



**REPORT BY THE BOARD OF DIRECTORS IN RELATION TO THE PROPOSAL  
TO APPROVE A NEW LONG-TERM INCENTIVE PLAN LINKED TO THE  
CREATION OF VALUE FOR THE EXECUTIVE DIRECTORS OF ACCIONA, S.A.**

**(ITEM 4.3 ON THE AGENDA)**

**PURPOSE OF THE REPORT**

The Board of Directors of Acciona, S.A. ("**Acciona**") hereby issues this report justifying the proposed resolution to approve a new long-term incentive plan linked to the creation of value for the executive directors of Acciona - the "*2020-2029 Long-term Incentive Plan linked to the Creation of Value*" for the executive directors of Acciona, S.A." or the "2020 LTIP" - which is submitted for approval at the General Shareholders' Meeting called for May 27, 2020 at first call and May 28, 2020 at second call, under item 4.3 of the Agenda.

**Justification of the 2020 LTIP APPROVAL proposal**

Given the expiry of the long-term incentive plan for Acciona executive directors and other executives belonging to the Acciona group that have benefited from -the so-called "*2014 Plan for the Granting of Shares and Performance Shares to the Management of Acciona and its Group* from 2014-2019", a new incentive plan should be defined to suitably remunerate the professional dedication and management functions performed by executive directors in order to strengthen their motivation and permanence, while at the same time promoting Acciona's long-term profitability and sustainability, according to the interests and expectations of the Company shareholders.

Based on these premises, 2020 LTIP has been structured as a multi-year variable remuneration scheme, for a period of ten years (2020-2029), with full cash payment and a simple structure and operation linked to the creation of value for the long-term shareholder, which takes the total shareholder return rate ("**TSRR**") of the total shareholder return (**TSR**) as the reference indicator to measure the value created (the "**Incentive**"). The Incentive will accrue only if the TSRR reached at the end of the period exceeds a minimum rate of return determined by the weighted average cost of capital attributed to all the equity and borrowings employed by the Acciona group to carry out its business ("**WACC**"). The incentive paid to the executive directors (if applicable) will be calculated as a percentage of the TSR achieved at the end of the period.

In the opinion of the Board of Directors, the TSRR is an ideal indicator to measure the creation of value for Acciona shareholders, as it takes into account parameters (change in the market value of the shares and amount distributed as dividends) and can be correlated to a minimum return rate that enables optimum assessment of whether the shareholders' expectations have been met and, accordingly, the executive directors deserve to be remunerated for the greater value created. The TSR-TSRR is also a simple and transparent calculation measure, the use of which as a reference indicator helps to promote Acciona's long-term profitability and sustainability and avoid excessive risks and the rewarding of unfavorable results, in line with the general principles on which the Acciona director remuneration policy is based.

The proposed 2020 LTIP envisages that the incentive will be paid in cash and not by the granting of shares, since it is considered that the interests of the executive

directors are already closely aligned with those of the company's shareholders, as indirect holders of a significant stake in Acciona's share capital.

The application of 2020 LTIP requires a resolution issued by the Acciona General Shareholders' Meeting (i) in accordance and within the scope of article 219 of the Spanish Corporations Law, insofar as it constitutes a remuneration system linked to the value of Acciona's shares, and (ii) as required by article 529 *novodecies*, Section 5 of the Corporations Law, given that the current remuneration policy for Acciona directors approved at the Shareholders' Meeting of 2017 for the three-year period from 2018-2020 does not provide for the possibility of a long-term variable compensation system making cash payments.

The application to executive directors of remuneration systems such as 2020 LTIP that are linked to the share value is expressly provided for in Article 31.4 of Acciona's bylaws and in Article 55 bis, section 4 of the Board of Directors' Regulations.

## **Proposal**

In view of the above, the Board of Directors submits the following proposed resolution to the General Meeting of Shareholders for approval under item 4.3 of its agenda:

### **ITEM 4.3.: Approval, if appropriate, of a new long-term incentive plan linked to the creation of value for executive directors.**

To approve a long-term incentive plan linked to the creation of value for the executive directors of Acciona, S.A. known as the "2020-2029 Acciona Long-Term Incentive Plan linked to the Creation of Value for the Executive Directors of Acciona, S.A." or "2020 LTIP", the main features of which are:

- (A) Beneficiaries of the plan: Directors of Acciona, S.A. who, as at the date of this resolution, hold the most senior management positions in the Acciona group as executive directors.
- (B) Duration of the plan: Ten years (from January 1, 2020 to December 31, 2029 both inclusive).
- (C) Metrics used to measure the creation of value:
  - (i) The total shareholder rate of return ("TSRR") as a reference for measuring value creation.  
The TSR will be calculated as the difference between the initial value of 100% of the current ordinary share capital of Acciona, S.A. and the final value of the same investment, adding to the difference the gross dividends received by shareholders that held their investment in 100% of the capital over the plan's duration period of 2020-2029, without a financial update of their respective values.  
The initial value and final value will be calculated (initial value) as the daily volume-weighted average of the average-weighted listings of Acciona, S.A. shares in the stock market sessions of October, November and December 2019 and (final value) as the daily volume-weighted average of the average-weighted listings of Acciona, S.A. shares in the stock market sessions of October, November and December 2029.  
It is placed on record that the daily volume weighted average of the weighted average listing of share prices of Acciona, S.A. for the October, November and December 2019 trading sessions was 92.84 euros.

Accordingly, the initial value to be used as a reference for calculating the TSR is 92.84 euros.

- (ii) The *weighted average cost of capital* ("WACC") as the minimum rate of return; i.e., as the minimum TSRR above which value will be deemed to have been created for Acciona, S.A. shareholders

The WACC will be calculated as the average rate of the WACC used to finance the equity and business of Acciona, S.A. and its group in consolidated terms in each of the ten years of the plan, with each annual WACC calculated at 31 December of each year as the average WACC rate of the twelve months of the year in question (calculated on an annual basis on the last day of each month).

- (D) Incentive calculation: Both indicators (TSR and its corresponding TSRR, as well as the WACC) will be calculated at the conclusion of the plan with respect to the reference period 2020-2029 and, only if the TSRR is higher than the WACC, the Board of Directors, at the initiative of the Appointments and Remuneration Committee, (i) will determine the aggregate amount of the incentive payable to the executive directors, which will be 1% of the TSR achieved at the end of the period, and (ii) will decide on the distribution of the resulting amount among the executive directors, on the basis of criteria that take into account the relative contribution of each executive director to the value created for Acciona, S.A. shareholders during the term of the Plan.
- (E) Payment and deferral of the incentive: The incentive will be paid fully in cash as follows: (i) 80% in 2030, following the preparation of the 2029 Acciona and its Group consolidated annual financial statements, for which an auditors report must be issued, without exception, and (ii) the remaining 20% in 2031, after the preparation of the 2030 Acciona and its Group consolidated annual financial statements, for which an auditors report must be issued, without exception, provided, in the opinion of the Board of Directors and at the proposal of the Appointments and Remuneration Committee, there is no case of *malus* according to section (F) below during the deferral period.
- (F) Malus and claw back: within three (3) years as from each date on which an incentive payment has been made (including payment of the deferred part of the incentive), Acciona, S.A. may claim reimbursement (*claw back*) from an executive director of all part of the incentive paid if, in the opinion of the Board of Directors and at the initiative of the Appointments and Remuneration Committee, any of the following cases of *malus* occurs: (i) the executive director commits a serious breach of the duties of diligence or loyalty required in the performance of the duties of his/her position with Acciona, S.A. or for any other serious and culpable breach of the obligations which the executive director has undertaken under the contracts with Acciona, S.A. to perform executive functions, (ii) it is ascertained that the executive director received the incentive under the plan on the basis of data subsequently proven to be inaccurate, or (iii) the executive director breaches any post-contractual non-competition agreement entered into, or undertaken vis-à-vis Acciona, S.A.
- (G) Early payment: In the event the commercial relationship between an executive director and Acciona, S.A. terminates, or the delegation of executive functions is revoked at any time during the term of the plan (i.e. between January 1, 2020 and December 31, 2029 inclusive) for reasons not attributable to the executive director, the plan will be settled early for the two executive directors.

The plan will also be settled in advance in the event of the voluntary resignation of an executive director after the 4th year of the plan, with settlement of the part of the incentive which, if applicable, corresponds to the executive director according to the value created during the period in question, at a percentage ranging from 50% to 100% of the amount of the incentive, depending on the year in which resignation takes place (50% in 2024, 60% in 2025, 70% in 2026, 80% in 2027, 90% in 2028 and 100% in 2029). The Board of Directors of Acciona, at the initiative of the Appointments and Remuneration Committee, may decide, in the best interests of Acciona at that time, that the plan should continue in force with respect to the non-resigning executive director.

The incentive will only accrue if, at 31 December of the year prior to the cause not attributable to the executive director or the voluntary resignation of the executive director, the TSR exceeds WACC, taking the period in question as the reference.

- (H) Adjustments and adaptation of the plan: The Board of Directors may, at the proposal of the Appointments and Remuneration Committee, (i) supplement or replace the reference indicators (TSR-TSRR and WACC) by incorporating others it considers relevant in view of the evolution of the criteria used to measure the creation of long-term value for shareholders of companies listed on the stock exchange similar to Acciona, S.A, as a result of changes in the structure of the Acciona group or in the circumstances relating to its group, its business or the environment at any given time, in order to ensure that the application of the plan contributes effectively to the objective of maximizing shareholder interest through motivation, retention and shared objectives; and (ii) modify and adjust the plan to the legal or tax requirements in force from time to time.

The Board of Directors may also correct and adjust the incentive in the event of an alteration in the value of Acciona, S.A.'s shares or the listed price as a result of a structural change or equivalent corporate transaction, such as an exchange, split, grouping, conversion of other securities into shares or the issue of shares or other securities, to ensure that the alteration in value does not affect the expectations of the executive directors.

This report is prepared by the Board of Directors of Acciona, S.A. on April 24, 2020.

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