REASONED RESOLUTION PROPOSAL OF THE BOARD OF DIRECTORS REGARDING ITEM EIGHT ON THE AGENDA OF THE GENERAL MEETING

Item Eight: Examine and, if appropriate, approve, for the purposes of section 529 *novodecies* of the consolidated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), an amendment to the Directors Remuneration Policy for 2020, 2021 and 2022

Proposed resolution

To approve the amendments to the Directors Remuneration Policy of Sacyr, S.A., applicable for 2020, 2021 and 2022, under the terms in which it was made available to the shareholders, together with the required report from the Appointments and Remuneration Committee, from the call notice of this General Meeting in accordance with section 529 novocedies of the consolidated text of the Corporate Enterprises Act.

1. Background and justification for the amendments

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

The proposed amendments to the Directors Remuneration Policy aim to include the adaptation of the long-term variable remuneration contained in the long-term incentive plan known as 2018-2020 LTI (the "LTI") approved by the Board on 28 March 2019, which indicated that remuneration would be only received in cash. Now, in order to bring it into line with best corporate governance practices, on 6 May 2020 the Board of Directors approved the possibility of receiving remuneration under the LTI both in cash and in shares, in accordance with article 43.4 of the Articles of Association.

The amendments to the Remuneration Policy are therefore limited to bringing the description of the LTI into line with the changes approved by the Board.

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 6 May 2020, 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 13 June 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 scheme, which cannot be consolidated, for the management team as well as the Company's directors that carry out executive functions, and has the following objectives: i) to provide incentives for the Company's key personnel with high potential, (ii) to maximise the value of Sacyr and its subsidiaries by allowing the management team to benefit from the results of their management, tied to the Strategic Plan, (iii) to reward those eligible management team members for remaining with the Company, and (iv) to offer eligible management team members remuneration that is in line with best market practices and that supports the implementation of a remuneration policy with 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 ~~will be paid in full in cash~~ 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.

The 2020-2022 Directors Remuneration Policy of Sacyr, with the proposed amendments, is included as **Appendix I**.

APPENDIX I

2020-2022 DIRECTORS REMUNERATION POLICY OF SACYR, S.A.

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1. INTRODUCTION

The previous Directors Remuneration Policy of Sacyr, S.A., approved at the General Meeting held in June 2016, expires in 2019.

The Board of Directors, following a specific report issued by the Appointments and Remuneration Committee, agreed at its meeting held on 28 March 2019 to submit a reasoned proposal at the General Meeting to be held in June 2019 to approve a new Directors Remuneration Policy of Sacyr, S.A., which will be valid for 2020, 2021 and 2022.

2. APPLICABLE REGULATIONS

Without prejudice to any other rules that may apply:

2.1. Corporate Enterprises Act

– Section **217.2** establishes:

2. The remuneration scheme established will determine the remuneration to be received by the directors in their capacity as such and may consist, among others, of one or more of the following:

a) a fixed emolument,
b) attendance fees,
c) profit sharing,
d) variable remuneration tied to indicators or general reference parameters,
e) remuneration in shares or tied to their performance,
f) termination benefits, provided that the dismissal was not caused by failure to carry out the director's functions, and
g) the savings and employee welfare benefit schemes considered appropriate.

3. The maximum amount of annual remuneration for all directors in their capacity as such must be approved at the general meeting and will remain in force until an amendment thereto is approved. Unless the general meeting determines otherwise, the distribution of the remuneration among the directors will be established by agreement thereby and, in the case of the board of directors, by board resolution, which must take into consideration the functions and responsibilities attributed to each director.

4. In any case, the remuneration of directors must be in reasonable proportion to the importance of the company, its current economic position, and the market standards of comparable companies. The remuneration scheme established must be aimed at promoting the company's long-term profitability and sustainability and incorporate the necessary safeguards to avoid taking excessive risks or rewarding unfavourable results.

– Section **249.3 and 4** states:

3. When a board member is appointed as a managing director or is assigned executive functions under another title, a contract must be entered into between the board member and the company, which must be approved in advance by the board of directors with the favourable vote of two thirds of its members. The director concerned must refrain from taking part in the discussion or participating in the vote. The approved contract will be attached to the meeting minutes.

4. The contract will detail all the items for which remuneration may be obtained for the performance of executive functions, including, where appropriate, any compensation for early termination of such functions and the amounts to be paid by the company as insurance premiums or contributions to savings schemes. The director may not receive any remuneration for the performance of executive functions if the amounts are not provided for in this contract.

The contract must be in accordance with the remuneration policy approved, where appropriate, by the general meeting.

– Section **529 quindecies, paragraph 3.g**, establishes:

3. Without prejudice to any other functions attributed thereto in the articles of association or the regulations of the board of directors, the appointments and remuneration committee will at least carry out the following:

(…)

g) Propose to the board of directors the remuneration policy for directors and general managers or those who perform their senior management functions under the direct authority of the board, executive committees or managing directors, as well as the individual remuneration and other contractual terms of the executive directors, and ensure adherence thereto.

– Section **529 sexdecies** states:

Unless otherwise provided in the articles of association, the position of director of a listed company will necessarily be remunerated.

– Section **529 septdecies** establishes:

1. The directors remuneration policy will determine the remuneration of directors in their capacity as such, within the remuneration scheme set out in the articles of association, and must necessarily include the maximum amount of annual remuneration to be paid to all directors in such capacity.

2. The remuneration of each director in their capacity as such will be determined by the board of directors, which for this purpose will consider the functions and responsibilities attributed to each director, membership on board committees and any other objective circumstances considered relevant.

– Section **529 octodecies** stipulates:

1. The remuneration of directors for the performance of the executive functions envisaged in the contracts approved in accordance with section 249 will be brought into line with the directors remuneration policy, which must include the amount of annual fixed remuneration and any change thereto during the period to which the policy refers, the various parameters for establishing the variable components, and the main terms of their contracts including, in particular, the term thereof, compensation for early termination or expiration of the contractual relationship, and exclusivity, post-contractual non-compete and long-term service or loyalty agreements.

2. The board of directors is responsible for setting the remuneration of directors for the performance of executive functions and the terms of their contracts with the company in accordance with section 249.3 and with the directors remuneration policy approved at the general meeting.

– Section **529 novodecies** stipulates:

1. The directors remuneration policy will be brought into line with the remuneration scheme set out in the articles of association and will be approved at the general shareholders meeting at least every three years as a separate item on the agenda.

2. The remuneration policy proposed by the board of directors will be reasoned and must be accompanied by a specific report from the appointments and remuneration committee. Both documents will be made available to shareholders on the company's website as soon as the general meeting is called, and they may also request that they be delivered or sent free of charge. The call notice for the general meeting will refer to this right.

3. The approved directors remuneration policy will be valid for three years following the year in which it was approved at the general meeting. Any amendment or change thereto during this period will require prior approval at the general shareholders meeting in accordance with the procedure established for its approval.

4. If the annual report on directors remuneration is rejected in the advisory vote at the annual general meeting, the remuneration policy applicable for the following year must be submitted to the general meeting for approval prior to its implementation, even if the aforementioned three-year period has not elapsed. Exceptions are made in cases where the remuneration policy has been approved at this same annual general meeting.

5. Any remuneration received by directors for the exercise or termination of their office and for the performance of executive functions will be in accordance with the directors remuneration policy in force at any given time, except for any remuneration that has been expressly approved at the general shareholders meeting.

2.2. <u>Articles of Association</u>

– Article **19, paragraph 2.c**, establishes that the General Meeting is responsible for:

The approval of the maximum remuneration of all directors, in their capacity as such, and of the remuneration policy in accordance with the Corporate Enterprises Act.

– Article **43** states:

1. The directors, in their capacity as Board members, will be entitled to receive remuneration from the Company in the form of a fixed annual amount for their collective supervisory and decision-making functions. The maximum amount of remuneration for the directors in their capacity as such will be set by the General Meeting, and will remain in force until an amendment is approved.

Within the limit set by the General Meeting, each year the Board of Directors will be responsible for setting the specific amount to be received by each director for (i) the positions they hold on the Board; (ii) the concurrent characteristics of the positions, or (iii) whether or not they belong to and their degree of responsibility in the various committees.

2. Directors who, in addition to their collective supervisory and decision-making functions, perform executive functions within the Company, regardless of their relationship with the Company, will be entitled to receive remuneration for such functions, under the terms previously agreed by the Board, in addition to that referred to in section 1 above, and subject to section 3 below, whereby this remuneration consists of (a) a fixed portion, in accordance with the services provided and responsibilities assumed; (b) a variable portion, correlated to an indicator of the performance of the director or of the Company; (c) a welfare benefit portion, which will include the appropriate benefit and insurance schemes; (d) compensation in the event of (i) termination not due to a breach attributable to the director or (ii) resignation for reasons beyond the director's control; and (e) remuneration for exclusivity, post-contractual non-compete and long-term service or loyalty agreements.

As mentioned above, the Board of Directors, following a report from the Appointments and Remuneration Committee, is responsible for determining the types and amount of remuneration corresponding to executive directors, including, where applicable, the fixed portion, the methods for establishing and the indicators for calculating the variable portion (which under no circumstances may consist of a share in the Company's profits), welfare benefit provisions, compensation for termination or resignation for reasons beyond the director's control, and remuneration for exclusivity, post-contractual non-compete and long-term service or loyalty agreements. The affected directors will abstain from attending and participating in the corresponding discussions. The Board of Directors will ensure that remuneration is in line with market conditions and takes into account the degree of responsibility and commitment involved in the role of each director.

3. The remuneration of executive and non-executive directors will be submitted at the General Meeting in accordance with the law as it stands at any given time.

4. Directors may also receive remuneration through the delivery of Company shares, stock options or remuneration linked to the share price. This remuneration must be agreed by the General Meeting. The shareholder resolution must include the maximum number of shares that *may be allocated to this remuneration scheme each year, the exercise price or the system for calculating the exercise price of the stock options, the share price that may be used as a reference, where applicable, and the duration of the plan.*

5. The Company is authorised to take out civil liability insurance for its directors.

6. The Company will report on the remuneration of the directors in accordance with the law as it stands at any given time.

2.3. Board Regulations

- Article **17.7, paragraphs g and h**, establishes:

  7. Without prejudice to other tasks assigned thereto by current law, the Articles of Association, the Regulations or the Board of Directors, the Appointments and Remuneration Committee will have the following responsibilities:

  (…)

  g) Propose to the Board the remuneration policy for directors and general managers or those who perform their senior management functions under the direct authority of the Board, executive committees or managing directors, as well as the individual remuneration and other contractual terms of the executive directors, and ensure adherence thereto.

  h) Periodically review the remuneration plans, particularly for senior management and the management team, weighing their suitability and performance.

- Article **27** stipulates:

  1. The remuneration of directors will be regulated in accordance with the Articles of Association.

  2. The Board will prepare and publish an annual report on the directors remuneration with the content required by the applicable regulations in force at any given time.

2.4. Regulations of the General Meeting

Article 3.3 stipulates:

The General Meeting will decide on the matters within its remit in accordance with applicable regulations and the Articles of Association, and in particular the General Meeting will be responsible for passing the following resolutions:

(…)

3. The approval of the maximum remuneration of all directors, in their capacity as such, and of the remuneration policy in accordance with the Corporate Enterprises Act.

3. GENERAL PRINCIPLES OF THE DIRECTORS REMUNERATION POLICY OF SACYR, S.A.

The Remuneration Policy seeks to attract, retain and engage the best professionals, and to establish a stable and long-term link between remuneration, results and shareholder interests, thus achieving the Company's long-term objectives and incorporating the necessary safeguards to avoid taking on excessive risk and rewarding unfavourable results.

In addition, the economic environment, the Company's results, the strategy of the group headed by Sacyr (the "Group"), the legal requirements applicable to corporate enterprises, best market practices and, to a large extent, the good corporate governance recommendations were taken into account when designing the Remuneration Policy.

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

- Suitability: Remuneration must be a sufficient incentive both for assuming the tasks of the executive directors and for attracting external talent with regard to directors in their capacity as such, adequately rewarding their dedication, qualifications and the responsibilities assumed.
- Moderation: The aim is for the remuneration to be moderate by market standards. In this regard, to attain this objective, a maximum limit of two million nine hundred thousand euros (€2,900,000) has been established for all directors in their capacity as such, authorised at the 2006 Sacyr General Meeting and maintained by the previous 2016 Sacyr Remuneration Policy approved at the General Meeting in 2016.
- Proportion: Directors are compensated based on the responsibilities assumed and functions carried out on the Board, so that those who are members of committees can obtain greater remuneration.
- Prudent management of the risk associated with remuneration: The remuneration of directors in their capacity as such is not directly linked to the Company's results, which thus avoids conditioning decision-making; all in accordance with good corporate governance recommendations.
- Transparency: The need for transparency in the processes of proposing, designing, establishing and approving policies, models and amounts relating to the remuneration of its directors is established.
- Competition: In relation to the market standards of the companies in the sector in which the Company operates.

The Remuneration Policy differentiates the remuneration scheme applicable to directors who perform their functions as such from those who perform executive functions at the Company.

4. CHARACTERISTICS OF THE DIRECTORS REMUNERATION POLICY

4.1. Characteristics of the remuneration policy for directors in their capacity as such

The above-mentioned principles are applied to the remuneration scheme for directors in their capacity as such in accordance with the following characteristics:

- It is in line with corporate governance standards and market circumstances, taking into account the Company's nature and activity.

  When setting the structure and levels of remuneration for directors, the Company analyses the remuneration market practices of other listed business groups and receives advice from specialist consultancy firms.

- It encourages and rewards dedication, qualification and responsibility, depending on the positions and responsibilities assumed by each director on the Board of Directors and its committees.

- The directors in their capacity as such do not have a variable remuneration scheme, in accordance with good corporate governance recommendations.

4.2. <u>Characteristics of the remuneration policy for executive directors</u>

The remuneration scheme for directors performing executive functions at the Company is based on the following general principles and foundations:

- Remuneration for the performance of executive functions is in addition to any remuneration that directors may receive in their capacity as a Board member.

- It takes into account market trends in relation to the structure and overall amount of the remuneration, and is positioned in accordance with the Company's strategic approach, so that it is competitive with other comparable entities in order to attract, retain and motivate the best professionals.

- Variable remuneration has greater importance within total remuneration, as it includes medium- and long-term variable remuneration, in line with good corporate governance recommendations.

- Variable remuneration is linked to the achievement of medium- and long-term objectives. This reduces exposure to risk and brings the remuneration policy into line with the Company's objectives, values and long-term interests.

- Under no circumstances will this remuneration jeopardise the Company's ability to maintain its solvency and financial position.

The remuneration policy therefore aims to generate value for the Company, seeking alignment with the interests of shareholders, prudent risk management and strict compliance with current regulations on the remuneration of directors.

As part of the remuneration plans applicable to the management team, the principles and criteria of the remuneration policy for executive directors are reviewed on a regular basis by the Appointments and Remuneration Committee and the Board of Directors, in order to ensure the Company's remuneration policy is in line with best practices and market trends, as provided for in article 17.7.h) of the Board Regulations of Sacyr.

5. <u>REMUNERATION STRUCTURE FOR DIRECTORS IN THEIR CAPACITY AS SUCH</u>

In accordance with the aforementioned article 43.1 of the Company's Articles of Association, the directors in their capacity as such will be entitled to receive remuneration from the Company in the form of a fixed annual amount. The maximum amount of remuneration for the directors in their capacity as such will be set by the General Meeting, and will remain in force until an amendment is approved. Individual remuneration for directors is established by the Board within the overall amount agreed by the General Meeting.

When the Remuneration Policy is approved, the General Meeting establishes the maximum annual remuneration to be paid to directors in their capacity as such. The Board of Directors will also be responsible for modifying and allocating the remuneration of Board members in their capacity as such, which may not be the same for all Board members, as it will take into account and evaluate the functions and responsibilities attributed to each director, as well as other objective circumstances that the Board of Directors may consider relevant.

Within the limit set by the General Meeting, the Board of Directors is responsible for setting the specific amount to be received by each director for (i) the positions they hold on the Board; (ii) the concurrent characteristics of the positions, or (iii) whether or not they belong to and their degree of responsibility in the various committees.

In accordance with section 529 septdecies of the Corporate Enterprises Act, Sacyr can pay a maximum annual amount of two million nine hundred thousand euros (€2,900,000) to all directors in their capacity as such. This amount will remain in force until amended by a resolution passed at the General Shareholders Meeting. As indicated above, remuneration is distributed individually by the Board, which will have to identify the amounts attributed to each director within the established limit, in accordance with the functions and responsibilities entrusted to each of them, which must be included in the Annual Report on Directors Remuneration to be submitted for an advisory vote at the General Shareholders Meeting.

6. <u>REMUNERATION STRUCTURE FOR EXECUTIVE DIRECTORS</u>

As stated above, article 43.2 of the Articles of Association establishes that directors who, in addition to their collective supervisory and decision-making functions, perform executive functions within the Company, will be entitled to receive remuneration for such functions, under the terms previously agreed by the Board, in addition to the remuneration described in section 5 of the Remuneration Policy.

In accordance with article 43.2 of the Company's Articles of Association, the remuneration scheme for directors performing executive functions, whereby these powers currently fall to the Executive Chairperson and CEO of Sacyr (the "Executive Director"), consists of the following components:

a) a fixed portion, in accordance with the services provided and responsibilities assumed;
b) a variable portion, correlated to an indicator of the performance of the CEO or the Company;
c) a welfare benefit portion, which will include the appropriate benefit and insurance schemes;
d) compensation in the event of (i) termination not due to a breach attributable to the director or (ii) resignation for reasons beyond the control of the Executive Director; and
e) remuneration for exclusivity, post-contractual non-compete and long-term service or loyalty agreements.

In addition, executive directors may receive remuneration through the delivery of Company shares, stock options or remuneration linked to the share price. This remuneration must be agreed by the General Meeting.

The Board of Directors is responsible for determining the remuneration of the Executive Director, as well as the specific amount of each of the aforementioned types of remuneration, following a report from the Appointments and Remuneration Committee and in accordance with their contract. The Board of Directors ensures that the remuneration is in line with market conditions and takes into account the degree of responsibility and commitment involved in the role of the Executive Director.

6.1 Fixed remuneration

The fixed remuneration of the Executive Director ("Benchmark Fixed Remuneration") for carrying out executive functions reflects their level of responsibility at the Company, the position they hold and their professional experience, while ensuring that this remuneration is competitive with regard to that applied in companies comparable to Sacyr.

In this regard, the annual Benchmark Fixed Remuneration of the Executive Director consists of the following components:

– Fixed monetary remuneration, set at one million six hundred and eleven thousand euros (€1,611,000) by the Board for 2019, following a report from the Appointments and Remuneration Committee.

  The Board of Directors, following a report from the Appointments and Remuneration Committee, may review the fixed monetary remuneration set, 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) the Company's performance, or (iv) the salary bands established in Sacyr's remuneration policy for its management team. Any change that is made will involve the corresponding contractual novation, and must be reflected in the Annual Remuneration Report submitted for an advisory vote at the General Meeting. This review must be carried out, where applicable, within the annual maximum limit for fixed monetary remuneration of two million euros (€2,000,000).

– Any car lease payments corresponding to the Executive Director in accordance with the Company's current policy.

6.2 Variable remuneration

6.2.1 Annual variable remuneration

Annual variable remuneration is set up as a management-by-objectives programme through which specific objectives are set, monitored and fulfilled. This is an annual programme that is established for the purpose of rewarding performance and the achievement of the Company's economic-financial and strategic objectives.

Under this programme, the Executive Director will be entitled to receive annual variable remuneration in cash for providing their services, the amount of which will be determined each year by the Board, at the proposal of the Company's Appointments and Remuneration Committee, depending on the degree of compliance with the objectives set by Sacyr's Board of Directors, and subject to certain maximum and minimum limits.

The benchmark figure for determining variable remuneration will be equal to 100% of the Benchmark Fixed Remuneration at any given time.

The specific amount of the variable remuneration will be determined annually by the Board, following a report from the Appointments and Remuneration Committee, depending on the degree of compliance by the Executive Director with the objectives set for their position, and will range from a minimum of 70% to a maximum of 130% of the Benchmark Fixed Remuneration. However, following a report from the Appointments and Remuneration Committee, the Board of Directors may change the maximum annual variable remuneration, but it may not exceed 200% of the Benchmark Fixed Remuneration.

To carry out this review, the Board of Directors may consider all or some of the following circumstances: (i) the responsibilities of the Executive Director, (ii) the remuneration practices of other listed business groups, (iii) the Company's performance, or (iv) the salary bands established in Sacyr's remuneration policy for its management team.

The review that is carried out, where applicable, will involve the corresponding contractual novation, and must be reflected in the Annual Remuneration Report submitted for an advisory vote at the General Meeting.

The Board of Directors will set the objectives to which the annual variable remuneration is linked on an annual basis. If in any year the Board of Directors does not set any objectives before the end of March, the following objectives will be used:

a) the general and reasonable performance and development of the Company's activities, business and value, in the macroeconomic context in which it operates; and

b) the adequate and proper performance by the Executive Director of their functions, within the framework of the Company's activities, business and value.

Once the degree of compliance and the amount of annual variable remuneration have been determined by the Board, payment will be made on the appropriate date in accordance with the Company's policies.

After the Appointments and Remuneration Committee has given its consent, the Company may issue the payments for the annual variable remuneration. However, if, once the time comes for the final settlement of the transaction, it becomes apparent that the Executive Director has received more than the amount corresponding thereto, the excess annual variable remuneration must be returned.

The contract with the Executive Director will regulate the amount of the annual variable remuneration that would correspond thereto in the event of early termination of the contract.

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 scheme, which cannot be consolidated, for the management team as well as the Company’s directors that carry out executive functions, and has the following objectives: i) to provide incentives for the Company’s key personnel with high potential, (ii) to maximise the value of Sacyr and its subsidiaries by allowing the management team to benefit from the results of their management, tied to the Strategic Plan, (iii) to reward those eligible management team members for remaining with the Company, and (iv) to offer eligible management team members remuneration that is in line with best market practices and that supports the implementation of a remuneration policy with 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 ~~will be paid in full in cash~~ 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.

6.2.3 Extraordinary variable remuneration

The Executive Director may be entitled to extraordinary variable remuneration when the Board of Directors, in the case of one-off transactions, establishes remuneration linked to specific, previously set objectives that provide incentives to achieve the objectives linked to these one-off transactions.

Similarly, and on an exceptional basis, the Board of Directors may establish remuneration as consideration for one-off achievements that have substantially contributed to the Company’s results.

Any extraordinary remuneration approved by the Board, where applicable, must be recorded in the Annual Report on Directors Remuneration that is submitted for an advisory vote at the General Shareholders Meeting.

6.3 Welfare benefits

The welfare benefits of the Executive Director will consist of the following components:

(i) A health insurance policy with reimbursement of medical expenses in favour of the Executive Director along with their family members (spouse and dependent children).

(ii) An annual contribution to an insurance policy, depending on the legal nature of the Executive Director’s relationship, to cover the contingencies of survival (the age at which they may voluntarily retire), death and any degree of permanent disability.

The beneficiary of this insurance will be the Executive Director or the persons designated thereby in the case of death.

The annual contribution in the form of an insurance premium to cover the contingency of survival (up to the age at which the Executive Director may voluntarily retire) will be a minimum of 25% and a maximum of 30% of the total remuneration accrued by the Executive Director in the immediately preceding financial year. The specific amount of the contribution will be set annually by the Board, following a favourable report from the Appointments and Remuneration Committee, and taking into account the business and share performance in the previous year.

The defined benefit target to cover the contingencies of death and permanent disability will be 125% of the fixed monetary remuneration at any given time. To cover these contingencies, the Company will pay the annual premium corresponding to the insurance.

6.4 Termination benefits

The contract between the Executive Director and the Company establishes compensation in the event of (i) termination not due to a breach attributable to the director or (ii) resignation for reasons beyond the control of the Executive Director, the gross amount of which may not exceed 2.5 times the sum of the fixed remuneration and the variable remuneration received during the financial year immediately preceding that in which the event giving rise to the right to such compensation took place.

6.5 Remuneration for post-contractual non-compete covenants

During the two years following the date of termination of the contract, unless such termination is due to voluntary retirement, death or disability, or resignation or termination for reasons attributable to the Executive Director, they may receive an amount equivalent to 1.5 times the fixed remuneration received in the twelve months prior to the date their contract terminates, as a post-contractual non-compete covenant, which will be paid during the non-competition period.

7. CONTRACTUAL TERMS FOR THE EXECUTIVE DIRECTOR

The remuneration, rights and obligations of the Executive Director are determined in their contract, which is approved by the Board, the terms of which are as follows:

- The contract with the Executive Director is for an indefinite term.
- The Executive Director undertakes to work for Sacyr and its group on a full-time basis.

  Consequently, and unless expressly authorised by the Company's Board of Directors, the Executive Director may not provide services, as an independent professional or as an employee, or engage in any other profession or occupation, whether paid or unpaid, that might (a) hinder the performance of their functions or (b) take time or dedication away from the performance required for a position such as that held.
- Termination benefits: described in section 6.4 of the Remuneration Policy.
- Post-contractual non-competition agreement: described in section 6.5 of the Remuneration Policy.

8. OTHER CONSIDERATIONS

In accordance with article 43.5 of the Company's Articles of Association, Sacyr has taken out a civil liability insurance policy for the directors and executives of the Sacyr Group, which therefore covers the Company's directors and executives, including the Executive Director.

The remuneration scheme described above for the Executive Director will apply to any director that may join the Board of Directors to perform executive functions during the term of the Remuneration Policy, with the necessary adaptations determined by the Appointments and Remuneration Committee and the Board of Directors in accordance with prevailing circumstances.

9. VALIDITY OF THE REMUNERATION POLICY

In accordance with section 529 novodecies, paragraph 3, the directors remuneration policy will be in force for three years following its approval at the 2019 General Meeting. In other words, it will be valid for 2020, 2021 and 2022.

Any amendment or change thereto during this period will require prior approval at the general shareholders meeting in accordance with the procedure established for its approval.