as the remunerations policy pursuant to Corporate Law terms and conditions.

3. <u>SACYR, S.A. DIRECTORS REMUNERATIONS POLICY GENERAL PRINCIPLES</u>

The purpose of the Remunerations Policy is to attract, hold and commit the best professionals, as well as establishing a stable link and promoting the desire to stay over time between the remuneration, results and interests to shareholders, thus achieving the Company long term goals and including the necessary cautions to prevent assuming excessive risks and unfavorable reward results.

In addition, the Company profit and losses, economic environment, strategy of the group headed by Sacyr (the "Group"), the legally applicable demands to capital companies, best market practices and, largely, the Good Corporate Governance Recommendations have been taken into account when designing the Remunerations Policy.

In view of the above, the remuneration policy is based on the following principles and criteria:

- Adequacy: Remuneration must be incentivizing enough for assuming the duties of the executive directors as well as to recruit external talent regarding the directors as such, adequately remunerating their dedication, qualification and assumed duties
- Moderation. It is attempted for the remuneration to be moderated in relation to market standards. In this regard and in order to facilitate said goal, the maximum limit of two million nine hundred thousand Euros (€2,900,000) is kept, for the whole of the directors as such, authorized by the General Meeting of Sacyr of 2006 and held by the previous Sacyr Remunerations Policy of 2016 approved by the General Meeting on said year of 2016.
- Ratio: Directors are remunerated based on the duties they assume and the responsibilities within the Board, so that those directors participating in Committees may obtain a greater remuneration.
- Cautionary management of risk inherent to remunerations: The directors remuneration as such is not directly linked to the company profits and losses, thus avoiding the conditioning of decision making; all of the above pursuant to the Good Corporate Governance Recommendations.
- Transparency: The need for procedural transparency is established regarding the proposal, design, establishment and approval of policies, models and amounts related to the director remunerations procedures.
- Competitive. Regarding market standards for company of the same sector in which the Company develops its activity.

The Remunerations Policy distinguishes the remuneration system, applicable to directors who develop their duties as such, from those developing executive duties in the Company.

4. <u>FEATURES OF THE DIRECTORS REMUNERATIONS POLICY</u>

4.1. <u>Features of the directors remunerations policy as such</u>

The application of the abovementioned principles over the directors remuneration system, as such, makes directors have the following characteristics:

- Is in line with the corporate governance standards matters and the market circumstances regarding the Company characteristics and its activity.

  When establishing the remuneration structure and levels of the directors, the Company analyzes the remuneration market practices of other listed corporate groups and has the counseling of specialized consulting firms.

  It is incentivizing and remunerated dedication, qualification and responsibility, depending on the positions and duties assumed by each director of the Board of Directors and its Committees.

- Directors, as such, do not have a variable remuneration system, following the Good Corporate Governance Recommendations.

4.2. <u>Features of the executive directors remunerations policy</u>

The remuneration system for those directors who develop executive duties in the Company is based on the following general principles and foundations:

- The remuneration for the development of executive duties is in addition to the remuneration the director may receive as member of the Board of Directors.

- These take into account the market trends regarding the structure and total amount of the remunerations, and faces it in accordance to the Company strategic planning, ensuring it is competitive with other comparable entities in order to be able to attract, hold and motivate the best professionals.

- Variable remuneration plays a bigger role within the total remuneration since it includes a medium and long term variable remuneration, in accordance to the Good Corporate Governance Recommendations.

- Variable retributions are link to the compliance of objectives on the medium and long term. Thus reducing the exposure to risk and adjusting the remunerations policy to the Company long term goals, values and interests.

- Under no circumstance will said remuneration threaten the ability the Company has to maintain its financial solvency and situation.

Therefore the remuneration policy is focused on the generation of value for the Company, looking to align it with the shareholders interests, a cautionary risk management and a stringent compliance of the applicable regulations in matters of directors remuneration. With the purpose of maintain the remuneration policy of the Company aligned with the best market practices and trends the Appointments and Remuneration Committee and the Board of Directors periodically reviews the remuneration policy criteria and principles for executive directors as a part of the remuneration programs applicable to the managing team, as stated under article 17.7.h) of the Sacyr Board of Directors Regulation.

5. REMUNERATION STRUCTURE OF DIRECTORS UNDER THEIR CONDITIONS AS SUCH

According to what is stated under article 43.1 of the Company Articles of Association, the directors, under their condition as such, will have the right to receive a remuneration from the Company which will be comprised by a fixed annual amount. The maximum joint amount of the directors remuneration, under their condition as such, will be established by the General Meeting and will remain in effect until said body does not agree it modification. The individual establishment by director is performed by the Board of Directors within the general amount agreed upon by the General Meeting.

When approving the Remunerations Policy, the General Meeting establishes a maximum amount for the annul remuneration to be paid to the directors, under their condition as such. The Board of Directors will likewise be responsible for modifying and assigning the remuneration of the Board of Directors members, under their condition as such, which may not be the same for all members due to which it will take into account and assess the duties and responsibilities assumed by each director, as well as the remaining objective circumstances the Board of Directors considers relevant.

It is the responsibility of the Board of Directors, within the limitations established by the General Meeting, to establish the specific amount to be received by each director, for which it will take into consideration (i) the position assigned within said body; (ii) their concurring characteristics; or (iii) their participation or lack thereof and degree of responsibility in the different committees.

According to the provisions of Corporate Law article 529 septdecies, it was stated that the maximum annual amount which Sacyr may pay its group of Directors, under their condition as such, will amount to two million nine hundred thousand Euros (€2,900,000). This report will remain in effect until the Shareholders General Meeting agrees upon its modification. As previously stated, the distribution will be made individually by Director so that, within the established limitation, it will be necessary to distinguish among the amounts attributed to each director, taking into consideration the duties and responsibilities assigned to each of them, recording the aforementioned within the Directors Remunerations Annual Report which will be yearly submitted to the advisory vote of the Shareholders General Meeting.

6. EXECUTIVE DIRECTOR REMUNERATION STRUCTURE

As previously stipulated under article 43.2 of the Articles of Association it is established that the directors who, in addition to their supervisory responsibilities and collegiate decision, comply with executive duties within the Company, will have the right to receive, regarding said responsibilities, and under the terms previously agreed upon by the Board of Directors, an additional remuneration pursuant to the concepts described under section 5 of the Remunerations Policy.

According to the abovementioned Articles of Association 43.2, the remuneration system for those directors who develop executive duties, which powers currently fall on the Sacyr CEO and Managing Director (the "Executive Director"), is comprised by the following elements:

a) a fixed amount, adequate to the assumed services and responsibilities;
b) a variable part, related to the Executive Director or the company related to its performance markers;
c) an attendance part, which will include the adequate forecast and insurance systems;
d) a compensation for cases of (i) termination not due to a default chargeable to the Executive Director or (ii) resignation due to causes outside the control of the Executive Director, as well as
e) remuneration due to exclusivity agreements, post contractual non compete and tenure and loyalty.

In addition, executive directors may be remunerated with the delivery of shares from this Company, options over said shares or remunerations linked to the value of the shares. This remuneration must be agreed by the General Meeting.

It is the responsibility of the Board of Directors to establish the remuneration of the Executive Director, as well as the specific amount of each of the abovementioned remuneration entries, prior report of the Appointments and Remunerations Committee and according to the terms and conditions established under his/her contract.
The Board of Directors ensures that remunerations are guided by market conditions and take into consideration the degree of commitment and responsibility of the role to be developed by the Executive Director.

6.1 Fixed remuneration

The fixed remuneration of the Executive Director ("Baseline Fixed Remuneration") for the development of the his/her executive responsibilities reflects his/her level of responsibility within the Company, his/her developed position and his/her professional experience, ensuring its competitiveness regarding the application of the abovementioned in companies comparable to Sacyr.

In this regard the annual Baseline Fixed Remuneration of the Executive Director is comprised by the following elements:

- Monetary fixed remuneration, established for the 2019 business year in one million six hundred and eleven thousand Euros (€1,611,000) by the Board of Directors, prior report of the Appointments and Remuneration Committee.

  The Board of Directors, prior report of the Appointments and Remuneration Committee, will be able to review the established monetary fixed remuneration, taking into account all or some of the following circumstances: (i) the responsibilities of the Executive Director, (ii) the remuneration practices of other listed business groups, (iii) Company evolution or (iv) the salary range scheduled under the Sacyr remuneration policy for its management team. Update that, when applicable, will be followed by the corresponding contractual novation, and must be reflected in the Annual Remunerations Report which is yearly submitted to the advisory vote of the General Meeting. Said review must be performed, when applicable, within the maximum limit of the annual monetary fixed remuneration of two million Euros (€2,000,000 €).

- "*Leasing*" or "*renting*" quotas of the car corresponding to the Executive Director according to the Company in effect policy.

6.2 Variable remuneration

6.2.1 Annual variable remuneration

The annual variable remuneration is configured as an objectives management program which will be used to establish, follow-up and comply with specific goals. The program is yearly and is established with the purpose of rewarding the performance and achievement of company economic-financial and strategic goals.

According to the abovementioned program, the Executive Director will have the right to perceive an annual variable remuneration in cash for the rendering of his/her services which amount will be established annually by the Board of Directors, according to a proposal by the Appointments and Remunerations Committee, regarding the degree of compliance of the goals established by the Board of Directors of Sacyr, according to specific minimum and maximum limits.

The baseline amount to establish the abovementioned variable remuneration will be equal to 100% of the Baseline Fixed Remuneration in effect at each time.

The specific amount of the variable remuneration will be yearly established by the Board of Directors, previous report by the Appointments and Remunerations Committee, regarding the degree of compliance by the Executive Director of the goals established for said position and will vary between a minimum of 70 per cent to a maximum of 130 per of the Baseline Fixed Remuneration. The Board of Directors, however, previous report from the Appointments and Remuneration Committee, will be able to modify the maximum annual remuneration variable amount, not being able to exceed 200 per cent of the Baseline Fixed Remuneration.

In order to perform the abovementioned review, the Board of Directors will be able to meet all or some of the following circumstances: (i) the responsibilities of the Executive Director, (ii) the remuneration practices of listed business groups, (iii) the Company evolution or (iv) the salary ranges scheduled under the Sacyr remuneration policy for its management team.

The relevant review, when applicable, will include the corresponding contractual novation and will need to be reflected in the Remunerations Annual Report which is yearly submitted to the General Meeting.

The Board of Directors will establish the goals to which the variable annual remuneration is linked in a yearly fashion. If goals are not established by the Board of Directors during one of the business years before the end of the month of March, the abovementioned goals will be understood as the following:

a) the general reasonable development and evolution of the activity, business and value of the Company, within the macroeconomic context in which said activity is developed; as well as
b) the adequate and correct development of the Executive Director responsibilities, within the frame of said activity, business and value of the Company.

Once the degree of compliance and the variable annual remuneration amount has been established by the Board of Directors, its payment will take place on the appropriate date pursuant to the Company policies.

The Company, previous agreement of the Appointments and Remunerations Committee, will be able to perform payments on account of the annual variable remuneration. However, if once the time for performing the final payment arrives, is it clear that the Executive Director has received a superior amount than the one he/she is entitled to, he/she will have to return the excess of the annual variable remuneration.

The contract with the Executive Director will regulate the annual variable remuneration amount which would correspond in case of a contract early remuneration.

6.2.2 Long term variable remuneration

The Board of Directors approved a long-term incentive plan known as the “2018-2020 LTI” (the “LTI”). The LTI is a variable remuneration system that cannot be consolidated and directed at the management team, as well as the company's directors who perform executive functions, and has the following objectives: i) Provide incentives to the Company's key personnel with high potential (ii) Maximise the value of Sacyr and its subsidiaries, allowing the Management Team to benefit from the results of its management, linking it to the Strategic Plan. (iii) Reward the permanence of the eligible management team and (iv) Offer the eligible management team a remuneration element in line with best market practices, and which supports the implementation of a remuneration policy based on internal fairness and external competitiveness. The LTI is conditional on the fulfilment of the targets regarding EBITDA, profit after tax and total shareholder return established in the 2015-2020 Strategic Plan, and those that the Company may have at any given time, and on the individual performance of the beneficiary. The LTI is valid for three years, without prejudice to any successive LTIs that may be approved with a validity period of between two and four years.

In the case of the executive director, participation in this LTI, as set out in their contract, is subject to the approval of this Remuneration Policy at the Company's General Meeting.

The Board of Directors, following a report from the Appointments and Remuneration Committee, will set the percentage of the fixed annual salary to be earned by the executive director each year. The minimum threshold will be 70% of the indicators and the maximum threshold will be 130% of the theoretical amount. However, following a report from the Appointments and Remuneration Committee, the Board of Directors may change this maximum threshold, but it may not exceed 200%.

The incentive may be paid in cash or in shares on the date on which the Board of Directors, at the proposal of the Appointments and Remuneration Committee, determines the amount after analysing whether the objectives have been met.

The Board of Directors will have the power to make partial advance payments if a significant portion of the parameters of the 2015-2020 Strategic Plan is achieved prior to the end of the period.

The LTI Regulations govern the terms of payment of the incentive in the event the relationship between the beneficiary and Sacyr is terminated as a result of death or permanent disability, or terminated without just cause, and in the case of a change of control.

In successive years, the Board of Directors may approve other long-term remuneration plans with similar characteristics and for an amount similar to the LTI, for a validity period of between two and four years, following a report from the Appointments and Remuneration Committee and, where applicable, submitted for approval at the General Shareholders Meeting, if the aforementioned remuneration plans are settled through of the delivery of shares or are tied to their value; this will entail the corresponding contractual novation, and will be reported in the Annual Remuneration Report issued each year.

On December 17, 2020, the Board of Directors approved a new incentive plan, (the "LTI 2020-2025"), with the same objectives as the previous one, conditional on the fulfilment of the targets regarding EBITDA, profit after tax and total shareholder return in accordance with the current Strategic Plan. The incentive may be paid in cash or in shares. It is expected to last six years and is divided into five overlapping and independent cycles, the first of which lasts two years and the rest of which last three years, as follows:

First cycle:	**2020-2021**
Second cycle:	**2020-2022**
Third cycle:	**2021-2023**
Fourth cycle:	**2022-2024**
Fifth cycle:	**2023-2025**

6.2.3 Extraordinary variable remuneration

The Executive Director will be entitled to an extraordinary variable remuneration when the Board of Directors, regarding singular operations, establishes remunerations linked to the accomplishment of specific and previously established goals that incentivize the accomplishment of the goals linked to said singular operations.

In the same manner and with exceptional character, the Board of Directors will be able to establish a remuneration regarding singular accomplishments which have decisively contributed to the Company's profit an losses.

The extraordinary remunerations which, when applicable, were approved by the Broad of Directors, must be included in the Annual Remunerations Report of the Directors that is annually submitted to the advisory vote of the Shareholders General Meeting.

6.3 Attendance remuneration

The Executive Director attendance remuneration will be comprised by the following items:

(i) Health assistance insurance policy with reimbursement of medical expenses of the Executive Director and his/her family members (spouse and dependent offspring).

(ii) An annual contribution to an insurance, adapted to the legal nature of the relation of the Executive Director, for the coverage of survival contingencies (the age in which he/she voluntary agrees to the legal situation of retirement), death of permanent disability in any of its degrees.

The beneficiary of said insurance will be the Executive Director or the people he/she appoints for the death coverage.

The annual contribution as an insurance premium for the coverage of the survival contingency (until the age in which the Executive Director voluntary agrees to the legal situation of retirement) will be a minimum of 25% and a maximum of 30% of the total remuneration accrued by the Executive Director during the previous business year. The specific amount of the contribution will be annually established by the Board of Directors, previous report of the Appointments and Remuneration Committee, which will take into consideration the business and share evolution of the previous business year.

The goal defined service for the coverage of the death and permanent disability contingencies will be of 125% the fixed monetary remuneration at each time. The Company will yearly contribute for its coverage the amount of the premium corresponding to the insurance.

6.4 Compensations for termination

The contract between the Executive Director and the Company establishes a compensation for the case of (í) termination not due to a default chargeable to the Executive Director or (ii) resignation due to causes outside the control of the Executive Director, which amounts to a gross maximum of 2.5 times the sum of the fixed remuneration and the variable remuneration received during the business year immediately previous to that in which the case which gives rise to said compensation takes place.

6.5 Remuneration for post-contractual non-compete covenants

During the period of the two following years to the contract termination, unless said termination is due to voluntary access to retirement, death or disability or resignation or termination due to causes chargeable to the Executive Director, said director can receive an amount equivalent to 1.5 times the fixed remuneration received in the prior twelve months to the contract termination date, in concept of post-contractual non compete agreement, which will be paid during the non compete period.

7. EXECUTIVE DIRECTOR CONTRACT CONDITIONS

The Executive Director remunerations, rights and responsibilities are established under his/her contract, approved by the Board of Directors and which conditions are:

- The Executive Director contract life span is open ended.

- The Executive Director commits to have full dedication to Sacyr and its group.
  As a consequence and except specific authorization of the Company Board of Directors, the Executive Director cannot provide his/her services, on his/her own or through a third party, nor develop any other profession or occupation, neither paid nor free, which can (a) undermine the development of his/her responsibilities or (b) diminish the time or dedication required for the development of the position he/she performs.

- Compensation for termination: is described under section 6.4 of the Remunerations Policy.

- Post-contractual non-compete covenant: is described under section 6.5 of the Remunerations Policy.

8. OTHER CONSIDERATIONS

According to article 43.5 of the Articles of Association, Sacyr has subscribed a civil liability insurance policy for board members and manages of the Sacyr Group that provides coverage to the board members and managers of the Company, including the Executive Directors.

The previously described remuneration system for the Executive Director will be applicable to any director who may be incorporated to the Board of Directors for develop executive duties during the Remunerations Policy effect, with the necessary adaptations that are established by the Appointments and Remunerations Committee and the Board of Directors regarding the abovementioned circumstances.

9. REMUNERATIONS POLICY VALIDITY

According to what is established under article 529 novodecies, section 3, the directors remunerations policy will be in effect during three business years after the approval that took place by the general meeting in 2019. This means it will be in effect during the 2020, 2021 and 2022 business years.

Any modification or replacement of the abovementioned policy will require the prior approval of the shareholders general meeting according to the procedure established for its approval.