

EXPLANATORY MEMORANDUM IN RELATION TO THE AMENDMENTS MADE TO THE BOARD'S REGULATIONS AGREED BY THE BOARD OF DIRECTORS AT ITS MEETING OF 22 DECEMBER 2022

1. Introduction

This explanatory memorandum is formulated by the Board of Directors of Sacyr, S.A. ("**Sacyr**" or the "**Company**"), in accordance with the provisions of Article 528 of the Capital Companies Act, at the proposal of the Sustainability and Corporate Governance Commission in accordance with the provisions of Article 3.2 of the Regulations of the Board of Directors, to inform the General Shareholders' Meeting of the amendments made by the Board of Directors to the Regulations of the Board of Directors and explain the reasons why the Board has considered it appropriate to carry them out.

To facilitate the understanding of the changes that motivate this report and proposal, an explanation of the purpose and justification of said amendments is provided and, below, the new wording of the articles of the Regulations of the Board of Directors that have been subject to modification is included.

2. General Justification for Amendments Made

The proposal for amendment of the Regulations of the Board of Directors obeys, within the process of review and continuous update carried out by the Company, in relation to its internal rules of Corporate Governance, the review and coordination of the functions of the various delegated committees of the Board of Directors. Said review has led to an adjustment and completion of some of the functions of the Audit Committee, the Sustainability and Corporate Governance Committee and the Appointments and Remuneration Committee.

3. Modification Structure and Modification Justification

The proposed amendment is structured into a single block:

- (i) Modification of Articles 16 (*The Audit Committee*), 16 bis (*The Sustainability and Corporate Governance Commission*) and 17 (*The Appointments and Remuneration Commission*), in order to coordinate the functions of said Commissions.

4. New wording of articles of the Regulations of the Board of Directors subject to amendment

The following literally transcribes the new wording of the articles of the Regulations of the Board of Directors subject to amendment, indicating in bold the proposed amendments:

Article 16. Audit Committee

1. *The members of the Audit Committee will all be, non executive directors appointed by the Board of Directors. The majority of its members must be independent directors*

and one of them will be appointed taking into consideration their knowledge and experience in matters of accounting, audits or both.

As a whole the Committee members will have technical knowledge belonging to the sector of activity to which the Company belongs to.

2. The Audit Committee will be composed by a minimum of 3 and a maximum of 5 directors. The establishment of the number and their appointment corresponds to the Board of Directors.

The members of the Audit and Committee will be elected for a maximum period of four years, being able to be reelected one or more times for periods with the same maximum duration.

3. The Chairperson of the Audit Committee will be appointed by the Board of Directors itself from among the corresponding Independent directors and must be replaced every four (4) years, being able to be reelected one a period of one (1) year since its termination.
4. The Audit Committee will likewise have a Secretary, who will be that of the Board of Directors, who, if not a director, will have a voice but not a vote. In case of absence, impossibility or indisposition of the Secretary, he/she will be replaced by the Vicesecretary of the Board of Directors, who will likewise have a voice but no vote.
5. The Audit will hold a meeting, at least once a quarter and all the times that is necessary, prior notice of meeting by its Chairperson, by own decision or answering to the request of two (2) of its members or the Executive Committee.
6. La Audit will be considered as validly incorporated when concurring at the meeting, attending or represented, more than half of its members. Deliberations will be moderated by the Chairperson. To adopt agreements it will be necessary to have the favorable vote of the absolute majority of the attendants, present and represented and, in case a tie, the Chairperson vote will be decisive. Except stipulation to the contrary, the responsibilities of the Audit Committee are information and to provide proposals to the Board of Directors.
7. Without prejudice to other tasks assigned to it by current regulations, the Articles of Association, the Regulations or the Board of Directors, the Audit Committee shall have the following responsibilities:
 - a. to report, through its Chairperson and/or Secretary, to the General Meeting on the issues raised therein in relation to those matters that are the competence of the Audit Committee and, in particular, on the outcome of the audit, explaining how it has contributed to the comprehensiveness of the financial information and the role that the committee has played in that process.
 - b. to supervise the effectiveness of the Company's internal control systems and units, such as internal audit and risk management systems, as well as to discuss with the account auditor the significant weaknesses of the internal control system detected in the course of the audit, all while retaining its independence. For such purposes, and where appropriate, they may submit recommendations or proposals to the Board of Directors and set the corresponding deadline for their follow-up.

- c. to supervise **and evaluate** the process of preparing, ~~and~~ presenting **and** the mandatory financial information as well as **its comprehensiveness**, and present recommendations or proposals to the Board of Directors, aimed at ensuring its comprehensiveness.
- d. to oversee the process of preparing the non-financial information as well as its comprehensiveness, **to propose to the Board of Directors the appointment of the independent provider of verification services, responsible for verifying the information included in the Non-Financial Information Statement;** and inform the Sustainability and Corporate Governance Committee **regarding the process of preparing and presenting the non-financial information statement as well as regarding its clarity and the comprehensiveness of its content**, prior to the issuance of the corresponding report by the latter.
- e. **to oversee the application of the general policy regarding the communication of financial, non-financial and corporate economic information, as well as communication with shareholders and investors, voting advisers and other stakeholders. In addition, to monitor the way the entity communicates and relates to small and medium shareholders.**
- f. to supervise the internal procedure established by the Company for the related transactions.
- g. to inform the Board of Directors, prior to its adoption of the corresponding decision, on all matters provided for in the Law, the Articles of Association and in the Regulations and in particular, regarding:
 - i. the financial information and the management report, which shall include the mandatory non-financial information that the Company is required to make public from time to time.
 - ii. the creation or acquisition of shares in special purpose entities or those domiciled in countries or territories that are considered tax havens; **as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Group.**
 - iii. **the related transactions to be approved by the General Meeting or the Board of Directors.**
 - iv. **the operations of structural and corporate modifications that the Company plans to carry out for their prior analysis and report to the Board of Directors on their economic conditions and their accounting impact and, especially, where appropriate, on the proposed redemption equation.**
- h. In relation to the external auditor:
 - i. **supervise the procedure for the selection and contracting of the Company's account auditor, the dealings with him, and the circumstances that could affect his independence.**

- ii. submit to the Board of Directors the proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his hiring and to regularly collect from him information on the audit plan and its execution, in addition to preserving his independence in the exercise of his functions.
 - iii. ensure that the Company communicates as a relevant event to the CNMV (Comisión Nacional del Mercado de Valores [National Securities Market Commission]) the change of auditor and provides with it a statement regarding the possible existence of disagreements with the outgoing auditor and, if they had existed, their content.
 - iv. in the event of **the external auditor's** resignation, examine the circumstances that may have led to it.
 - v. establish the appropriate relationships **with the external auditor** to receive information on matters that may pose a threat to his independence, for review by the committee, and any others related to the account auditing process and, where applicable, the authorisation of services other than those prohibited, under the terms established by current legislation, as well as those other communications provided for in account audit legislation and audit standards.
 - vi. receive annually from the external auditor the declaration of his independence in relation to the entity or entities linked to him directly or indirectly, as well as the detailed and individualised information of the additional services of any kind provided and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to him in accordance with the provisions of the regulations regulating account audit activity.
 - vii. ensure that the remuneration for his work does not compromise his quality or independence.
 - viii. ensure that he annually holds a meeting with the full Board of Directors to inform it of the work carried out and of the status of the Company's accounting and risk situation.
 - ix. ensure that the Company and the external auditor comply with the current standards on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, the other standards on the independence of the auditors.
 - x. issue annually, prior to the issuance of the account audit report, a report expressing an opinion on the independence of the account auditor. This report must contain, in all cases, the detailed assessment of the provision of the additional services referred to in the previous point, individually considered and as a whole, other than the legal audit and in relation to the independence regime or the audit regulatory regulations.
- i. In relation to the Internal Audit Department:
- i. ensure the independence and effectiveness of the unit that assumes the internal audit function.
 - ii. report proposals for selection, appointment, re-election and termination of the internal audit service manager.
 - iii. propose the budget for that service; approve its focus and work plans, ensuring that its activity is primarily focused on the relevant risks of the company.

- iv. receive periodic information about its activities; and verify that the senior management takes into account the conclusions and recommendations of its reports.

j. In relation to the Compliance Department:

- i. **review and make proposals for improvement to the Board of Directors, for approval or escalation to the competent body, on compliance policies, in accordance with the recommendations of good governance of general recognition in international markets, in order to fulfil its mission of promoting the corporate interest and to take into account, as appropriate, the legitimate interests of the remaining stakeholders.**
- ii. **monitor compliance with the regulations applicable to conduct on securities markets, and in particular, the Internal Conduct Regulations.**
- iii. **report on the proposals for modification of the Internal Regulations of Conduct.**
- iv. **supervise the SACYR group regulatory compliance model for criminal prevention and competition defence, as well as applying the code of conduct and its system of penalties in the event that those affected are directors.**

- 8. Any member of the management team or Company personnel who is required for said purpose has the responsibility of attending the Audit Committee sessions and provide his/her cooperation and access the available information. The Audit and Committee may also require for accounts auditors to attend its meetings.
- 9. For the better fulfillment of its responsibilities, the Audit Committee can request the counseling of external professionals, for which purpose what is established under article 26 of this Regulation will be applicable.
- 10. In everything that is not scheduled in the Articles of Association, the Regulation or in this article, the Audit Committee will regulate its own operation, applying, by default, the operational regulations established in regard to the Board of Directors, as long as they are compatible with the nature and purpose.

Article 16 bis. Sustainability and Corporate Governance Committee

- 1. The members of the Sustainability and Corporate Governance Commission shall be, in their entirety, non-executive directors appointed by the Board of Directors, the majority of whom shall be independent directors.

The members of the Commission as a whole shall have the relevant expertise in relation to the sector of activity to which the Company belongs.

- 2. The Sustainability and Corporate Governance Commission shall consist of a minimum of 3 and a maximum of 5 directors. Their number and designation are determined by the Board of Directors.

The members of the Sustainability and Corporate Governance Commission shall be elected for a maximum term of four years, and may be re-elected once or more for periods of the same maximum duration.

3. The Chair of the Sustainability and Corporate Governance Commission shall be appointed by the Board of Directors itself from among the independent Directors.
4. The Sustainability and Corporate Governance Committee will also have a Secretary, who will be the Board of Directors, who, if he is not a member, will have a voice but not a vote. In the event of absence, impossibility or indisposition of the Registrar, he shall be replaced in the performance of his duties by the Vicesecretary of the Board of Directors, who shall also have the right to vote.
5. The Sustainability and Corporate Governance Commission shall meet at least once every three months and whenever appropriate, after having been convened by its President, acting on its own decision or at the request of two (2) of its members or of the Executive Committee.
6. The Sustainability and Corporate Governance Commission shall be considered as validly constituted when more than half of its members attend the meeting, present or represented. The deliberations shall be moderated by the President. The adoption of agreements shall require a favorable vote by an absolute majority of those present and represented and, in the event of a tie, the vote of the President. Unless otherwise provided, the powers of the Sustainability and Corporate Governance Committee are advisory and proposed to the Board of Directors.
7. Without prejudice to other responsibilities assigned to it by current regulations, the Articles of Association, the Regulations or the Board of Directors, the Sustainability and Corporate Governance Committee shall have the following responsibilities:
 - a. to review and make improvement proposals to the Board of Directors, for approval or escalation to the competent body, on the internal rules of the Company's Corporate Governance System, with particular emphasis on corporate governance and sustainable development policies, in accordance with the recommendations of good governance of general recognition in international markets, in order to fulfil its mission to promote the corporate interest and to take into account, as appropriate, the legitimate interests of the other stakeholders.
 - b. to ensure that the corporate culture of the Company is aligned with the Purpose, Mission, Vision and Values of the Group.**
 - c. to examine the degree of compliance by the Company with the recommendations of good corporate governance of general recognition.**
 - d. to guide and supervise the Company's actions in the strategies related to sustainability and corporate governance and to report this to the Board of Directors.
 - e. to determine the criteria and guidelines that must govern the content of the non-financial information statement, in accordance with the report prepared for this purpose by the Audit Committee, and report it to the Board of Directors, prior to its formulation.

- f. **to verify that the content of the non-financial information statement conforms with the Company's sustainable development strategy.**
 - g. to inform, in advance, the Board of Directors of all the matters provided for in the Law, the Articles of Association and the Regulations on the non-financial information that the Company must make public periodically, **considering the report drafted, in turn, by the Audit Committee regarding its preparation and presentation process, as well as on the clarity and comprehensiveness of its content.**
 - h. to monitor that the Company's corporate governance and sustainable development practices and strategies **conform to the established political strategy and report on this to the Board of Directors.**
 - i. to evaluate and review the Company's ongoing plans in execution of the sustainable development policies and track their degree of compliance.
8. Any member of the management team or staff of the Company who is required to attend the sessions of the Sustainability and Corporate Governance Commission and to provide him with their collaboration and access to the information available to him.
9. In order to better fulfil its functions, the Sustainability and Corporate Governance Commission may seek the advice of external professionals, for which purpose the provisions of Article 26 of the Regulation shall apply.
10. In all matters not provided for in the By-laws, the Regulation or this Article, the Sustainability and Corporate Governance Commission shall regulate its own functioning, failing which it shall apply: the operating rules laid down in relation to the Management Board, provided that they are compatible with the nature and function of that Commission.

Article 17. Appointments and Retributions Committee

1. The Appointments and Retributions Committee will be composed in its entirety by non executive directors appointed by the Board of Directors, two of which, at least, must be independent directors, appointed in relation to their knowledge and professional experience.
2. The Appointments and Retributions Committee will be composed by a minimum of 3 and a maximum of 5 directors. The establishment of the number and their appointment corresponds to the Board of Directors.

The members of the Appointments and Retributions Committee will be elected for a maximum period of four years, being able to be reelected one or more times for periods with the same maximum duration.

3. *The Chairperson of the Appointments and Retributions Committee will be appointed by the Board of Directors from among the Committee members who have the condition of independent.*
4. *The Appointments and Retributions Committee will likewise have a Secretary, who will be that of the Board of Directors, who, if not a director, will have a voice but not a vote. In case of absence, impossibility or indisposition of the Secretary, he/she will be replaced by the Vicesecretary of the Board of Directors, who will likewise have a voice but no vote.*
5. *The Appointments and Retributions Committee will hold a meeting each time it is requested by the Board of Directors or its Chairperson requests the issuing of a report or the adoption of proposals and, in any case, whenever it is convenient for the good development of its responsibilities. It will, in any case, hold a meeting once a year to prepare information regarding directors retributions. The Appointments and Retributions Committee will hold a meeting, prior notice of meeting by its Chairperson, by own decision or answering to the request of two (2) of its members or the Executive Committee.*
6. *The Appointments and Retributions Committee will be considered as validly incorporated when concurring at the meeting, attending or represented, more than half of its members. Deliberations will be moderated by the Chairperson. To adopt agreements it will be necessary to have the favorable vote of the absolute majority of the attendants, present and represented and, in case a tie, the Chairperson vote will be decisive. Except stipulation to the contrary, the responsibilities of the Appointments and Retributions Committee are informational and to provide proposals to the Board of Directors.*
7. *Without prejudice to other tasks assigned to it by the applicable regulations in force, the Articles of Association, the Regulations or the Board of Directors, the Appointments and Remuneration Committee shall have the following responsibilities:*
 - a. *to assess the competencies, knowledge and experience required on the Board of Directors. For these purposes, it will define the necessary roles and skills in the candidates who must fill each vacancy and evaluate the necessary time and dedication in order for them to effectively perform their duties.*
 - b. *to establish a representation goal for the least represented gender on the Board of Directors and develop guidance on how to achieve that goal.*
 - c. *to submit to the Board of Directors the proposals for appointment (for their appointment by co-opting or for its submission to the decision of the General Meeting) of the independent directors, as well as the proposals for the re-election or removal of said directors by the General Meeting.*
 - d. *to submit the proposals for appointment (for their appointment by co-option or for their submission to the decision of the General Meeting) of the other directors, as well as the proposals for their re-election or removal by the General Meeting.*

- e. to report the proposals for the appointment and removal **of the Chairman**, Vice Presidents, Secretary and Deputy Secretary of the Board of Directors.
 - f. to annually verify compliance with the policy of selection, appointment and re-election of directors and report its conclusions in the Annual Corporate Governance Report.**
 - g. to organise and carry out the annual evaluation of the Chairman of the Board of Directors, under the direction and drive of the Coordinating Director, informing the Board of Directors.
 - h. to examine and organise the succession of the Chairman of the Board of Directors and the senior executive of the Company and, where appropriate, formulate proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.
 - i. to report annually to the Board of Directors in relation to the evaluation of the Board itself **and its delegated Committees.**
 - j. to report proposals for the appointment and removal of senior executives and the basic conditions of their contracts. For the purposes of these Regulations, senior executives shall be understood as those directors who report directly to the Board or to the Chief Executive Officer, if any, and, in any case, the person responsible for the internal audit of the Company.
 - k. to propose to the Board of Directors the remuneration policy of the directors and of the general directors or those who carry out their senior executive functions under the direct supervision of the Board of Directors, executive committees or chief executive officers, as well as the individual remuneration and the other contractual conditions of the executive directors, ensuring their observance.
 - l. to periodically review compensation programmes, particularly for senior executives and the executive team, reviewing their suitability and performance.
 - m. to verify the information on the remuneration of the directors and senior executives contained in the various corporate documents, including the Annual Report on remuneration of the directors.**
 - n. to inform the Board of Directors in relation to the cases of non-compliance with the duties provided for in Article 54 of the Articles of Association.
8. In everything that is not scheduled in the Articles of Association or in this article, Appointments and Retributions Committee will regulate its own operation, applying, by default, the operational regulations established in regard to the Board of Directors, as long as they are compatible with the nature and purpose of this Committee.