

Annual Appointments and Remuneration Committee Report

Business Activity Report. Year 2020

Metrovacesa Group

Madrid, 18 March 2021

APPOINTMENTS AND REMUNERATION COMMITTEE REPORT Year 2020

1. Nature of the Report, approval and publicity

The purpose of this report (the "**Report**") is to inform on the operation and activities of the Appointments and Remuneration Committee (hereinafter, the "**Committee**") of Metrovacesa, S.A. (hereinafter, the "**Company**" or "**Metrovacesa**"), during 2020.

The Report was unanimously approved by the members of the Committee on 18 March 2021 and presented to the Board of Directors on 26 March 2021.

This report will also be made available to shareholders and investors on the Company website (www.metrovacesa.com) as of the call to the 2021 Ordinary General Meeting of Shareholders, in compliance with Guideline 6 of the Good Governance Code of Listed Companies, approved by Spain's National Securities Market Commission on 18 February 2015, revised in June 2020 (the "**Good Governance Code**").

2. Composition

The Committee was created by the Metrovacesa Board of Directors in its meeting on 19 January 2018, but valid as of the Company's effective listing on the stock exchange in the year 2018, which took place on 6 February 2018.

At 31 December 2020, the Committee is composed of four (4) members, in compliance with the provisions of article 15.1 of the Regulations of the Board of Directors (the "**Regulations**"), that establish that the Committee will be composed of a minimum of three (3) and a maximum of five (5) members.

In accordance with the provisions of Article 529 quidecimes of Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act (hereinafter, the "**Corporate Enterprises Act**"), all members of the Committee are non-executive directors, two (2) of them are independent, one (1) proprietary and one (1) external. Additionally, the Chairwoman of the Committee is an independent director.

The current structure of the Committee is as follows:

Name	Category	Seniority
Ms Emma Fernández Alonso (Chairwoman)	Independent external director	February 2018
Mr Vicente Moreno García-Mansilla	Independent external director	February 2018
Mr Ignacio Moreno Martínez	Other external director	February 2018
Mr Cesáreo Rey-Baltar Oramas	External proprietary director	February 2018

Mr Lucas Osorio Iturmendi (Non-member Secretary to the Board of Directors) acts as the non-member Secretary to the Committee.

There were no changes in the structure of the Committee in 2020.

3. Regulation and Competencies

Article 22.1 of the Metrovacesa Articles of Association establishes the existence of an Appointments and Remuneration Committee, whose creation was unanimously approved by the Board on 19 January 2018.

In accordance with article 15 of the Regulations of the Board of Directors, the competencies of the Committee are as follows:

- i. Assess the competencies, expertise and experience necessary in the Board. For this purpose, define the necessary abilities and skills for candidates to fill each vacancy and evaluate the precise time and dedication required to efficiently discharge their duties.
- ii. Establish a target representation of the gender least represented on the Board of Directors and develop guidelines as to how to achieve that target.
- iii. Submit to the Board of Directors the proposed appointments of independent directors for appointment by cooptation or for discussion at the General Meeting of Shareholders, as well as proposals for the re-election or removal of said directors by the General Meeting of Shareholders.
- iv. Report the proposed appointments of the remaining directors for appointment by cooptation or for discussion at the General Meeting of Shareholders, as well as proposals for their re-election or removal by the General Meeting of Shareholders.
- v. Report proposed appointments and removals of management staff and the basic terms and conditions of their contracts.
- vi. Examine and organise the succession of the Chairman of the Board of Directors and the Company's Chief Executive Officer, and, where applicable, submit proposals to the Board of Directors so that the succession is performed in an orderly and well-planned manner.
- vii. Propose to the Board of Directors the remuneration policy of directors and managing directors or whomsoever discharges duties as management staff reporting directly to the Board of Directors, Executive Committees or Chief Executives, as well as the individual remuneration and other contractual terms and conditions of executive directors, verifying and endeavouring to ensure that they are observed.
- viii. Verify that the Company's remuneration policy is observed.
- ix. Periodically review the remuneration policy applied to the directors and senior executives, including the remuneration schemes involving shares and their implementation, and ensure that their individual remuneration is proportionate to what other directors and senior executives are paid.
- x. Prevent any potential conflicts of interest from undermining the independence of the external advice provided to the Committee.

- xi. Verify the information on the remuneration to directors and senior executives contained in the various corporate documents, including the annual remuneration report.

Additionally, article 15 of the Regulations of the Board of Directors establishes the essential aspects of the structure, competencies and operation of the Committee, supplemented on the other hand with the provisions of the Regulations of the Committee, approved by it on 3 May 2018.

Lastly, the Committee has considered and followed the criteria and recommendations established in the Good Governance Code and in Technical Guide 1/2019 on Appointments and Remuneration Committees, issued on 20 February 2019 by the National Securities Market Commission.

4. Main actions performed in 2020

4.1 Meetings

The Committee met 9 times in 2020, specifically on 22 January, 12 February, 10 March, 17 April, 19 June, 23 July, 23 October, 19 November and 17 December.

All meetings were attended by all Committee members with the exception of the meetings held on 19 November and 17 December, in which 3 of its 4 members took part.

In this manner, the Committee met with the necessary frequency to perform its duties correctly, complying in all cases with article 15.7 of the Regulations of the Board of Directors, which establishes that meetings should ordinarily be held every three (3) months and, in all cases, as often as deemed necessary by its Chairman, who may call a meeting whenever a report needs to be issued or proposals need to be approved and, in any case, as necessary for the correct performance of its duties.

In addition to the Committee members, other members of the management team were in attendance sporadically as guests, on the basis of the topics to be addressed. Specifically, during 2020 the following attended in that capacity: (i) the Chief Executive Officer, Mr Jorge Pérez de Leza Eguiguren; (ii) Mr Miguel Ángel Melero (Director of Human Resources); and (iii) Mr Juan Carlos Calvo (Director of Investor Relations). Some external advisors were also in attendance, specifically from Russell Reynolds and Garrigues.

4.2 Actions performed

In general, the primary purpose of the Committee is to review the Company's degree of fulfilment with the best practices of Good Governance in its area of operation and to encourage actions in that area.

More specifically, the Committee carried out the following activities in 2020:

- i. It reviewed and reported favourably on the good corporate governance documentation for the Company corresponding to 2019 within the scope of its competencies. Specifically, the following: (i) the annual remuneration report; (ii) the Committee's annual activity report; and (iii) the annual corporate governance report;
- ii. It drafted a new Long-Term Incentive Plan for the Chief Executive Officer and members of the management team that, together with the

corresponding amendment of the remuneration policy, will be submitted to approval by the Company's 2021 Ordinary General Meeting effective that same year;

- iii. It reviewed the fulfilment of objectives for the financial year 2019 by the management team (including the CEO), and reported favourably on the related variable remuneration;
- iv. It reviewed and reported favourably on the proposed salary increases for the management team in 2020;
- v. It reviewed and reported favourably on the establishment of objectives in relation to the annual variable remuneration and extraordinary multi-year incentive for the Chief Executive Officer and the Company's management team;
- vi. It reviewed and proposed third cycle Long-Term Incentive Plan (LTIP) 2018-2020 compliance metrics and parameters for the Chief Executive Officer and management team;
- vii. It has periodically reviewed the employment plan for 2020, including staff evolution, the need for new hires, analysis of average remuneration by staff category as well as the analysis of the employment plan for 2021;
- viii. It performed a competency assessment exercise of the CEO and the management team to determine their skills and competencies and paths to development;
- ix. It analysed the Board of Directors' skills map, as well as the succession plan for the management team, including the Chief Executive Officer, Chief Financial Officer and other key members of the management team;
- x. It analysed the Company remuneration policy, for Directors as well as for the management team to determine whether the remuneration is consistent with the market;
- xi.** During 2020 it led the process for evaluating the operation and performance of the Board and its Committees, by means of a self-assessment procedure that in each case included specific areas of assessment, valuation measures and suggestions for action. The assessments were the subject of individual analysis in each body, and were treated as a specific and single analysis point;
- xii.** It monitored share purchase transactions by Company executives within the context of the variable remuneration plan approved by the Company; and
- xiii. In relation to the situation generated by the COVID-19 health crisis:
 - a. it reviewed the measures implemented by the Company as a result of the restrictions imposed by the authorities on remote working, as well as prevention and safety measures;
 - b. it established contingency plans in relation to key management positions aimed at the availability of substitution protocols deriving from the illness; and

- c. it established plans for the reintroduction of the workforce to their work centres.
- xiv. It reviewed operational efficiency plans;
- xv. It proceeded with an evaluation and analysis of the quality of the sales force, as well as various recommendations from proxy advisors; and
- xvi. It selected an external advisor to carry out the evaluation of the Board of Directors in the financial year 2021.

In the exercise of some of the above activities, the Committee sought advice from external advisors. Specifically in relation to the following topics:

(i) Russell Reynolds, to assess the Company's Board of Directors and provide a detailed overview of its skills and competencies, including recommendations on paths to development; and

(iii) Garrigues, to review the remuneration policy for directors and executives reporting directly to the Board, its Committees and the Chief Executive Officer, to determine whether it is consistent with the market and fulfils the goal of attracting and retaining valued professionals.

5. **Some activities undertaken in FY 2021**

During 2021 and among other subjects, the Committee has worked on the new Remuneration Policy for Directors and on a new long-term incentive for the Chief Executive Officer and management team which, following approval by the Board of Directors will be submitted to the approval of the next Ordinary General Meeting, in the terms that will be explained in the respective resolution proposal.

6. **Conclusion**

The Committee understands that during 2020 it was properly informed on the matters of its competency, it has not detected significant deviations with respect to the procedures adopted and has not witnessed irregularities on matters of its competency, and has satisfactorily performed its duties.

Madrid, 18 March 2021

Ms Emma Fernández Alonso

Mr Cesáreo Rey-Baltar Oramas

Mr Ignacio Moreno Martínez

Mr Vicente Moreno García-Mansilla