



Remuneration policy of
Elecnor, S.A. for
financial years 2020,
2021 and 2022

1. Preamble

ELECNOR, S.A. ("Elecnor" or the "Company") is a company with a long history in the domestic and international market, which has been characterised, among others, by adapting to the situations of the markets at every moment.

Having adopted a remuneration policy until 2019, and with the objective of giving the policy a continuous nature, the Company has approved the remuneration policy for financial years 2020, 2021 and 2022, complying with the legal requirements, in the terms described below.

As the main measure of the new remuneration policy, the Board of Directors, following a study of the legal and judicial context in force, has agreed to propose to the General Meeting of Shareholders the amendment of the articles of the Company Bylaws and of the Regulations of the Board of Directors concerning the remuneration of Directors.

Even though the current statutory wording complies with the implementing rules and case law applicable today, with the agreed modification, the Company seeks to reduce the possible commercial and tax risks that might materialise in the future, in relation to such remuneration, in the event of any case law changes, as has been the case for non-listed companies.

The General Meeting of Shareholders of Elecnor has agreed to amend Article 12 of the Company Bylaws, which is drawn up as follows:

"ARTICLE 12

Management of the company shall correspond to the Board of Directors.

The General Meeting of Shareholders shall determine and approve the maximum remuneration to be received as remuneration of the directors for all items and for any functions they perform, both for the performance of executive and non-executive functions. The maximum amount set by the General Meeting shall remain in force until the General Meeting of Shareholders approves the amendment thereof.

A. Director remuneration for the performance of non-executive functions.

For the performance of non-executive functions, all Directors shall receive as remuneration:

- (i) The maximum amount of 7% of the profits obtained by the consolidated group during the year, after the provision for the payment of taxes and requirements established by law for this purpose have been met, as well as,*
- (ii) A fixed cash allowance to be determined by the General Meeting of Shareholders, and*
- (iii) Attendance allowances which, depending on the circumstances, are to be assigned as compensation for attendance expenses and others that they must assume in the exercise of their roles and functions.*

The Board of Directors shall be responsible for determining the annual remuneration amount, in accordance with the above items, and the distribution of the remuneration of each Director for the performance of non-executive functions.

B. Director remuneration for the performance of executive functions.

In addition to the remuneration they receive for the performance of non-executive functions, the Directors who perform executive functions within the company shall receive the remuneration established in their respective contracts for the following items:

- (i) A fixed remuneration in cash.
- (ii) Variable remuneration, calculated on qualitative or quantitative indicators or reference parameters, linked to the degree of compliance with their objectives (agreed by the Board of Directors at the proposal of the Appointments and Remunerations Commission).
- (iii) Remuneration based on the delivery of shares or option rights over shares of the Company itself.
- (iv) The following social benefits or remuneration in kind: (i) they shall be included in the civil liability policy for Directors and board members that the Company has agreed upon at all times; (ii) they shall continue to have the right to participate in social security systems (for coverage of their survival, illness, accidents, etc.) in terms similar to those generally established at all times for the Company's Directors; and (iii) likewise, the Executive Chairman shall continue to enjoy all those benefits that, if applicable, the Company makes available to the management group.
- (v) In addition to any compensation for termination of the contract, provided that the termination was not caused by breach of their duties as administrator.

These contracts must be previously approved by the Board of Directors at the proposal of the Appointments and Remunerations Commission, complying with the requirements established in applicable law.

In any case, the aggregate sum of all the resulting amounts to be received by all Directors and for any items in each financial year shall never be greater than the maximum amount approved by the General Meeting of Shareholders."

The new remuneration policy, continuing from the previous one, also aims to comply with the principles of good corporate governance, facilitating greater transparency and control of the remuneration of the Directors, when the remuneration items of all the Directors are fixed in the Company Bylaws, regardless of the functions they perform.

2. Regulatory framework for Remuneration Policy

Elecnor has drafted this written remuneration policy (the "Policy"), as a result of the new interpretation of the concept of Directors "in their status" (Supreme Court ruling 98/2018 of 26 February), under articles 23(e), 217 and 529(r) of the Spanish Companies Act ("SCA"). Even though the above ruling does not apply to listed companies since it expressly excludes this type of company in its wording, Elecnor has decided to anticipate an eventual extrapolation of its arguments to listed companies, amending the article of association which is affected concerning the remuneration of the Directors.

In accordance with the abovementioned article 217 of the SCA and in accordance with the interpretation of the Supreme Court, the following consequences are evident:

- (i) The General Meeting of Shareholders is to determine the maximum remuneration amount of all Directors for all the functions they perform, that is to say, both for the performance of executive and non-executive functions.
- (ii) The remuneration system (not quantum) for Directors performing non-executive functions must be laid down in the Company Bylaws.
- (iii) The remuneration system, that is to say, the items of remuneration that are perceived for the performance of executive functions, must be included in the Company Bylaws.

This Policy has been approved by the Board of Directors of the Company pursuant to an agreement dated 27 March 2019 and has been suggested by the Appointments and Remunerations Commission of Elecnor, which, at its meeting of 18 February 2019, prepared the report herein attached (the "Report"), motivating the Company's remuneration policy here described.

Both this Policy and the Report shall be made available to Shareholders on the Company's website from the call for the General Meeting of Shareholders, who may also request their free delivery or mailing.

3. Background, fundamentals and basic principles

In 2015 Elecnor adhered to the Transitional Provision of Law 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance and submitted the Annual Report on the Remuneration of Directors to the Board for approval, which was approved. Consequently, this report represented the remuneration policy for financial years 2016, 2017 and 2018, based on the legal qualification included in the said transitional provision.

Subsequently, the Appointments and Remunerations Commission and the Board of Directors of Elecnor agreed to suggest the modification of the remuneration policy, so that it would include, as a main measure, a considerable decrease in the total remuneration of the Directors.

The Ordinary General Meeting of Shareholders of 15 May 2017, approved the remuneration policy for financial years 2017, 2018 and 2019.

This remuneration policy, given the economic situation at the time, had as its main measure the reduction of costs relating to the remuneration of Directors who do not have executive functions assigned to them, so that remunerations were adapted to the dedication and responsibility assumed by the Directors and to protect the interest of the Shareholders in the short and long term.

In 2019, Elecnor submitted the remuneration policy, which conforms to the statutory remuneration system, to the approval of the General Meeting of Shareholders on 22 May, accompanied by the specific report of the Appointment and Remunerations Commission, in accordance with the provisions of article 529(r).

The proposed remuneration policy was approved at the aforementioned General Meeting of Shareholders and shall therefore remain in effect for the following three (3) financial years, that is, 2020, 2021 and 2022.

However, in the event that the Annual Report on remuneration of Directors was rejected in the advisory vote of the Ordinary General Meeting, the remuneration policy applicable for the following financial year should be submitted to the General Meeting for approval prior to its implementation, even if the three-year period mentioned above had not elapsed.

The new remuneration policy is based on the basic principles and foundations below, which ensure the continuity of the previous policy (applicable until 2019), which includes as an additional measure the adaptation of the policy for the amendment of the Company Bylaws and the Regulations of the Board of Directors concerning remuneration, in order to anticipate future and possible extrapolation of the interpretation of the Supreme Court's ruling 98/2018 to listed companies.

4. Fundamentals and basic principles

This Policy seeks that (i) the remuneration systems (the items of remuneration) of all Directors, that is to say, both of those Directors who have executive functions and those who do not have executive functions, shall be recorded in the Company Bylaws, and (ii) that the General Meeting of Shareholders determines the maximum remuneration of all Directors for all functions that they perform, that is to say, for the performance of both executive and non-executive functions. Furthermore, this new policy aims to reduce any tax or commercial risks that may materialise in relation to the remuneration of members of the Board of Directors.

In particular, the Policy is governed by the following fundamental principles:

- (i) Moderation: Remuneration should be reasonable, in accordance with the trends and references of similar companies, and commensurate with the situation of the Company, and the economic situation of each moment.
- (ii) Suitability: The Policy is aimed at attracting, motivating and retaining the Directors. It rewards the Directors' quality, dedication, responsibility, and knowledge of the business, as well as their professional career and commitment to the Company.
- (iii) Profitability and sustainability: The remuneration of Directors who carry out executive functions shall encourage performance and reward the creation of long-term value.
- (iv) Transparency: The establishment, terms and application of the Policy shall be implemented by ensuring transparency. In particular, the Company shall make available to Shareholders, on the occasion of the General Meeting of Shareholders call, this Policy and the Report, and shall be collected, both in the report on its annual financial statements and in the Company's Annual Corporate Governance Report.
- (v) Protection of Shareholders' interests: This Policy seeks to protect the interest of Shareholders in the short and long term.

5. Importe máximo de la remuneración anual a satisfacer al conjunto de los Consejeros

In accordance with the Company Bylaws and the Regulations of the Board of Directors of the Company, the General Meeting of Shareholders shall determine the maximum remuneration to be paid to the Directors for all the functions they perform, both for the performance of executive and non-executive functions.

In accordance with the foregoing and the principles governing this Policy, the maximum amount of annual remuneration for the Directors as a whole is set at ten (10) million euros. This maximum amount shall remain in force until its modification is approved.

6. The Director remuneration system for the performance of non-executive functions.

In accordance with the Company Bylaws of the Company and the Regulations of the Company's Board of Directors, there are three (3) cumulative pay systems for all Directors for the performance of non-executive functions:

- (i) The maximum amount of 7% of the profits obtained by the consolidated group during the year, after the provision for the payment of taxes and requirements established by law for this purpose have been met, as well as,
- (ii) A fixed cash allowance to be determined by the General Meeting of Shareholders, and
- (iii) Attendance allowances which, depending on the circumstances, are to be assigned as compensation for attendance expenses and others that they must assume in the exercise of their roles and functions.

Likewise, and in keeping with the previous remuneration policy, the remuneration shall not necessarily be the same for all Directors for the performance of non-executive functions, and its distribution shall be agreed by the Board of Directors of the Company in accordance with article 12 of the Company Bylaws, for which it shall consider:

- (i) Membership in or performance of positions within the Board of Directors' Commissions,
- (ii) Membership of other Boards of Directors of companies belonging to Elecnor Group and attendance at the various meetings of the Board of Directors,

- (iii) The dedication of the Directors and the responsibility assumed by them, and
- (iv) Their functions and trajectory on the Board of Directors.

For all of the above, during financial years 2020, 2021 and 2022, in order to determine the remuneration of each Director, a basic remuneration shall be set for all of them, for their status as Directors, which shall be increased according to the fulfilment of the different parameters listed above.

Furthermore, and on an exceptional basis, the Company may grant, by agreement of the General Meeting of Shareholders, a fixed allocation to those Directors, who do not have executive functions, which it considers appropriate, for any reason, and which has been duly justified by the Board of Directors to the General Meeting of Shareholders of the Company.

7. The Director remuneration system for the performance of executive functions

The remuneration of the Directors for the performance of executive functions is independent and compatible with the remuneration and compensation established for the performance of non-executive functions, which are established in both the Company Bylaws as in the contract that to this effect is signed between them and the Company, and that it conforms to the remuneration policy of the Directors in force at each time.

As a relevant change, Directors with executive functions shall receive the remuneration set in their respective contracts for the performance of executive functions, for the following items:

- (i) A fixed remuneration in cash.
- (ii) Variable remuneration, calculated on qualitative or quantitative indicators or reference parameters, linked to the degree of compliance with their objectives (agreed by the Board of Directors at the proposal of the Appointments and Remunerations Commission).
- (iii) Remuneration based on the delivery of shares or option rights over shares of the Company itself.
- (iv) The following social benefits or remuneration in kind: (i) they shall be included in the civil liability policy for Directors and board members that the Company has agreed upon at all times; (ii) they shall continue to have the right to participate in social security systems (for coverage of their survival, illness, accidents, etc.) in terms similar to those generally established at all times for the Company's Directors; and (iii) likewise, the Executive Chairman shall continue to enjoy all those benefits that, if applicable, the Company makes available to the management group.
- (v) In addition to any compensation for termination of the contract, provided that the termination was not caused by breach of their duties as administrator.

The contracts of Executive Directors that they sign with the Company are approved by the Board of Directors by a majority of at least two thirds (2/3) of its members. In addition, the Executive Director concerned should refrain from attending the deliberation and from participating in the voting on such agreement.

7.1. Fixed remuneration

The fixed annual remuneration of the Executive Directors may be modified during the period to which this Policy refers, by agreement of the Board of Directors, provided that the maximum remuneration to be paid to the Directors is not exceeded for all the functions they perform, both for the performance of executive and non-executive functions, as determined by the General Meeting of Shareholders.

In order to determine the fixed remuneration and its possible revisions, the Appointments and

Remunerations Commission shall take into account the principles set out above, as well as, where appropriate, wage analyses, in order to establish adequate and market remuneration.

On these grounds, the Appointments and Remunerations Commission may review annually the fixed remuneration of the Executive Directors.

7.2. Variable Remuneration

The variable remuneration of the Executive Directors is linked to the performance of the Company and the personal performance of each of them.

In addition, the remuneration of each Executive Board is established, in accordance with the Company Bylaws and their respective contract, according to the degree of achievement of a number of objectives, such as revenues, operating result, net profit after taxes ("NPAT"), order intake, and debt or others.

Variable remuneration may be much more relevant than fixed remuneration components.

7.3. Other items of remuneration

Likewise, the Company Bylaws also establish additional remuneration for Directors for the performance of executive functions such as the following:

- (i) Remuneration based on the delivery of shares or option rights over shares of the Company itself.
- (ii) The following social benefits or remuneration in kind: (i) be included in the civil liability policy for directors and board members that the Company has agreed upon at all times; (ii) continue to have the right to participate in social security systems (for coverage of their survival, illness, accidents, etc.) in terms similar to those generally established at all times for the Company's Directors; and (iii) likewise, the Executive Chairman shall continue to enjoy all those benefits that, if applicable, the Company makes available to the management group.
- (iii) In addition to any compensation for termination of the contract, provided that the termination was not caused by breach of their duties as administrator.

7.4. Main terms and conditions of the contracts of the Executive Directors with the Company

The contracts that the Executive Directors sign with the Company are based on the following basic conditions:

(a) Duration:

The contracts of the Executive Directors shall remain in force as long as they remain in office.

(b) Compensation:

Contracts with the Executive Directors may provide for compensation in their favour in the event of termination, provided that termination is not the result of a breach attributable to them, nor is it the result of their exclusive will.

(c) Compliance with the Company's corporate governance system:

Executive Directors have the obligation to observe strictly and to the extent that it is applicable, the standards and forecasts contained in the corporate governance system of the Company.

(d) Post-contractual exclusivity and non-competition agreement:

Contracts may establish an obligation of exclusivity and full dedication to the Company and of

post-contractual non-competition for a maximum period of two (2) years from the termination of the contract.

In the event of a post-contractual non-competition agreement being established, the contract shall include compensation for this commitment.

(e) Confidentiality:

The contracts of the Executive Directors shall establish a strict duty of confidentiality. In addition, once their relationship with the Company has concluded, they must return to the Company any documents and objects related to their activity they may hold.

8. Implementation of the Policy

Without prejudice to the provisions of the SCA regarding the remuneration policy for Directors, the Appointments and Remunerations Commission shall ensure compliance with this Policy, shall periodically review it, and propose to the Board of Directors, for presentation to the General Meeting of Shareholders, its modification and update.

9. Duration of the Remuneration Policy

This Policy shall apply to the remuneration of the Directors of the Company for financial years 2020, 2021 and 2022, in accordance with article 529(r) of the Spanish Companies Act.

In Madrid, 27 March 2019. Board of Directors of ELECNOR, S.A.

