

# Annual Corporate Governance Report

**2017**

## **Junta General d'Accionistes**

Junta General de Accionistas  
*Annual Shareholders' Meeting*

**APPENDIX I FORM**

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**ISSUER IDENTIFICATION**

**FINANCIAL YEAR END**

2016

**TAX IDENTIFICATION**  
Nº [C.I.F.]A64907306

**Company Name**

CELLNEX TELECOM, S.A.

**Registered Office:**

AVENIDA DEL PARC LOGISTIC, 12-20 (ZONA FRANCA), BARCELONA

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on the company's share capital:

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
21/11/2014	57,920,810.00	231,683,240	231,683,240

Please state whether different types of shares exist with different associated rights:

Yes

No

A.2 List the direct and indirect holders of significant holdings in your company at the date of the fiscal year end, excluding the directors:

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
CRITERIA CAIXA, S.A.U.	11,584,575		5%
BLACKROCK INC.		12,826,884	5.54%
THREADNEEDLE ASSET MANAGEMENT LIMITED		17,983,305	7.76%
SCHRODERS PLC		7,341,422	3.17%
CANTILLON CAPITAL MANAGEMENT		7,000,164	3.02%
FIDELITY INTERNATIONAL LIMITED		4,785,151	2.07%
FUNDAC. BANC. CAIXA D'ESTALV. I PENS. DE BCN.		11,584,575	5.00%

Name or company name of the indirect owner of the shareholding	Through: Name or company name of the direct holder of the shareholding	Number of voting rights
BLACKROCK INC.	VARIOUS FUNDS, no obligation to report individually	5,371,317
THREADNEEDLE ASSET	VARIOUS FUNDS, no obligation	17,983,305

MANAGEMENT LIMITED		to report individually	
SCHRODERS PLC		Nippon Life Schroders Asset Management Europe Limited	53,163
SCHRODERS PLC		Schroder & Co. Limited	4,510
SCHRODERS PLC		Schroder Investment Management Limited	6,971,225
SCHRODERS PLC		Schroder Investment Management (Hong Kong) Limited	166,812
SCHRODERS PLC		Schroder Investment Management North America Limited	145,836
CANTILLON CAPITAL MANAGEMENT LLC		VARIOUS FUNDS, no obligation to report individually	7,000,164
FIDELITY INTERNATIONAL LIMITED		Fil Investments International	4,457,586
FIDELITY INTERNATIONAL LIMITED		Fil Pensions Management	187,886
FIDELITY INTERNATIONAL LIMITED		- Fil Investment Advisors (UK Limited)	136,916
FIDELITY INTERNATIONAL LIMITED		Fil Limited	2,540
FUNDAC. BANC. CAIXA D'ESTALV. I PENS. DE BCN.		Criteria Caixa	11,584,575

Indicate the most significant movements in the shareholding structure that have taken place during the financial year:

<b>Name or company name of shareholder</b>	<b>Date of the transaction</b>	<b>Description of the transaction</b>
AMERIPRISE FINANCIAL, INC.	25/01/2016	Fell below 3% of share capital.
THREADNEEDLE ASSET MANAGEMENT LIMITED	26/01/2016	Exceeded 5% of share capital.
BLUE RIDGE CAPITAL, L.L.C.	22/02/2016	Fell below 3% of share capital.
BLUE RIDGE OFFSHORE MASTER LIMITED PARTNERSHIP	22/02/2016	Fell below 1% of share capital (only tax havens).
FIDELITY INTERNATIONAL LIMITED	24/03/2016	Fell below 1% of share capital (only tax havens).
THE GOLDMAN SACHS GROUP, INC.	18/05/2016	Exceeded 3% of share capital.

THE GOLDMAN SACHS GROUP, INC.	02/06/2016	Fell below 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	08/06/2016	Exceeded 3% of share capital.
FIDELITY INTERNATIONAL LIMITED	24/06/2016	Exceeded 1% of share capital (only tax havens)
THE GOLDMAN SACHS GROUP, INC.	04/07/2016	Fell below 3% of share capital.
SCHRODERS PLC	01/09/2016	Exceeded 3% of share capital.
FIDELITY INTERNATIONAL LIMITED	06/09/2016	Exceeded 2% of share capital (only tax havens)
SCHRODERS PLC	07/09/2016	Fell below 3% of share capital.
CRITERIA CAIXA, S.A.U.	07/11/2016	Exceeded 5% of share capital.
FUNDACIÓN BANCARIA CAIXA D'ESTALVIS	07/11/2016	Exceeded 5% of share capital.
BLACKROCK INC.	21/11/2016	Fell below 5% of share capital.
BLACKROCK INC.	25/11/2016	Exceeded 5% of share capital.
BLACKROCK INC.	02/12/2016	Fell below 5% of share capital.
THE GOLDMAN SACHS GROUP, INC.	06/12/2016	Exceeded 3% of share capital.
SCHRODERS PLC	08/12/2016	Exceeded 3% of share capital.
BLACKROCK INC.	13/12/2016	Exceeded 5% of share capital.
CITADEL MULTI-STRATEGY EQUITIES	18/12/2016	Fell below 1% of share capital (only tax havens).
SCHRODERS PLC	20/12/2016	Exceeded 3% of share capital.
THE GOLDMAN SACHS GROUP, INC.	21/12/2016	Fell below 3% of share capital.
CITADEL MULTI-STRATEGY EQUITIES	23/12/2016	Exceeded 1% of share capital (only tax havens).

A.3 Complete the following tables on the members of the board of directors of the company, who have voting rights attached to shares in the company:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR FRANCISCO REYNÉS		11,265	

MASSANET			0.00
MR BERTRAND BOUDEWIJN KAN	10,000	0	0.00
MR TOBÍAS MARTÍNEZ GIMENO	20,000	0	0.001
MR GIAMPAOLO ZAMBELETTI ROSSI	6,000		0.00
MR LUIS DEULOFEU FUGUET	3,571		0.00

Name or company name of the indirect owner of the share	Through:			
	Name or company name of the direct holder of the share	Number of voting rights		
MR FRANCISCO REYNÉS MASSANET	Doña CRISTINA VALLS- TABERNER MULS	6,299		
MR FRANCISCO REYNÉS MASSANET	FRINVYCO SL	4,966		

<b>Total % of voting rights held by the Board of Directors</b>	0.02%
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Complete the following tables on the members of the Board of Directors who have rights over shares in the company..

A.4 State, where applicable, any family, business, contractual or corporate relationships existing between the owners of significant holdings, to the extent that they are known by the company, unless they are insignificant or arise from the ordinary course of trade:

A.5 State, where applicable, any business, contractual or corporate relationships existing between owners of significant holdings, and the company and/or its group, unless they are insignificant or arise from the ordinary course of trade.

Related name or company name	Type of relationship	Brief description
CELLNEX TELECOM, S.A.	Commercial	
ABERTIS INFRAESTRUCTURAS, S.A.	Commercial	

FUNDACIÓN BANCARIA CAJA DE AHORROS Y PENSIONES DE BARCELONA (LA CAIXA)	Commercial	
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The existing relationships arise from the ordinary course of trade. See Section D.2.

- A.6 State whether the company has been informed of any para-social agreements pursuant to the provisions of sections 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders bound by the agreement:

Yes  No

State whether the company knows of the existence of any concerted actions amongst its shareholders. If so, give a brief account thereof:

Yes  No

In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, state it expressly:

Not applicable.

- A.7 State if there is any legal or natural person who exerts control or could exert control over the company in accordance with section 4 of the Spanish Stock Exchange Act. If so, identify it/them:

Yes  No

<b>Remarks</b>
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- A.8 Complete the following tables on the company's treasury stock:.

**At year-end closing:**

Number of direct shares	Number of indirect shares(*)	Total % on share capital
197,000		0.09%

**(\*) Through:**

Explain any significant changes there have been during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes
A liquidity contract was signed in 2016 to promote the liquidity of transactions. Cellnex did not have treasury shares in FY 2015, and in 2016 it had the shares stated in the previous section.

- A.9 Give details of the conditions and term of the current mandate given by the General Shareholders' Meeting to the Board of Directors to issue, buy back or transfer own shares.

On 10 April 2015, the then company's Sole Shareholder took the decision to authorise its Board of Directors to proceed with the acquisition of treasury stock, both directly through the company itself or through group companies, in the terms set out:

- a) the acquisition may be carried out as purchase, swap or payment in kind, once or several times, provided that the stock acquired, in conjunction with that already held by the company, does not exceed 10% of the share capital;
- b) the price or exchange value shall fluctuate between a minimum equivalent to its face value and a maximum equivalent of the closing price of the company's stock in continuous trading at the time of acquisition;
- c) the validity period for the authorisation shall be five years from the day following the day on which this decision was taken.

It is expressly noted that the stock acquired as a result of this authorisation may be used both for the disposal or amortisation thereof as well as for applying the remuneration systems set out in Section 146(1)(a) of the Spanish Limited Liability Companies Law.

**A.9a Estimated floating capital:**

	%
<b>Estimated floating capital</b>	39,45

**A.10** State where there is any restriction on the transferability of securities and/or any restriction on voting rights. Namely, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market..

Yes                       No

**A.11** State whether the General Shareholders' Meeting has resolved to take anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007.

Yes                       No

If applicable, describe the measures adopted and the terms under which these restrictions will become ineffective.

**A.12** State whether the company has issued securities that are not traded on a Community regulated market.

Yes                       No

If so, specify the different classes of shares and, for each class of shares, the rights and obligations they confer.

**B GENERAL SHAREHOLDERS' MEETING**

**B.1** State and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Act (LSC) in connection with the quorum required to hold a valid General Shareholders' Meeting.



Yes

No

B.2 State and, if applicable, explain whether there are differences with the rules provided by the Companies Act for the passing of corporate resolutions:

Yes

No

Describe how they differ from the rules established in the Spanish Limited Liability Companies Law.

B.3 State the rules applicable to amendments to the company's Bylaws. Namely, report the majorities established to amend the Bylaws and, if any, the rules to safeguard shareholders' rights when amending such Bylaws.

The rules included in the Spanish Limited Liability Companies Law shall be applied to the majorities required to amend the corporate bylaws.

B.4 Give the attendance figures for the General Shareholders' Meetings held during the year.

Date of GSM	Attendance data				Total
	% attendance in person	% attendance by proxy	% remote voting		
			Electronic vote	Others	
30/06/2016	46.52	31.18	-	-	77.70%

B.5 State whether there are any by-law restrictions requiring a minimum number of shares to attend the General Shareholders' Meetings.

Yes

No

<b>Number of shares required to attend the General Shareholders' Meeting</b>	100
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B.6 Section Repealed.

B.7 State the address and means of access to the company's website, to the information on corporate governance content and other information on General Meetings which must be made available to shareholders through the company's website.

The "Shareholders and investors" section on the website [www.cellnextelecom.com](http://www.cellnextelecom.com), provides the information required by Section 539(2) of the Spanish Law on Limited Liability Companies and by National Securities Market Commission Circular 3/2015.

## **C** ADMINISTRATIVE STRUCTURE OF THE COMPANY

## C.1 Board of Directors

C.1.1 Maximum and minimum number of directors provided in the Bylaws:

<b>Maximum number of directors</b>	13
<b>Minimum number of directors</b>	4

C.1.2 Complete the following table with the members of the Board:

<b>Name or company name of the director</b>	<b>Representative</b>	<b>Type</b>	<b>Position on the Board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
MR FRANCISCO REYNÉS MASSANET		PROPRIETARY	CHAIRMAN	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR TOBIÁS MARTÍNEZ GIMENO		EXECUTIVE	CEO	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR FRANCISCO JOSÉ ALJARO NAVARRO		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR JOSÉ MARÍA CORONAS GUINART		PROPRIETARY	DIRECTOR	17/11/2014	30/06/2016	ORDINARY GENERAL MEETING
MR PIERRE BLAYAU		INDEPENDENT	DIRECTOR	16/04/2015		OTHER
MR PETER SHORE		INDEPENDENT	DIRECTOR	16/04/2015		OTHER
MR BERTRAND BOUDEWIJN KAN		INDEPENDENT	DIRECTOR	16/04/2015		OTHER
MR GIAMPAOLO ZAMBELETTI ROSSI		INDEPENDENT	DIRECTOR	16/04/2015		OTHER
MR LUIS DEULOFEU FUGUET		PROPRIETARY	DIRECTOR	16/04/2015		OTHER

<b>Total number of directors</b>	9
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State any board members who left during this period.

C.1.3 Complete the following tables about the members of the board and their different categories:

### **EXECUTIVE DIRECTORS**

<b>Name or company name of the board member</b>	<b>Position within the company</b>
TOBIÁS MARTÍNEZ GIMENO	Chief Executive Officer

<b>Total number of executive directors</b>	1
<b>Total % of Board members</b>	11.11%

### **NON-EXECUTIVE PROPRIETARY DIRECTORS**

<b>Name or company name of board member</b>	<b>Name or company name of the significant shareholder represented or proposing appointment</b>
FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.
FRANCISCO JOSÉ ALJARO NAVARRO	ABERTIS INFRAESTRUCTURAS, S.A.
JOSÉ MARÍA CORONAS GUINART	ABERTIS INFRAESTRUCTURAS, S.A.
LUIS DEULOFEU FUGUET	ABERTIS INFRAESTRUCTURAS, S.A.

<b>Total number of proprietary directors</b>	4
<b>Total % of Board members</b>	44.44%

### **NON-EXECUTIVE INDEPENDENT DIRECTORS**

**Name or company name of director:**

PIERRE BLAYAU

**Profile:**

Chairman of CCR (Caisse Central de Reassurance) and independent director on the Boards of Directors of FIMALAC and Canal + Group. Previously CEO of Saint-Gobain, Moulinex, Geodis and Executive Director of SNCF. He has also been an Executive Director of La Redoute, member of the Board of Directors of FNAC, independent director of Crédit Lyonnais and Chairman of the Board of directors of Areva. Pierre Blayau is a tax inspector for the French Ministry of Finance and has a degree from the École National d'Administration in Paris.

**Name or company name of director:**

LEONARD PETER SHORE

**Profile:**

Extensive experience in the telecommunications and tech sector, Peter held the position of President of Arqiva in the UK for eight years from 2007. President of Uecomm, Lonely Planet Publications, the Hostworks Group and Airwave. Group Managing Director at Telstra in Australia, CEO of Priceline (Aust/NZ) and Managing Director of Media/Communications/Partners. Director of Objectif Telecommunications Limited, Foxtel, SMS Management and Technology and OnAustralia. Member of the Advisory Board of Siemens Australia. Leonard Peter Shore holds a degree in Applied Mathematics and Computing Science from the University of Adelaide.

**Name or company name of director:**

BERTRAND BOUDEWIJN KAN

**Profile:**

Extensive professional experience in investment banking and focused on the telecoms, media and technology sector in particular. He spent most of his career at Morgan Stanley where he became a Managing Director and Head of the European Telecoms Group. Subsequently he moved to Lehman Brothers where he was Co-Head of the Global Telecoms Team and was a member of the European Operating Committee. In 2008 he became Head of the Global Telecoms, Media and Technology Group at Nomura and served on the Investment Banking Global Executive Committee. Among other responsibilities, he is currently a member of the Board of Síminn hf., the telecoms operator in Iceland, of the Advisory Board of Wadhvani Asset Management and of the Supervisory Board of UWC Netherlands. Bertrand Kan graduated with B.Sc. and an M.Sc. degrees in Economics from the London School of Economics.

**Name or company name of director:**

GIAMPAOLO ZAMBELETTI ROSSI

**Profile:**

He has spent much of his professional career in the chemicals/pharmaceuticals and telecoms sectors, and currently holds the position of President of RCS Investimenti and Vice-President of Unidad Editorial, S.A. He was previously Founder and Managing Director of Zambelletti Espana, President and CEO of Zambelletti Group, President of Italgas SpA, President and Managing Director of Ellem Industria Farmaceutica SpA . He served as Vice President of the pharma labs association, Farindustria. In 2001 he has been appointed Group Senior Vice President International Affairs of Telecom Italia. He has furthermore been a member of the Board of Directors of Telecom Italia International (Netherlands), Auna, S.A. (Spain), Avea (Turkey), Oger Telecom (Dubai), Oger Telekomunikasyon (Turkey) and Telekom Austria. Recently has been appointed Board Member of Banca Farmafactoring Group in Milan. Giampaolo Zambelletti holds a degree in Chemistry from the Università degli Studi di Pavia, is an international trustee of the Friends of the Prado Museum Foundation in Madrid, and received the Isabel la Católica Award from King Felipe VI in 2015.

<b>Total number of independent directors</b>	4
<b>Total % of Board members</b>	44.44%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained the said relationship.

No

If applicable, include a statement from the board detailing the reasons why said director may carry on their duties as an independent director.

**AFFILIATE DIRECTORS**

Identify the affiliate directors and list the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the Company, its management or with its shareholders.

List any changes in the category of each director that have occurred during the year.

C.1.4 Complete the following table with information on the number of female directors as at year-end of the past four financial years, as well as the nature of their directorship:

	Number of female directors				% of total directors of each type			
	FY2016	FY2015	FY 2014	FY 2013	FY 2016	FY 2015	FY 2014	FY 2013
<b>Executive</b>	0	0	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>Proprietar y</b>	0	0	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>Independe nt</b>	0	0	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>Affiliate</b>	0	0	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>Total:</b>	0	0	N/A	N/A	0.0%	0.0%	N/A	N/A

C.1.5 Explain the measures, if any, that have been adopted to try to include on the Board a number of female directors that would mean reaching a balanced presence of women and men.

<b>Explanation of measures</b>
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Encouraging gender diversity is a principle set out in the Board Regulations. The Board of Directors has approved a Director Selection Policy that establishes that the candidate selection process will avoid any kind of implicit bias that may involve any discrimination; that it will promote the balanced presence of men and women on the Board of Directors; and that it must aim for the under-represented gender to be at least 30% of the total members of the Board of Directors in the shortest time possible, and by the end of 2020 at the latest.

In this regard, both the Nomination and Remuneration Committee and the Board itself have decided that when new directors must be appointed, either because the number of directors is being increased or because there is a vacancy with regard to the current directors, women will take priority in the selection and appointment.

C.1.6 Explain the measures, if any, taken by the Nomination Committee to ensure that selection processes are not subject to implicit bias hindering the selection of female directors and that the company deliberately seeks and include potential female candidates who meet the professional profile sought:.

<b>Explanation of measures</b>
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Within the scope of its powers, the Nomination and Remuneration Committee defines the functions and aptitudes required of the candidates who should fill each vacancy on the Board of Directors.

During the Director selection process, the Nomination and Remuneration Committee evaluates the skills and experience of each of the candidates under criteria of objectiveness, assessing the candidate's profile and evaluating the time and dedication needed for them to be able to effectively perform their task. Among these criteria, the Nomination and Remuneration Committee considers the need to promote equal opportunities between men and women, ensuring that no kind of gender-based discrimination takes place.

When despite any measures taken, there number of female directors is low or zero, explain the reasons.

<b>Explanation of reasons</b>
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The Board of Directors wishes to increase the presence of women in the Board. For this purpose, among others, a Director Selection Policy was approved in 2016. Given that the current Board was only created very recently, there have not been any vacancies and it has not been possible to implement the Director Selection Policy.

C1.6 bis Explain the conclusions of the Nomination Committee regarding verification of compliance with the director selection policy. And, namely, explain how this policy is fostering the goal by 2020 to have the number of female board members represent at least 30% of the total number of members of the Board of directors.

It has not been possible to verify compliance with the Director Selection Policy given that it was only approved in 2016 and there have not been any vacancies since its approval.

C.1.7 Explain the form of representation of the board of shareholders with significant holdings:

The significant shareholder Abertis Infraestructuras S.A. is represented in the Board of Directors with four proprietary directors.

C.1.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 3% in the share capital.

State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why these requests have not been satisfied:

Yes

No

C.1.9 State whether any director has stood down before the expiry of his/her term of office, whether that director has given reasons to the Board and through which channels, and in the event that he/she gave reasons in writing, describe at least the reasons given by the director:

C.1.10 State, in the event that there are any, the powers that have been delegated to the Chief Executive Officer(s).

**Name or company name of director**

TOBIÁS MARTÍNEZ GIMENO

**Brief description:**

All powers of representation, management, and power to sell assets that can be legally delegated.

C.1.11 Identify, where appropriate, the members of the Board who hold the position of director or officer in other companies belonging to the listed company's group.

Name or company name of director	Company name of the group entity	Office	Do they have executive functions?
TOBIÁS MARTÍNEZ GIMENO	-RETEVISIÓN I, S.A.U.	- Solidarity Administrator	Yes
TOBIÁS MARTÍNEZ GIMENO	-ON TOWER TELECOM INFRAESTRUCTURAS, S.A.U.	Solidarity Administrator	Yes
TOBIÁS MARTÍNEZ GIMENO	-TRADIA TELECOM, S.A.U.	<b>Solidarity Administrator</b>	Yes
TOBIÁS MARTÍNEZ GIMENO	-GALATA SpA	- Chairman of the Board of Directors	Yes

C.1.12 List in detail, where appropriate, the directors of your company that are members of the Boards of Directors of other companies that are listed on official stock markets

that are not part of the group, whose aforementioned membership has been disclosed to the company.

<b>Name or company name of director</b>	<b>Company name of the listed entity</b>	<b>Office</b>
MR FRANCISCO REYNÉS MASSANET	ABERTIS INFRAESTRUCTURAS, S.A.	VICE CHAIRMAN/CEO
MR BERTRAND BOUDEWIJN KAN	SÍMINN HF	DIRECTOR

C.1.13 State and, if applicable, explain if the Board of Directors' Regulations have established rules on the maximum number of company boards on which its directors may sit.

Yes

No

C.1.14 Section Repealed.

C.1.15 State the overall remuneration to the board of directors:

<b>Board remuneration (K€)</b>	1,770
<b>Amount of overall remuneration corresponding to the rights accumulated by current directors with respect to pensions (K€)</b>	300
<b>Amount of overall remuneration corresponding to the rights accumulated by former directors with respect to pensions (K€)</b>	0

C.1.16 Identify the senior managers who are not in turn executive directors and state the total remuneration accrued in their favour during the financial year.

<b>Name or company name</b>	<b>Office(s)</b>
Jose Manuel Aisa Mancho	Finance and Corporate Development Manager
Antoni Brunet Mauri	Public and Corporate Affairs Manager
Javier Martí de Vesés Estades	General Secretariat and Regulation Manager
Álex Mestre Molins	Business and International Development Manager
Rosa Piñol Raurich	Resource Manager
Josep Ventosa Freixedes	Spain Business Unit Manager
Sergio Tórtola Pérez	Global Operations and Efficiency Manager

<b>Total remuneration senior executives (K€)</b>	2,018
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C.1.17 Identify, if appropriate, the members of the board who, in turn sit on the board of directors of companies of significant shareholders and/or in entities of their group.



<b>Name or company name of director</b>	<b>Company name of significant shareholder</b>	<b>Office</b>
<b><u>José Aljaro Navarro</u></b>	Inversora de Infraestructuras, S.L. (Invinsl)	Director
	Abertis Motorways UK Limited	Director
	Abertis Finance B.V.	Director
	Sanef, S.A.	Director
	Abertis Autopistas España, S.A.U.	Solidarity Administrator
	Autopistas, Concesionaria Española, S.A.U. (Acesa)	Solidarity Administrator
	Autopistes de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Aucat)	Solidarity Administrator
	Infraestructures Viàries de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Invicat)	Solidarity Administrator
	Autopistas Aumar, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Iberpistas, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Castellana de Autopistas S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Autopistas de León, S.A. Concesionaria del Estado, Single-member company (Aulesa)	Solidarity Administrator
	Abertis Telecom Satélites, S.A.U.	Solidarity Administrator
	Abertis Internacional, S.A.U.	Solidarity Administrator
	Partícipes en Brasil II, S.A.	Solidarity Administrator
	Partícipes en Brasil, S.A.	Director
	Arteris, S.A.	Director
	Autopista Central, S.A.	Solidarity Administrator
	Central Korbana, S.à.r.l.	Solidarity Administrator
	Central Korbana Sweden AB	Solidarity Administrator

	Central Korbona Sweden Holdings AB	Board member
	Abertis Autopistas Chile, S.A.	Director
	Abertis India, S.L.	Solidarity Administrator
	Hispasat, S.A.	Director's representative, Abertis Telecom Satélites, S.A.U.
	Infraestructuras Americanas, S.L.U.	Solidarity Administrator
	Societat d'Autopistes Catalanes, S.A.U.	Solidarity Administrator
	Abertis India S.L.	Solidarity Administrator
<b><u>Josep Maria Coronas Guinart</u></b>		
	Abertis Autopistas España, S.A.U.	Solidarity Administrator
	Autopistas, Concesionaria Española, S.A.U. (Acesa)	Solidarity Administrator
	Autopistes de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Aucat)	Solidarity Administrator
	Infraestructures Viàries de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Invicat)	Solidarity Administrator
	Autopistas Aumar, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Iberpistas, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Castellana de Autopistas S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Autopistas de León, S.A. Concesionaria del Estado, Single-member company (Aulesa)	Solidarity Administrator
	Abertis Telecom Satélites,	Solidarity

	S.A.U.	Administrator
	Abertis Internacional, S.A.U.	Solidarity Administrator
	Partícipes en Brasil II, S.A.	Solidarity Administrator
	Hispasat, S.A.	Director
	Infraestructuras Americanas, S.L.U.	Solidarity Administrator
	Societat d'Autopistes Catalanes, S.A.U.	Solidarity Administrator
<b><u>Lluís Deulofeu Fuguet</u></b>	Eurotoll (SAS)	Representative of the Chairman, Sanef S.A.
	Bip&Go	Representative of the Chairman, Sanef S.A.
	Société des Autoroutes Paris Normandie – SAPN (SA)	Chairman
<b><u>Francisco Reynés Massanet</u></b>	Abertis Infraestructuras, S.A.	Vice chairman/CEO
	Holding d'Infraestructures de Transport, S.A.S.	Sole administrator
	Holding d'Infraestructures de Transport 2, S.A.S.	Chairman
	Sanef S.A.	Director
	Abertis Autopistas España, S.A.U.	Solidarity Administrator
	Autopistas, Concesionaria Española, S.A.U. (Acesa)	Solidarity Administrator
	Autopistes de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Aucat)	Solidarity Administrator
	Infraestructures Viàries de Catalunya, S.A. Concessionària de la Generalitat de Catalunya, Single-member company (Invicat)	Solidarity Administrator
	Autopistas Aumar, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Iberpistas, S.A. Concesionaria del Estado, Single-member company	Solidarity Administrator
	Castellana de Autopistas S.A. Concesionaria del Estado,	Solidarity Administrator

	Single-member company	
	Autopistas de León, S.A. Concesionaria del Estado, Single-member company (Aulesa)	Solidarity Administrator
	Abertis Telecom Satélites, S.A.U.	Solidarity Administrator
	Abertis Internacional, S.A.U.	Solidarity Administrator
	Inversora de Infraestructuras, S.L.	Chairman
	Partícipes en Brasil II, S.A.	Solidarity Administrator
	Partícipes en Brasil, S.A.	Chairman
	Arteris, S.A.	Director
	Abertis Autopistas Chile, S.A.	Chairman
	Hispasat, S.A.	Director
	Infraestructuras Americanas, S.L.U.	Solidarity Administrator
	Societat d'Autopistes Catalanes, S.A.U.	Solidarity Administrator
	A4 Holding S.p.A.	Director
	Abertis India S.L.	Joint and Several Director

Detail, if appropriate, any relevant affiliations other than those considered in the above paragraph that link members of the Board of Directors to significant shareholders and/or companies in their group

**Name or company name of director**

MR FRANCISCO REYNÉS MASSANET

**Name or company name of significant shareholder**

Fundación Privada Abertis

**Relationship:**

Trustee

**Name or company name of director**

MR JOSÉ ALJARO NAVARRO

**Name or company name of significant shareholder**

Abertis Infraestructuras, S.A

**Relationship:**

Chief Financial Officer and General Director of Corporate Development.

**Name or company name of director**

MR JOSÉ MARÍA CORONAS GUINART

**Name or company name of significant shareholder**

Abertis Infraestructuras, S.A.

**Relationship:**

Non-Director Vice Secretary, Secretary General and Corporate General Manager

**Name or company name of director**

MR LUIS DEULOFEU FUGUET

**Name or company name of significant shareholder**

Abertis Infraestructuras, S.A.

**Relationship:**

General Manager of Sanef

C.1.18 State whether the regulations of the Board of Directors have been amended during the financial year.

Yes x

No

Description of the amendments

The amendment to Section 15(1) of the Board of Directors' Regulations was approved at the Ordinary General Shareholders' Meeting on 30/06/2016, in order to adapt the wording to the amendments made to Section 529 ss. 14 of the Capital Companies Act by the fourth final provision of the Law on Auditing.

C.1.19 State the procedures for the selection, appointment, re-election, assessment and removal of directors. Give details of the authorised bodies, the procedures to follow and the criteria to be used in each of the procedures.

The procedures for the selection, appointment, re-election, assessment and removal of directors are detailed in Sections 18 to 21 of the Board of Directors' Regulations, which read as follows:

Section 18. Appointment of Directors

1. Directors will be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions set out in Royal Decree 1/2010 of 2 July approving the recast text of the Spanish Limited Liability Companies Law or legal text replacing it.

2. The nominations for Directors submitted to the Board of Directors for deliberation at the General Meeting and the appointment decisions that the Board adopts in virtue of the powers of co-optation legally vested in it, must be preceded by the corresponding proposal by the Nomination and Remuneration Committee when in relation to independent directors, and by a report in the case of all other directors.

Section 19. Appointment of affiliate directors

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their remits, will ensure that the candidates selected are persons of recognised standing, competence and experience, and shall be particularly rigorous with respect to those called on to be Independent Directors provided for in Section 5 of these Regulations and under the terms of the applicable good governance standards.

Section 20. Term of office

1. Directors shall hold office for the term provided for in the corporate Bylaws, and may be re-elected once or more times for this same term.

2. Directors appointed by co-optation shall hold their positions until the date of the first General Meeting. If a vacancy occurs once the General Meeting has been convened and before it is held, the Board of Directors may appoint a director until the next General Meeting is held. Moreover, the director appointed by co-optation by the Board does not necessarily have to be a shareholder in the company.

When, following a Nomination and Remuneration Committee report, the Board of Directors considers that the interests of the Company are in jeopardy, the director whose term of office has ended or who for any other reason ceases to hold office, may not work in any other company that has a similar corporate purpose to the Company and which is considered by the Board to be a competitor, for the period determined by the Board, which in no case will be greater than two (2) years.

#### Section 21. Removal of directors

1. Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.

2. Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:

a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;

b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;

c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

3. Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

Furthermore, there is a Director Selection Policy stating that, in accordance with the provisions of the Limited Liability Company Law, the Nomination and Remuneration Committee is responsible for proposing the nomination or re-election of members of the Board of Directors in the case of independent directors, with the Board itself being responsible for proposing nomination or re-election in all other cases. This proposal for nomination or re-election must be accompanied by an explanatory report from the Board that assesses the competence, experience and merits of the proposed candidate. Additionally, the proposal for nomination or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee.

Selection of the candidates for director shall be based on a preliminary analysis of the necessities of the company, which must be carried out by the Board of Directors with

advice and a report from the Nomination and Remuneration Committee. The objective is to incorporate different professional and management experiences and competences, as well as to promote the diversity of knowledge, experiences and gender, considering the weight of the various activities carried out by Cellnex and taking into account any areas or sectors that should be specifically promoted.

Any board member may request that the Nomination and Remuneration Committee takes into consideration a potential candidates to cover directorship vacancies, in the event that the Committee finds them suitable in its opinion.

Additionally, the Selection Policy regulates the process and conditions that candidates must meet.

C.1.20 Explain to what degree the annual evaluation of the Board has led to significant changes in its internal organisation and the procedures applicable to its activities:

<b>Description of changes</b>
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The evaluation of the Board has not resulted in significant changes to the internal organisation or to procedures.
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C.1.20 bis Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, with regard to the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and chief executive of the company, and the performance and contribution of each board member.

The Board carried out a self-evaluation for the period between 7 May 2015 (date Cellnex shares were admitted to trading) and 7 April 2016, concluding that the Board worked efficiently during the period evaluated, fulfilling the duties assigned to it by the Corporate Bylaws and the Board of Directors' Regulations. Additionally, the performance of the Chairman of the Board and the Chief Executive Officer and the performance and contribution of each board member have been sufficient and satisfactory.

Another self-evaluation was also carried out that covered the entire 2016 financial year and the relevant report was issued, prepared based on the responses given in the Board evaluation questionnaire that was sent to the directors, which consisted of the following sections: (i) Board composition and structure; (ii) independence and chairing of the Board; (iii) Board committees; (iv) relationship with senior management; (v) alignment and commitment of the Board with the strategic objectives; (vi) efficiency of the Board; (vii) individual contribution of the directors; and (viii) overall assessment of the Board. The aim of this questionnaire was to reflect the observations and opinions of the directors, ensuring the confidentiality of the process, in order to identify possible areas for improvement.

As an overall assessment, the directors identify the Board's dedication and commitment as its strong points, as well as its independence and collaborative atmosphere, its strategic and financial vision, its interest in both the short- and long-term, and its alignment with Cellnex's growth strategy.

Nonetheless, an action plan was proposed to correct the deficiencies identified, focusing on designing a succession plan for senior managers, encouraging frequent

discussion of issues related to daily activity and promoting the inclusion of women on the Board and its committees.

C.1.20. ter Break down, where appropriate, the business relationships that the consultant or any company of its group maintains with the company or any company from its group.

C.1.21 State the circumstances under which directors must resign.

1. Directors shall resign from their positions when they have completed the period for which they were appointed and when decided on by the General Meeting under the powers legally or statutorily vested therein.

2. Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign in the following cases:

a) when they cease to hold the executive positions with which their appointment as Director was associated. Independent directors when they complete twelve (12) years in the position;

b) when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;

c) when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;

d) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

3. Executive directors must tender their resignation to the Board once they have reached the age of 70, and the Board must decide whether they may continue to perform their executive or delegated functions or remain simply as a director.

C.1.22 Section Repealed.

C.1.23 Are qualified majorities, other than the statutory majorities, required for any type of decision?

Yes

No

C.1.24 Explain whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the Board of Directors:

Yes

No

C.1.25 State if the Chairman has the casting vote:

Yes

No

C.1.26 State of the Bylaws or the Board of Directors' Regulations establish any age limits for the directors.

Yes

No



**Age limit for the chairman**

**Age limit for the Chief Executive Officer** 70

**Age limit for directors** □

C.1.27 State whether the Bylaws or the Board of Directors' Regulations establish a limited term of office for independent directors, other than those established by law:

**Yes**                      **No** x

C.1.28 State whether the Bylaws or the Board of Directors' Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limit stipulated by legislation. . If so, briefly describe such rules.

Section 23(a) of the Bylaws state that any director may confer representation to another director in writing, by fax, email or any other similar method. Non-executive directors may only confer representation to another non-executive director.

C.1.29 State the number of board meetings held during the financial year, and how many times the board has met without the chairman being present. Proxies granted with specific instructions shall be counted as attendance.

<b>Number of Board meetings</b>	10
<b>Number of Board meetings without the presence of the Chairman</b>	0

If the chairman is an executive director, state the number of meetings held, without an executive director being present or represented and chaired by the Lead Independent director.

<b>Number of meetings</b>	0
---------------------------	---

State the number of meetings held over the financial year attended by all its members

<b>Number of meetings of the Executive Committee</b>	<b>Number of meetings</b>
<b>Number of meetings of the Audit and Control Committee</b>	6
<b>Number of meetings of the Nomination and Remuneration committee</b>	6

C.1.30 State the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

<b>Number of meetings with all directors in attendance</b>	9
<b>% of attendances of the total votes cast during the year</b>	98%

C.1.31 State if the consolidated and individual annual accounts that are presented for approval to the board are previously certified:

**Yes**  **No**

Identify, where appropriate, the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the Board

<b>Name</b>	<b>Office</b>
JOSÉ MANUEL AISA	FINANCE AND CORPORATE DEVELOPMENT MANAGER
TOBIÁS MARTÍNEZ GIMENO	Chief Executive Officer
JAVIER MARTÍ DE VESES ESTADES	GENERAL SECRETARY

C.1.32 Explain, where appropriate, the mechanisms, established by the Board of Directors to prevent the individual and consolidated accounts being presented to the General Shareholders' Meeting with a qualified Audit Report.

In accordance with section 39.3 of the Board Regulations, the Board of Directors shall procure to definitively draw up the annual accounts in a way that the auditor cannot oppose exceptions. However, when the Board considers that it shall maintain its approach, it shall explain publicly the content and scope of the discrepancy. The duties of the Audit and Control Committee (section 15(c) of the Board Regulations) include supervising the process of preparing and presenting the compulsory financial information as well as the integrity thereof. The Audit and Control Committee holds regular meetings with the Company's external auditors to avoid discrepancies in the criteria to be followed in preparing the annual financial statements.

C.1.33 Is the Secretary of the Board of Directors also a director?

**Yes**  **No**

If the Secretary is not a director, complete the following table:

<b>Name or company name of secretary</b>	<b>Representative</b>
JAVIER MARTÍ DE VESES ESTADES	

C.1.34 Section Repealed.

C.1.35 State, where appropriate, the specific mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and credit rating agencies.

One of the duties of the Audit and Control Committee (section 15(b) of the Board Regulations) is to propose to the Board of Directors, so that it may submit them to the General Shareholder's Meeting, the proposals for selection, appointment, re-election and replacement of the external accounts auditor or auditing firm, the contracting terms, the scope of their professional mandate and, as the case may be, the revocation or non-renewal thereof, all in accordance with the current legislation, as well as to regularly collect from them information about the audit plan and its implementation, and to preserve its independence in the exercise of its duties.

Another function (section 15(d) of the same Regulations), is to establish the appropriate relations with the external accounts auditors or auditing firms in order to receive information on issues that may jeopardise the independence of the same, to be studied by the Committee, and any other information relative to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external accounts auditors or auditing firms written confirmation of their independence with regard to the company or any organisations directly or indirectly related to the same, in addition to information regarding any additional services of any kind provided to and the pertinent fees received from these organisations by said auditors or auditing firms, or by persons or organisations related to the same in accordance with the provisions established in the applicable legislation on account auditing.

Additionally, another function of the Audit and Control Committee (section 15 ap. e) of the Board Regulations) is to issue annually, prior to the issuance of the auditors' report on the annual accounts, a report which shall express an opinion on the independence of the auditors or audit companies. This report shall contain, in any event, a valuation of the additional services provided referred to in the previous section, individually considered and as a whole, which are different from the legal audit and details in relation with the independent regime or the audit governing regulations.

In accordance with legal requirements, the Company's annual financial statements detail the fees paid to the Company's external auditor for all audit and non-audit services rendered.

The Company's governing bodies pay particular attention to ensuring the independence of financial analysts, investment banks and rating agencies.

C.1.36 State whether the company has changed its external auditors during the financial year. If so, identify the incoming auditor and the outgoing auditor.

Yes

No

If there were any disagreements with the outgoing auditor, provide a description thereof:

C.1.37 State whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all the fees charged to the company and/or its group.

Yes

No

	Company	Group	Total

<b>Amount of non-audit work (K€)</b>	349	150	499
<b>Amount of non-audit work as a % of the total amount billed by the auditing firm</b>	48.54%	26.69%	38.95%

C.1.38 State whether the audit report on the previous year's financial statements is qualified or includes observations or qualifications. If so, state the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications.

Yes

No

C.1.39 State the number of consecutive financial years that the current auditing firm has been auditing the financial statements of the company and/or its group. Likewise, state the percentage that represents the number of financial years audited by the current audit firm over the number of financial years in which the financial statements have been audited:

	<b>Company</b>	<b>Group</b>
<b>Number of consecutive years</b>	4	4

<b>Number of financial years audited by current audit firm / Number of financial years that the Company has been audited (%)</b>	100%	100%
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C.1.40 State and where appropriate give details of any procedures through which directors may receive external advice.

Yes

No

<b>Describe the procedure</b>

In accordance with the provisions of section 23 of the Board Regulations:

1. In order to receive assistance in the performance of their duties, non-executive Directors may, when there are special circumstances that make this necessary, request that legal, accounting, financial or other experts be hired at the Company's expense. The commissioned task must necessarily deal with specific problems of a certain importance and complexity which may arise during the performance of their office.

2. The Chief Executive Officer of the Company must be informed of any decision to engage external advisors, and may be vetoed by the Board of Directors, provided it proves that:

- a) it is not necessary for the proper performance of the duties entrusted to the non-executive Directors; or
- b) the cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or
- c) the technical assistance obtained may be properly provided by in-house experts and staff members.

C.1.41 State and, where appropriate, give details of whether there are procedures for directors to receive the information they need to prepare for meetings of the governing bodies in a timely manner:

Yes

No

<b>Describe the procedure</b>
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Pursuant to section 22 of the Board of Directors' Regulation, the agenda of Board meetings will clearly indicate any points regarding which the Board of Directors must take adopt decision or a resolution so that the directors may examine or gather, in advance, the information required for the adoption thereof. All information referring to the proposals to be presented to directors will be available to them forty-eight (48) hours in advance.

The advance information sent to directors during the financial year 2016 was generally sent to the directors one week in advance of the meetings.

C.1.42 State and, where applicable, give details of whether the company has established any rules requiring Directors to inform –and, if applicable, resign- under circumstances that may undermine the organisation's name or reputation:

Yes

No

<b>Describe the of rules</b>
------------------------------

Directors must tender their resignation to the Board and, if the Board of Directors considers it appropriate, formally resign (section 21 of the Board Regulations) in the following cases:

- when they find themselves in a situation of conflict of interests or a prohibited situation as provided for by law;
- when they are prosecuted for an alleged criminal act or are subject to disciplinary proceedings for serious or very serious misconduct instituted by the supervisory authorities;
- when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist. The above circumstance shall be deemed to occur in the case of proprietary directors when the total shareholding they own or whose interests they represent is disposed of or when the reduction of such shareholding requires a reduction in the number of relevant proprietary directors.

C.1.43 State whether any member of the Board of Directors has notified the company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for any offences covered in section 213 of the Spanish Limited Liability Companies Law.

Yes

No

State whether the Board of Directors has examined this matter. If so, provide a duly reasoned explanation of the decision made regarding whether or not the director should

remain in office or, if applicable, describe the actions taken or to be taken by the board of directors as at the date hereof.

C.1.44 Detail the significant agreements reached by the company which come into force, are amended or terminate in the event of a change in control of the company due to a public takeover bid, and its effects.

-Syndicated bank financing agreements are subject to early repayment if there is a change in control, where change in control is defined as the acquisition of (i) more than 50% of the voting rights or (ii) the right to appoint or remove the majority of the board members.

-Bond issue agreement: holders will have the option to request the early amortisation of their bonds, in the event of a change in control (in the same terms as in bank financing), but in addition, this change in control would have to bring about a reduction in the rating of these bonds, and provided that the rating agency stated that the reduction of the credit rating is caused by the change in control.

-Some of the purchase contracts entered into by the company for the acquisition of infrastructures include a purchase option for the sellers if there is a change in control at Cellnex or at any of its subsidiaries in favour of a competitor of the sellers.

C.1.45 Identify in aggregate terms and provide detailed information on agreements between the company and its directors, managers or employees which include any indemnity, severance or golden parachute clauses, for cases of resignation or wrongful dismissal or if the contractual relationship comes to an end as a result of a public takeover bid or other kinds of transactions.

**Number of beneficiaries: 3**

**Type of beneficiary:**

CEO and Senior Management

**Description of the agreement:**

The executives have signed agreements with the company that contain compensation clauses.

In general terms, the contracts' compensation clause provides for the payment of compensation to the executive in the event of unfair dismissal. The compensation is the greatest of the following amounts: a) compensation equivalent to one year's salary, taking into consideration the annual gross fixed remuneration in cash received at the time the employment relationship is terminated, as well as the annual gross variable remuneration received by the executive in the 12 months immediately before the effective cessation of the provision of their services; or b) the compensation established by current employment legislation.

In the case of the Chief Executive Officer and other members of senior management, the compensation clause in the contracts provides for the payment of compensation in

favour of the executive in the event of (i) unfair dismissal or (ii) unilateral termination of the contract by the manager due to serious breach by the company of the obligations set out in the contract, substantial modification of their duties without consent, change in control of the company in the sense provided for in Section 42 of the Commercial Code and similar circumstances.

In the case of other members of senior management, their contracts provide for the payment of compensation in favour of the executive in the event of (i) unfair dismissal or (ii) unilateral termination of the contract by the manager if, prior to a given date (2017), the executive is removed from the office he or she held or his or her powers, functions or conditions are substantially modified.

For the Chief Executive Officer the compensation would consist of two years' fixed and variable remuneration.

State whether these agreements must be disclosed to and/or approved by the company or group governing bodies:

	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Decision-making body that authorises the clauses</b>	X	

	<b>YES</b>	<b>NO</b>
<b>Is the General Shareholders' Meeting informed of such clauses?</b>		X

## C.2 Committees of the Board of Directors

C.2.1 Describe all of committees of the Board of Directors, the members thereof and the proportion of executive, proprietary and independent directors of which they are comprised:

### AUDIT AND CONTROL COMMITTEE

<b>Name</b>	<b>Office</b>	<b>Category</b>
PIERRE BLAYAU	CHAIRMAN	Independent
BERTRAND BOUDEWIJN KAN	MEMBER	Independent
FRANCISCO JOSÉ ALJARO NAVARRO	MEMBER	Proprietary

<b>% of proprietary directors</b>	33.33%
<b>% of independent directors</b>	66.67%
<b>% of affiliate directors</b>	0

Explain the duties assigned to this committee, describe the procedures and organizational and operational rules and summarise its main actions taken during the year.

As regards section C.2.1

Identify the director who is a member of the Audit Committee who has been appointed taking into account his or her knowledge and experience in the field of accounting, auditing or both, and provide information on the number of years that the Chairman of this Committee has held this post.

<b>Name of director with experience</b>	PIERRE BLAYAU
<b>No of years chairman in office</b>	1

### NOMINATION AND REMUNERATION COMMITTEE

<b>Name</b>	<b>Office</b>	<b>Category</b>
GIAMPAOLO ZAMBELETTI ROSSI	CHAIRMAN	Independent
LEONARD PETER SHORE	MEMBER	Independent
JOSEP MARIA CORONAS GUINART	MEMBER	Proprietary

<b>% of proprietary directors</b>	33.33%
<b>% of independent directors</b>	66.67%
<b>% of affiliate directors</b>	0

**Explain the duties assigned to this committee, describe the procedures and organizational and operational rules and summarise its main actions taken during the year** As regards section C.2.1

C.2.2 Complete the following table with information on the number of female directors sitting on board committees over the last four financial years.

	<b>Number of female directors</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>FY2016</b>	<b>FY2015</b>	<b>FY2014</b>	<b>FY2013</b>
	<b>Number</b> <b>%</b>	<b>Numb</b> <b>%</b>	<b>Number</b> <b>%</b>	<b>Number</b> <b>%</b>
<b>Audit and Control Committee</b>	0	0		
<b>Nomination and Remuneration Committee</b>	0	0		



C.2.3 Section Repealed.

C.2.4 Section Repealed.

C.2.5 State, where appropriate, whether there are any regulations governing the board committees, the place where they are available for consultation and any amendments that have been made during the year. Also state whether an annual report has voluntarily been prepared on the activities of each committee.

The Board Committees do not have their own regulations and their functioning is regulated by the Board of Directors' Regulations, which are available on the company's website.

Each of these committees has drawn up an activity report for 2016, which is available on the company's website.

C.2.6 Section Repealed.

## **D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS**

**D.1 Identify the competent body and explain the procedure, if any, to approve related-party and intra-group transactions:**

### **Procedure to approve related party transactions**

Pursuant to Section 4 of the Board of Directors' Regulations, the board will have the authority to approve operations which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto, except when these fulfil the three following conditions:

- 1) They are carried out by virtue of contracts, the conditions of which are standardised and apply en masse to most customers.
- 2) They go through at market prices, generally set by the person supplying the goods or services.
- 3) Their amount is no more than 1% of the group's annual revenues.

Furthermore, section 33 of the mentioned regulations establishes that:

The Board of Directors formally reserves the right to know about any important transaction by the company with a significant shareholder.

With regard to ordinary transactions, the general authorisation for the line of operations and their conditions of execution will suffice.

**D.2 Give details of any significant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.**

<b>Name or company name of significant shareholder</b>	<b>Company name or group entity</b>	<b>Nature of relationship</b>	<b>Type of transaction</b>	<b>Amount (K€)</b>
Abertis Infraestructuras, S.A.	Cellnex Telecom, S.A.	Contractual	Dividends and other distributed profits	7,168
Blackrock, Inc.	Cellnex Telecom, S.A.	Contractual	Dividends and other distributed profits	1,241
Threadneedle Asset Management LTD	Cellnex Telecom, S.A.	Contractual	Dividends and other distributed profits	1,636
Criteria Caixa, S.A.U.	Cellnex Telecom, S.A.	Contractual	Dividends and other distributed profits	1,097

**D.3** Give details of any significant transactions, by virtue of their amount or importance, between your company or groups of companies and the company's managers or directors.

**D.4.** Give details of any significant transactions carried out by the company with other companies belonging to the same group, provided that these are not eliminated in the process of drawing up the consolidated financial statements and do not form part of the ordinary business of the company as regards its objectives and conditions.

In any event, provide information on any intra-group transactions carried out with companies established in countries or territories considered tax havens.

**D.5** State the amount from related-party transactions.

15,696 (K€)

**D.6** Give details of the mechanisms established to detect, determine and resolve any potential conflicts of interest between the company and/or its group, and its directors, officers or significant shareholders.

In accordance with the Board of Directors' Regulations, directors and executives must report any conflicts of interest and abstain from participating or influencing the decision-making process on matters affected by the conflict.

Directors (section 27 c) of the Board Regulations) must abstain from participating in discussions and votes regarding resolutions or decisions in which they or a related person has a direct or indirect conflict of interest. Resolutions or decisions that affect their status as directors, such as their appointment to or removal from positions in the governing body or other similar decisions, shall be excluded from the aforementioned obligation to abstain.

Additionally, Directors (section 27 (e) of the same Regulations) must adopt the necessary measures to avoid situations in which their interests, whether for their own account or for others, may conflict with the company's interests and their duties towards the company. The foregoing excludes the cases in which the company has provided its consent, pursuant to the terms set forth in section 230 of the Spanish Limited Liability Companies Law.

Directors (section 28 of the same Regulations) must advise the Board of Directors of any direct or indirect conflict that they or people related to them might have with the Company's interests. The director concerned will refrain from taking part in resolutions or decisions related to the operation to which the conflict refers. The votes of the directors affected by the conflict and who must abstain, will be deducted for the purposes of calculating the majority of votes needed. In particular, the duty to avoid conflicts of interest obliges directors to refrain from:

- a) Carrying out transactions with the company, except when these are ordinary operations, carried out under standard conditions for customers, and are of little importance, understood as those operations whose information is not required to convey a faithful image of the entity's assets, financial situation and results.
- b) Using the company's name or their status of director to unduly influence the conduct of private operations.
- c) Using the company's assets, including its confidential information, for private purposes.
- d) Taking advantage of the company's business opportunities.
- d) Obtaining benefits or payments associated with the performance of their position from third parties other than the company or its Group, unless they are acts of mere courtesy.
- e) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.
- f) Carrying out activities, for their own account or for others, that cause them to be in effective competition, whether real or potential, with the company or which, in any other way, cause a permanent conflict with the company's interests.

In July 2016 Cellnex's Board of Directors approved a new Internal Code of Conduct (ICC) adapted to the requirements of the European Regulation on market abuse. With regard to conflicts of interest, the ICC establishes:

#### Principles of action

In any situation involving a "Conflict of Interest" (being a clash between the interests of the Company and the personal interests of the Affected Person), Affected Persons shall act in accordance with the following principles:

(i) Independence.

They must act at all times with loyalty to the Company, irrespective of their own interests or those of third parties.

(ii) Abstention.

They must refrain from intervening or influencing in the taking of decisions concerning matters affected by the conflict.

(iii) Confidentiality.

They shall refrain from accessing confidential information which may have a bearing on the aforesaid conflict.

#### Notification of Conflicts of Interest

Affected Persons shall notify the General Secretary's Office of any possible Conflicts of Interest to which they are subject by their family relationships, their personal holdings, their activities outside the Company, or on any other grounds.

It shall be considered that there is no Conflict of Interests owing to family relationships when said relationship is beyond the fourth degree of consanguinity or the second degree of affinity.

It shall be considered that there is a possible Conflict of Interests derived from personal holdings when said holdings arise in relation to a company in which the Affected Person holds a management post or has a significant stake (which is understood to mean a total stake, direct or indirect, in excess of twenty (20) per cent. of its total issued share capital).

Affected Persons must ensure that the information is kept up to date, reporting any modification to or termination of previously communicated situations, as well as the emergence of any new possible Conflicts of Interest.

Communications must be issued without delay once the current or possible situation of Conflict of Interest is recognised, prior to taking any decision which may be affected by the possible Conflict of Interest.

Members of the Board of Directors

In addition to the foregoing, the members of the Company's Board of Directors shall be subject to the provisions of the applicable corporate regulations and internal Company's rules.

#### D.7 Is more than one company of the group listed in Spain?

Yes

No

Identify the subsidiaries listed in Spain.

<b>Listed subsidiaries</b>
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State whether they have publicly and accurately defined their respective areas of activity and any possible business relationship among them as well as those between the listed dependent company and the other companies within the group

<b>Define any potential business relations between the parent company and the listed subsidiary company and between the listed subsidiaries and the other group companies</b>
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Describe the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and the other group companies.

<b>Mechanisms for the resolution of possible conflicts of interest</b>
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### **E RISK CONTROL AND MANAGEMENT SYSTEMS**

E.1 Describe the risk management system in place at the company, including those of a fiscal nature.

Cellnex has introduced a risk management system that has been approved and supervised by the Audit and Control Committee; it is currently applied in the Spanish and Italian companies.

To identify risks, there are guidelines that have been defined and approved by the Audit and Control Committee.

This area of the company is responsible for the identification, assessment and monitoring of inherent and residual risk and for implementing controls to reduce risks.

The risk map is contrasted and approved by the Board of Directors and periodically revised by the Audit and Control Committee who monitors the main risks with greater frequency and informs the Board of Directors.

## E.2 Identify the corporate bodies responsible for preparing and enforcing the risks management system

The following bodies are responsible for defining, executing and monitoring the risk management system:

- The Board of Directors: the highest body responsible for defining the risk control strategy and policy.
- The Audit and Control Committee: Designated as such by the Board of Directors, its role is to monitor the effectiveness of the risk management model and the information supplied to third parties regarding the system, making sure that the risk management system is able to identify, manage, prioritise, control, monitor and provide complete information on risks.
- Risk Control: is responsible for preparing and updating risk management policies, setting out mechanisms and methodologies to identify and assess risks, updating risk mapping, implementing a system for monitoring and communications to the highest level of company governance and review the controls that mitigate the identified risks.
- Senior Management Committee: Is responsible for risk management included in the implementation of the defined risk policies, the approval of risk maps, the assigning of responsibilities, the implementation of control activities and action plans as well as the monitoring of existing risks in its area of responsibility.
- Managers: Each area manager is responsible for identifying their risks and informing the Risk Control in a timely fashion. Likewise, he or she is responsible for identifying and implementing control activities aimed at mitigating risks.

## E.3 State the main risks which could prevent the company from achieving its targets.

The main risks which may prevent the company from achieving its targets are:

- Strategic elements, such as mergers between telecommunications operators, emergence of new competitors, restrictions on growth in regulated markets.
- Compliance following changes in fiscal, legal or environmental law or being subject to litigation or other judicial processes...
- Financial as a result of customers defaulting on payments, access to financing, fluctuations in the stock market price.

- Operatives derived from the integration and optimisation of acquisitions, increase in exposure of information systems, emergence of alternative technologies, capacity to attract and retain qualified personnel.

The main risks identified by the Group are described in the Consolidated Director's report for the year ended 31 December 2016.

#### E.4 Identify if the company has a risk tolerance level

The levels of tolerance are defined in the risk assessment matrix.

For the identified risks each person responsible will evaluate the possible impact of such risks should these occur and classify them as low, medium, large or critical depending on their economic impact, implications for the organisation and impact on reputation. Following this the possibility of the risk actually occurring will be evaluated. This possibility is classified as unlikely, possible, probable and almost certain. The combination of impact and probability leads to risk prioritisation.

#### E.5 Identify any risks which have materialized during the year.

We set out the most relevant risks which have occurred during the year:

- *Monitoring of the Litigation associated with the extension of the DTT.*
- Emergence of new competitors.
- Access to financing.
- As a result of the international expansion, emergence of new regulatory compliance risks.

#### E.6 Explain the response and monitoring plans for the main risks the company is exposed to.

In the implemented risk management model, the plans for response and supervision of the main risks are set out, according to their valuation.

Those risks considered to be priorities are reviewed at least once every six months by the Audit and Control Committee which, with the same frequency, reviews whether there are variations in the risks not defined as being a priority. Additionally, all areas carry out risk management and there is also the Board of Directors who in turn monitors these.

## **F INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS IN FINANCIAL REPORTING (ICFR)**

Describe the mechanisms which comprise the internal control and risks management systems in financial reporting (ICFR) at your company.

### F.1 Entity's control environment

Specify at least the following components, with a description of their main characteristics:

F.1.1. What bodies and / or functions are responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation and (iii) its monitoring.

Internal Control over Financial Reporting (ICFR) at Cellnex forms part of its general internal control system and consists of a set of processes which the Board of Directors, the Audit and Control Committee, management and staff carry out to provide reasonable assurance of the reliability of the financial information reported to the market.

The 'Model for the Organisation and Monitoring of the ICFR' at Cellnex (hereinafter 'ICFR Organisation Model') establishes that the Board of Directors is the highest authority responsible for the supervision of the internal information systems, as well as the Risk Control and Management Policies. In addition, the Sections and the Board Regulations state, amongst other things, the following responsibilities:

- Defining general company policies and strategies, as well as the corporate governance policies of the organisation.
- The preparation and approval of annual accounts and any other report or information required by law.
- The financial information that, due to its status as a listed company, the company must periodically publish.

Definition of the Risk Control and Management Policy, including taxation risks, as well as supervising internal information and control systems.

- The supervision of the correct functioning and actions of the delegated bodies, amongst which there is the Audit and Control Committee and designated directives.

According to the Board of Directors' Regulation (section 15), there are amongst the basic responsibilities of the Audit Control Committee (hereinafter the AAC):

- The supervision of the preparatory process and presentation of mandatory financial information, as well as its integrity.
- The supervision of the efficiency and suitability of internal control and risk evaluation in Cellnex as well as the best monitoring and control measures to avoid committing criminal offences and for risk management systems, including fiscal risk and the systems in place to manage compliance with all applicable legislation.
- Discussion with the account auditor of the significant weaknesses of the internal control system detected during the auditing process.
- The supervision of internal auditing services, ensuring their independence and making sure that the recommendations and suggested corrective measures be considered by the management.

Cellnex Internal Audit is in turn responsible for supervising ICFR in delegation from the Audit and Control Committee with the Finance and Corporate

Development Department responsible for its design, maintenance and implementation.

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- Departments and / or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

The Cellnex Board of Directors assigns the responsibility of the design and review of the organisational structure related to the preparation of the financial information to Organisation and General Services and to Finance and Corporate Development. From these guidelines the general structures and distribution of responsibilities and the procedure to design, review, update and inform on these are defined; this process being documented in the form of organisational structure charts and process models and its associated regulations which form part of the policy catalogue of Cellnex.

Cellnex has an internal organisational chart which covers all areas and which is basically divided according to department (including those departments involved in preparing, analysing and supervising financial information). This organisational chart indicates responsibilities up to a certain management level and is supplemented by other more detailed organisational charts at departmental level.

Regarding to the preparation process of financial information, in addition to the detailed organisational charts and with the aim of assigning responsibilities, there is the ICFR Organisational Model, developed by the Department of Consolidation and Financial Reporting, part of the Finance and Corporate Development department, and which is submitted to the AAC for approval.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Cellnex has a Code of Conduct (Code of Ethics) approved by Cellnex Telecom, S.A.'s Ethics and Compliance Committee that is made up from Internal Audit, the Legal department, Resources department, the Company Secretarial department, and the Regulation department, and this has been communicated to the employees and is available on the corporate intranet. Specific training for employees is being planned.

The main values and principles set out in the Code of Ethics are: integrity, honesty, transparency and good faith. The Code of Ethics includes among its fundamental



principles the commitment to offer financial information that reflects the a fair view of the economic and financial situation in compliance with generally accepted accounting principles and international financial reporting standards applicable, and the responsibility of its employees and management to ensure this is so, both by correctly carrying out their functions and by notifying the management bodies of any circumstance which might affect this commitment.

The body responsible for analyzing breaches and proposing corrective actions and sanctions is the Ethics and Compliance Committee.

- 'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

Cellnex has and promotes the use of communications channels concerning possible non-conformities with the Ethics Code and other irregular activities in the organisation, especially from a financial and accounting point of view, informing the Ethics and Compliance Committee in all cases.

As stated in the Ethics Channel Policy, which regulates the procedure, scope and application of the reports received, the latter can be communicated via a communications form, either by post or email, maintaining the confidentiality at all times.

Any communications will be received, analysed and followed up by the Ethics and Compliance Committee, and this committee will periodically inform the Nomination and Remuneration Committee and the Audit and Control Committee. From time to time the Ethics and Compliance Committee will inform the Nomination and Remuneration Committee and the Audit and Control Committee about the functioning of the Ethics Channel.

If reports have been received during the year, the Ethics and Compliance Committee will produce an annual report on the communications received, to facilitate the analysis of the functioning of the 'whistle-blowing' channel.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Regarding training programs and the periodic updating of elements which can affect the preparation and publication of financial information, Cellnex believes the continuous development and training of its staff and management to be key. In this regard, Cellnex also considers that complete and up-to-date training on accounting

regulations, the rules for preparing financial information, the regulations on capital markets, taxation and internal control is necessary to ensure that the information reported to the market is reliable and in accordance with regulations.

With respect to the preparation and review of financial information, during 2016 Cellnex implemented training plans covering the training needs identified by the department of Consolidation and Accounting Regulation in relation to:

☐ New accounting, tax, capital markets and internal control regulations, adopted and relevant to Cellnex.

☐ Changes to reporting methods and / or information systems

Once the needs of these areas have been identified, the appropriate training activities are designed and put into effect to cover annual training objectives on these matters.

Cellnex carried out training activities during 2016 using external experts and internal training sessions, covering personnel involved in preparing and reviewing financial information. The training areas on which most emphasis was placed during 2015 relate to accounting, tax and financial matters which could have the greatest impact on the preparation of Cellnex's consolidated financial information, particularly in changes to the fiscal and accounting changes at both national and international levels and with the year's updates concerning EU-IFRS.

Cellnex has an on-line training platform where both technical training for specific work groups and a more overall training can be accessed on a voluntary and, in some cases, mandatory basis (Code of Ethics, Ethics Channel).

In 2016, the following specific training was also provided:

☐ Deferred tax assets – IAS 12

☐ IFRS 16 – Leases

☐ IFRS 15 – Revenue recognition

☐ Fiscal and accounting aspects of Patent Box – iPlusF.

☐ IFRS 3 – Business combinations

Additionally, the Consolidation and Financial Reporting department has subscriptions to a number of publications and journals on accounting and financial matters and to the website of the International Accounting Standards Board which regularly sends new developments and other communications of interest which are analysed and reported to ensure they are taken into consideration when preparing Cellnex's financial information.

## F.2 Risks assessment in financial reporting

Report, as a minimum, on:

F.2.1. The main characteristics of the risk identification process, including error or fraud risks, with respect to

- whether process exists and is documented.

See Section F.2.1.5

- Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; and rights and obligations); whether the information is updated and how often.

See Section F.2.1.5

- The existence of a process to identify the consolidation perimeter taking into account, inter alia, the potential existence of complex corporate structures or special purpose vehicles

See Section F.2.1.5

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they might have an impact on the financial statements.

See Section F.2.1.5

- Finally, which of the company's governing bodies is responsible for overseeing the process.

Cellnex has a Risk Control and Management Policy that establishes the basic principles and the general framework for the control and management of all types of risks which are faced. In this manner Cellnex identifies and updates the principle risks organising adequate information and internal control systems and performing monitoring functions.

The Internal Control and Risk Management Manual of the ICFR (hereafter Risk Management Manual) describes and formalises Cellnex's internal control and risk management model with regards to the ICFR and establishes mechanisms used to determine the risks in this area, the key business processes along with the practical and operative documentation for this internal control model.

During the process of the drawing up and issuing financial information this manual sets out what financial information it refers to as well as the methodology for defining it. Furthermore, guidelines are established to determine whether the process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

Cellnex has identified the relevant business processes together with their inherent risks and has designed a Risk and Controls Matrix that aims to identify the main risks, based on which control activities have been designed, such that when adequately complied with, true and reliable financial information can be obtained.

The Department of Consolidation and Accounting Regulation is entrusted with identifying and documenting risks of error in the financial information; the process is supplemented by Internal Audit, which considers identified risks of error in relation to the group's overall Risk Map (which takes into account both financial and non-financial risks). The entire process is ultimately overseen by the Audit and Control Committee.

The Cellnex Audit and Control Committee is responsible for supervising the risk control systems with the support from Internal Audit.

### F.3 Control activities

Give information on the main features if at least the following exist:

F.3.1. Procedures to review and authorise financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for each type of transaction which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgement, estimates, valuations and projections.

Cellnex has a Regulated Information Reporting Manual, duly approved by the ACC, where the process for preparing and approving the financial information and the description of the ICFR to be published in the market and to investors is detailed. This manual sets out the criteria to identify relevant public financial information, this being as follows:

- Regular reporting obligations (RRO):
  - .. Quarterly financial report.
  - .. Half year financial report.
  - ... Annual financial report and Annual Corporate Governance Report (ACGR)
- Annual report on remuneration policy for directors (ARR)
- Significant Events

Cellnex's Manual for the Issue of Regulated Information also details the departments involved in preparing, review and authorisation of the financial information and their respective responsibilities from the year end accounting processes to the publication of the relevant facts. In particular, for each set of regulated financial information to be published for the market there is a procedure for its preparation and review that requires

completing questionnaires for the internal control of regulated information to ensure a reasonable security in the reliability of the entities financial statements.

Following the Manual for the Issue of Regulated Information and completing specific questionnaires for internal control is obligatory and subject to review by the internal Cellnex auditor.

On the matter of descriptive documentation regarding flows in activities and controls of the different transactions that can materially affect the financial statements, Cellnex has a ICFR Organisational Model that structures the specific mechanisms set up to maintain an internal control environment that favours the generation of complete financial information that is reliable and timely and anticipates the existence of possible irregularities as well as ways in which to detect and remedy these. Cellnex has developed procedures for those processes that are considered material and relevant as concerns their potential impact on the financial information to be published, as detailed below:

- Revenue recognition and accounts receivable
- Fixed assets and investments
- Purchases and accounts payable
- Staff costs
- Judgements and estimates
- Month end accounting, consolidation and financial reporting
- Cash and borrowings
- Taxes

Individual and consolidated financial statements, six-monthly financial reports and the financial information in the quarterly interim statements of Cellnex are prepared and reviewed by Finance and Corporate Development prior to submission to the Audit and Control Committee. Here the procedures included in the Emission of Regulated Information Manual will be applied as a prior step to a submission of the information to Cellnex Board of Directors for final approval.

Cellnex has descriptions of controls over activities and controls directly related to transactions that might have a material impact on the financial statements, to mitigate the risk of material error in the information reported to the markets. These descriptions are documented in the 'ICFR Risk and Control Matrix' and contain information on what the controls should consist of, the reason these are carried out, who should carry them out, how often, and other information on what information systems or what operations carried out by third parties are important for the effectiveness of the control operation in question. The controls cover areas such as income generation, investment and expenditure on concessions, acquisitions and subsequent valuation of other assets, analysis of the recoverability of investments, recording of taxation of profits or the correct presentation of financial instruments and of the financing operations of Cellnex.

In relation to the relevant judgements and estimations made, Cellnex reports any areas of particular uncertainty that it considers especially pertinent in its consolidated financial statements. The specific review and approval of the relevant judgements, estimates, assessments and projections as well as the key assumptions used for calculating them, with a material impact on the consolidated financial statements, are made by Finance and Corporate Development and, where applicable, by the managing director. The most significant ones, such as the monitoring of asset values and hedging policies will be treated and reviewed by the ACC before submitting them for the Board's approval.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key processes of the company regarding the drafting and publication of financial information.

Cellnex uses information systems to keep adequate records and monitor its operations and, therefore, their proper operation is a key element and one that is particularly emphasised by Cellnex. Specifically, the Consolidation and Reporting SAP BPC system has been implemented in all the Group's companies in Spain. The process of segregation of systems with its parent company abertis was also completed during 2016

For companies outside Spain, the database is fed through files prepared in the relevant foreign companies and sent to the corporate offices in Spain to be uploaded into the system. In the case of the Italian subsidiary Galata, it is in the process of system segregation from the old Wind Telecomunicazioni parent company, and information exchanges take place through exporting data in secure files.

The Systems department, which forms part of the Organisation and Efficiency department, which in turn forms part of the Resources department is responsible for establishing the model of internal control over the information systems in those aspects relating to access security, segregation of duties (in coordination with the business areas and support areas) change control, apart from carrying out monitoring activities for risks and controls derived from the externalisation of the systems.

F.3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

Cellnex does however regularly use reports by independent experts to value its financial instruments and undertakings to employees. In addition, Cellnex maintains certain activities associated with accounting, payroll and the administration and maintenance of its corporate information systems subcontracted to an external supplier.

Cellnex has guidelines drawn up concerning the treatment of activities with third parties both in terms of hiring and the monitoring of results. These guidelines are detailed in the internal purchasing procedures.

The Finance and Corporate Development department carries out controls on the work of these experts to check:

- ☐ The competence, capacity, accreditation and independence of these experts.
- ☐ The validity of the data and methods used.
- ☐ The reasonableness of the assumptions used, if applicable.

Certain control and risk management mechanisms have been established with the supplier to ensure that financial information derived from such activities is complete and correct, these include: a Management and Monitoring Committee for the contract, agreements in levels of service, risk indicators, service reports, measures for technology security, external audits as well as contingency and continuity plans, amongst others.

#### F.4 Information and communication

Give information on the main features if at least the following exist:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with the team in charge of operations within the organization as well as an updated manual on accounting policies disclosed to the units through which the company operates.

The responsibility to define, maintain and update accounting policies within Cellnex falls upon the management of Consolidation and Financial Reporting.

The duties of the Consolidation and Financial Reporting department also include responding to accounting queries made by the various business units or other corporate areas of Cellnex.

Cellnex has an accounting policies manual, the Group Reporting and Accounting Principles Handbook (GRAPH) for the purposes of preparing financial statements under EU-IFRS which is drawn up by Corporate Management Control and regularly updated by it (at least once a year) to include the rules applicable to the year. The auditing instructions sent by the external auditor to the auditors of the various group companies for the limited review or audit in each six-monthly and annual close respectively indicate that accounting principles on which they must carry out their work are those contained in the Cellnex GRAPH.

Any alterations that may take place are notified to the subsidiaries by e-mail and the complete updated manual is filed on the Accounting Regulations portal, as well as on the Corporate Management Control portal of the Cellnex Intranet. The most recent update was in November 2016 and, in any event, checks are performed to verify whether any new significant modifications have been made in the preceding quarter that might affect the preparation of consolidated annual financial information.

F.4.2 Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units within the entity or group, supporting the main financial statements and accompanying notes as well as the disclosure concerning ICFR.

Cellnex has various integrated platforms of financial information for recording transactions and preparing financial information for all of its subsidiaries (SAP BCP consolidation and reporting). The completeness and reliability of such information systems are validated using the general controls stated in section F.3.2.

The preparation of regulated financial information as well as the individual financial states Cellnex's national companies is centralised Finance and Corporate Development, so to guarantee homogeneous procedures in their preparation.

Every half year and yearend the 'Half year forms / Annual forms' are received, these bring together all the information necessary for the preparation of the group's consolidated financial information (summarised intermediary financial statements and annual accounts).

These 'six-monthly and annual forms' ensure uniformity of information:

- ☐ It is standard and uniform for all countries and businesses.
- ☐ It is prepared on the basis of Cellnex's accounting manual which is standard for all of the group companies.
- ☐ It includes applicable legal, tax, commercial and regulatory requirements.

The information in the monthly reports and FORMS 2016 is loaded directly by the controllers

## F.5 Supervision of the system's operation

Give information describing the main features of at least:

F.5.1 ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function charged, inter alia, with supporting the audit committee in the monitoring of the internal system, including ICFR. Describe the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the company has an action plan specifying potential corrective measures and whether the impact of such measures on the financial information has been considered.

Cellnex already had a model for internal control over financial reporting, which was supervised in part by Abertis' corporate functions, to see through its commitment to complete and reliable financial information, and to comply with the fact that its previous main shareholder was also a listed company,. The adaptation of this model to the specific needs of Cellnex as a listed entity have occupied the majority of the Audit and



Control Committee's activities during this year. To this effect, the AAC has carried out the following ICFR-related activities in 2016:

- Monitoring of implementation levels and possible changes to Cellnex ICFR models.
  - Approving Cellnex's ICFR Organisational Model, as well as the ICFR Internal Control and Risk Management Manual, in line with Cellnex's general risk policy.
  - Review of the information related to ICFR included in the Annual Corporate Governance Report.
  - Review of the financial information Cellnex has published in the market.
  - Supervision and periodic analysis of the evolution of the implementation of the ICFR, understanding its level of implementation and efficiency.
- Follow up of the work performed by the company's external auditors with the aim of understanding the weaknesses in the internal controls which they have detected during their work as well as other relevant aspects or incidents in these.

The Audit and Control Committee has already approved the Internal Audit Plan for 2017, which includes the necessary actions to guarantee adequate supervision and evaluation of the plans throughout the year by regularly reporting the incidents detected and the necessary actions for improvement once checked with audited areas.

Cellnex has an Internal Audit function that reports to the CAC and, as indicated by the Cellnex Board of Directors Regulations and specifically the section that corresponds to the powers assigned to the Audit and Control Committee, has the main function of supervising the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the managers, as well as supervising the monitoring and control measures necessary for preventing criminal offences, the risk management systems, including tax-related ones, and the compliance management systems for any applicable legislation, and to discuss with the auditors any significant weaknesses in the internal control system detected while carrying out the audit.

During 2016 Internal Auditing developed various activities in key business process reviews and, as reported timely to the ACC, no significant weaknesses that could have a material impact on Cellnex's 2016 financial information have been identified; furthermore, necessary corrective actions to solve other future possible weaknesses have been carried out.

Likewise, as stated in section F.7.1, the external auditor has issued a report on the procedures agreed regarding the ICFR description made by Cellnex and which has not highlighted any material issues.

F.5.2 Whether there is a discussion procedure whereby the auditor (in accordance with the provisions of the NTA), internal auditors and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified during the review of the annual financial statements or any other assignments entrusted. Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed.

The discussion procedure for significant weaknesses identified in relation to internal control is based, in general terms, on regular meetings maintained by the various parties involved. In this regard, the Internal Audit function communicates, on a regular basis, its conclusions regarding internal control during the reviews of the SCIIF to the Finance and Corporate Development department and to the ACC. It also reports on its conclusions relating to the internal audit processes carried out during the year, along with the implementation state of the corrective action plans established.

In relation to the relationship with external auditors, as described in section 39 of the Cellnex Board of Directors Regulations, these are channelled through the Audit and Control Committee. To this effect and to comply with its responsibility in supervising the auditor's actions as well as receiving communications regarding potential weaknesses in internal controls identified during professional actions, should there be any, the Audit and Control Committee will periodically meet with the external auditor. These communications are recorded in the Audit and Control Committee's minutes and are monitored through Internal Audit functions.

In addition, Cellnex's external auditors have direct contact with the Chief Financial Officer and maintain periodic meetings both to obtain information necessary to carry out their work and to communicate any weaknesses detected.

## F.6 Other relevant information

No further aspects have been identified that require disclosure.

## F.7 Report of the external auditor

Informs on:

F.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

Cellnex has submitted to the external auditor for review the ICFR information submitted to the markets for 2016. The scope of the review procedures of the auditor are

performed in accordance with Circular E14/2013 of 19 July 2013, of the Spanish Institute of Certified Auditors, which sets out the guidelines for the audit report model in relation to the Internal Control over the Financial Reporting (ICFR) of quoted companies.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the degree of the company's compliance with the recommendations in the Code of Good Governance for listed companies.

Should the company not comply with any of the recommendations or comply only in part, a detailed explanation of the reasons for this should be included so that shareholders, investors and the market in general have sufficient information to assess the company's course of action. General explanations will not be acceptable.

- 1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.**

Complies X Explain

- 2. When both the parent company and a subsidiary company are listed companies, both should provide detailed public disclosure on:**
  - a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary listed company and other group companies.**
  - b) The mechanisms in place to resolve possible conflicts of interest that may arise.**

Complies Complies in part Explain Not applicable X

- 3. During the General Shareholders' Meeting, in addition to the written Annual Corporate Governance Report, the Chairman of the Board of Directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance report. In particular:**
  - a) Changes which have taken place since the previous General Shareholders' Meeting.**
  - b) The specific reasons for which the company may not be complying with any given recommendations contained in the Code for Corporate Governance and, should there be any, the alternative procedures which have been applied in the matter.**

Complies X Complies in part Explain

- 4. The company should define and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse**

**regulations and accords equitable treatment to shareholders in the same positions.**

**This policy should be disclosed on the company's website, complete with details of how it has been put into practice and identifying the relevant interlocutors or those responsible for its implementation.**

Complies X Complies in part Explain

- 5. The Board of Directors should not make a proposal to the General Shareholders' Meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

**When the Board of Directors approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.**

Complies X Complies in part Explain

- 6. Listed companies drawing up the reports listed below, on a voluntary or mandatory basis, should publish these on their website well in advance of the General Shareholders' Meeting, even when their distribution is not mandatory:**

- a) Report on auditor independence.**
- b) Report of the operation of the audit committee and the Nomination and Remuneration committee.**
- c) Report by the audit committee regarding transactions with related parties.**
- d) Report on corporate social responsibility policy.**

Complies Complies in part X Explain

All the reports have been published except for the Report on the Auditor Independence and the Report on Related-Party Transactions, as the essential content of these reports is already set out in the annual accounts and in the Annual Corporate Governance Report.

- 7. The company should broadcast its General Shareholders' Meetings live through its website.**

Complies X Explain

- 8. The Audit Committee should strive to ensure that the Board of Directors can present the annual accounts to the General Shareholders' Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content:**

Complies X Complies in part Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend the General Shareholders' Meetings and the exercise or delegation of voting rights, and display them permanently on its website.

These conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies X Complies in part Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the General Shareholders' Meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that the new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Submit all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction votes.
- d) Communicate, following the General Shareholders' Meeting, the breakdown of votes on the supplementary items or alternative proposals.

Complies Complies in part Explain Not applicable X

11. Should the company plan to pay for attendance at the General Shareholders' Meeting, it should first establish a general, long-term policy in this respect.

Complies Complies in part Explain Not applicable X

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect to commonly accepted customs and good practices, but also strive to reconcile its own interests with legitimate interests of its employees, suppliers, clients and other stakeholders as well as with the impact of its activities on the broader community and the natural environment.

Complies X Complies in part Explain

13. **The Board of Directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.**

**Complies X** Explain

14. **The Board of Directors should approve a policy for appointing directors that:**

- a) **is specific and ascertainable.**
- b) **Ensures that the proposed appointments or re-elections are based on a previous analysis of the needs of the Board of Directors.**
- c) **Favours diversity in knowledge, experience and gender.**

**The result of the prior analysis of the needs of the Board of Directors should be included in the Nomination and Remuneration Committee explanatory report, to be published when the General Shareholders' Meeting is convened that will ratify the appointments and re-elections of each director.**

**The policy to select directors should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.**

**The Nomination and Remuneration Committee will verify annually the compliance with the director selection policy and set out its findings in the Annual Corporate Governance Report.**

**Complies X Complies in part** Explain

15. **Independent and proprietary directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.**

**Complies X Complies in part** Explain

16. **The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

**This criterion can be relaxed in the following cases:**

- a) **In companies with high capitalisation where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) **In companies with a plurality of shareholders represented on the Board of Directors but not otherwise related.**

**Complies** Explain X

**The percentage of non-executive directors is 50%, these representing the shareholder Abertis Infraestructuras, S.A. who holds 34% of the shares in**

Cellnex Telecom, S.A., and therefore the extenuating circumstance set out in section a) applies.

**17. The number of independent directors should be at least half of all board members.**

**However, in cases of companies that do not have a large market capitalisation or, when a large cap company has shareholders individually or concertedly controlling over 30% of capital, then the number of independent directors should be at least a third of all board members.**

**Complies X Explain**

**18. Companies should disclose the following director particulars on their websites, keeping them regularly updated:**

- a) **Background and professional experience.**
- b) **Directorships held in other companies, listed or not, as well as other paid activities they engage in, of whatever nature.**
- c) **Statement of the director class to which they belong, in the case of propriety directors indicating the shareholder they represent or have link with.**
- d) **Date of first appointment as company director and subsequent re-elections.**
- e) **Company shares and options in his or her name.**

**Complies Complies in part X Explain**

The company has published on its website all this information with exception of directors' other paid activities whatever their nature.

**19. The corporate governance annual report should also disclose, following verification by the Nomination and Remuneration Committee, the reasons for the appointment of any proprietary directors at the urging of shareholders controlling less than 3% of capital; the report should explain the reasons for rejecting of formal requests for a board representation from shareholders whose equity is equal or greater than that of those who have successfully applied for a propriety directorship.**

**Complies Complies in part Explain Not applicable X**

**20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interests in the company. If such shareholders reduce their stakes, thereby losing some of their entitlement to propriety directors, the latter's number should be reduced accordingly.**

**Complies Complies in part Explain Not applicable X**

21. The Board of Directors should not propose the removal of any independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board of Directors following a report by the Nomination and Remuneration Committee. In particular, it will be considered just cause when the directors take on new responsibilities or obligations that prevent him or her allocating sufficient time to complete the duties of the directorship, does not comply with the obligations inherent to the role or becomes involved in circumstances that compromise his or her independence, all according to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies X Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in the company's internal rules, the Board of Directors should open an investigation and, in light of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies X Complies in part Explain

23. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the Secretary of the Board of Directors, whether he or she be a director or not.

Complies Complies in part Explain Not applicable X

24. Directors who give up their office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such



**resignation is filed as a significant event, the motivating factors should be explained in the Annual Corporate Governance Report.**

Complies Complies in part Explain Not applicable X

- 25. The Nomination and Remuneration Committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

**The board of directors' regulations should set out the maximum number of board meetings on which directors can serve.**

**Complies Complies in part X Explain**

The board's regulations do not set out the maximum number of board meetings in which directors can serve, however, section 26 of the Board of Directors' Regulations establishes that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions.

- 26. The board should meet with the necessary frequency, and at least eight times a year, to properly perform its functions in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of initially unscheduled items.**

**Complies X Complies in part Explain**

- 27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absences, Directors should delegate their powers of representation with the appropriate instructions.**

**Complies Complies in part X Explain**

Section 26 of the Board of Directors' Regulations states that directors must carry out and comply with obligations set out in the company statutes and with due business diligence, keeping in mind the nature of the roles and the functions assigned to each of these. It is also established that directors must have an adequate dedication and must adopt the necessary measures to ensure good management and control of the company when carrying out their role functions. Therefore absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. However, the Board of Directors' Regulation does not set out a Board of Directors' obligation to assign representation with instructions as such requirement cannot always be possible due to no previous participation in the debates and deliberations of the matters put forward to the Board of Directors.

- 28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.**

Complies Complies in part Explain Not applicable X

29. The company must set out the appropriate channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies X Complies in part Explain

30. Regardless of the knowledge directors must possess to carry out their duties, , companies should also offer their directors programs to update these when the circumstances so advise.

Complies X Explain Not applicable

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can previously study or collect the information necessary for their acceptance.

When exceptionally and in light of urgent circumstances the president wishes to submit to approval by the Board of Directors decisions or agreements that were not on the meeting agenda, their inclusion will require the express prior consent, duly minuted, of a majority of board members present.

Complies X Complies in part Explain

32. Directors should be regularly informed of stakeholder movements and of the opinions of significant shareholders, investors and rating agencies regarding the company and its group.

Complies X Complies in part Explain

33. The Chairman, as the person responsible for the efficient functioning of the Board of Directors, other than exercising functions assigned by the law and the company by-laws, should prepare and submit to the Board of Directors a schedule of meetings dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate the company's Chief Executive Officer; exercise leadership of the Board and be accountable for it proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies X Complies in part Explain

34. When there is a lead independent director, other than the faculties set out in the law the Bylaws or board of directors' regulations should grant him or her the following powers: chair the Board of Directors in the absence of the chairman and vice-chairmen; voice the concerns of non -executive directors; maintain contacts with investors and shareholders to hear their views and understand their concerns especially those in regard to the company's corporate governance; and coordinate the Chairman's succession plan.

**Complies** **Complies in part** Explain Not applicable X

35. The Secretary of the Board of Directors should strive to ensure that the actions and decisions of the Board of Directors keep in mind the recommendations for good governance contained in this Code of Good Governance of relevance to the company.

**Complies** X Explain

36. The complete Board of Directors should conduct an annual evaluation, and adopt, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the Board of Directors' operation.
- b) The performance and membership of its committees.
- c) The diversity in the Board of Directors membership and competences.
- d) The performance of the Board of Directors' Chairman and the company's chief executive.
- e) The performance and contribution of each director, with special attention to the chairmen of board committees.

The evaluation of board committees should start from the reports presented by these to the Board of Directors, while that of the board itself should start from the report of the Nomination and Remuneration Committee.

Every three years, the Board of Directors should engage an external consultant to aid in the evaluation process, whose independence should be verified by the Nomination and Remuneration Committee.

Any business dealings that the consultant or any members of its corporate group maintain with the company or members of its corporate group should be listed in the Annual Corporate Governance Report.

The process followed and the areas evaluated should be detailed in the Annual Corporate Governance Report.

**Complies** X **Complies in part** Explain

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself and also share the same Secretary.

**Complies** **Complies in part** Explain Not applicable X

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

**Complies** **Complies in part** Explain Not applicable X

- 39. Audit Committee members, particularly the Chairman, are appointed in light of their knowledge and experience in accounting, audit or risk management. A majority of these members should be independent directors.**

**Complies** X **Complies in part** Explain

- 40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board's non-executive chairman or the chairman of the Audit Committee.**

**Complies** **Complies in part** X Explain X

The company has an internal audit unit that falls under the General Secretary's department and reports directly to the Audit and Control Committee.

- 41. The head of internal audit should present an annual work programme to the Audit Committee, report directly on any incidents arising during its implementation and submit an activities report at the end of each year.**

Complies X **Complies in part** Explain Not applicable

- 42. The Audit Committee should have the following functions over and above those legally assigned:**

**1. Regarding reporting and internal control systems:**

a) **Monitor the preparation and integrity of the company's financial information and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.**

b) **Monitor the independence of the unit handling the internal audit; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programme, ensuring it focuses primarily on the main risks the company is exposed to; receive regular information on its activities and verify that senior management are acting on the findings and recommendations of such reports.**

c) **Establish and supervise a mechanism that allows staff to communicate in a confidential manner, and where appropriate and feasible, anonymously, any potential significant irregularities, especially those which are financial or in accounting, taking place within the company.**

**2. Regarding the external auditor:**

a) **Investigate the issues giving rise to the resignation of the external auditor, should this come about.**

- b) **Ensure that the remuneration of the external auditor does not compromise its quality or independence.**
- c) **Ensure the company notifies as a significant event any change of external auditor to the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
- d) **Ensure that the external auditor takes part in an annual meeting with the full Board of Directors to inform of the work carried out and the developments of the accounting situation and the company's risks.**
- e) **Ensure that the company and the external auditor respect current legislation regarding the various auditing services, the limits in the auditor's business concentration and, in general terms, the other rules regarding auditor independence.**

**Complies**   **Complies in part**  **Explain**

The company has an internal auditing area controlled by the General Secretary and which reports directly to the Audit and Review Committee. As such, the General Secretary is responsible for the selection, appointment, re-election and removal of the head of the internal audit service and the area's budget and work plans. However, as established in section 15 of the Board of Directors' Regulations, the Audit and Review Committee is responsible for monitoring the effectiveness of the company's internal controls and the internal auditing services, by verifying their suitability and integrity, and reviewing the appointment and replacement of the heads of the services.

- 43. The Audit Committee should be empowered to meet with any company employee or manager and even have the possibility to summon staff without the presence of another senior officer.**

**Complies**  **Complies in part** **Explain**

- 44. The Audit Committee should be informed of any fundamental changes or corporate transactions planned by the company, for their prior analysis and report to the Board of Directors regarding their economic condition and accounting impact and, when applicable the exchange ratio proposed.**

**Complies**  **Complies in part** **Explain**   **Not applicable**

- 45. The control and risk management policy should identify at least:**

- a) **The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), including amongst the financial or economic risks the contingent liabilities and other off-balance sheet risks.**

- b) **The determination of the level of risk that the company sees as acceptable.**
- c) **The measures in place to mitigate the impact of the identified risks events, should they occur.**
- d) **The internal reporting and control systems used to control and manage the mentioned risks, including contingent liabilities and off-balance sheet risks.**

**Complies** X **Complies in part** Explain

**46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the Audit Committee, or alternatively a specialised Board of Directors committee. This function should be expressly charged with the following responsibilities:**

- a) **Ensure the correct functioning of the risk control and management systems and, more specifically, that major risks that affect the company are identified, managed and quantified.**
- b) **Participate actively in the preparation of risks strategies and in key decisions regarding its management.**
- c) **Ensure the risk control and management systems adequately mitigate the risks within the parameters set out by the Board of Directors policies.**

**Complies** X **Complies in part** Explain

**47. Appointees to the Nomination and Remuneration Committee (or of the Nomination Committee and the Remuneration Committee, if separately constituted) should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

**Complies** X **Complies in part** Explain

**48. Companies with a large capitalisation should have separate committees for nomination and remuneration.**

Complies Explain X Not applicable

With Cellnex's entry into the Ibex 35 in June 2016, it can now be considered as being in the large-cap company category. Nevertheless, for now it is not considered necessary to have a Nomination Committee and a separate Remuneration Committee, as the current Nomination and Remuneration Committee is qualified to analyse both aspects in a unified way. The possibility of dividing the current committee will be analysed depending on how the company evolves.

49. **The Nomination and Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.**

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies  Complies in part  Explain

50. **The Remuneration Committee should operate independently and, other than the responsibilities assigned by law, be assigned the following functions:**

a) **Propose to the Board of Directors the standard conditions for senior managers contracts.**

b) **Monitor compliance with the remuneration policy set by the company**

c) **Periodically review the remuneration policy applied to directors and senior managers, including remuneration systems that include shares, and guarantee that their individual compensation is proportional to those received by other directors and senior officers in the company.**

d) **Ensure that conflicts of interests do not undermine the independence of the external advice offered by the committee.**

e) **Verify the information on director and senior managers' remuneration contained in the different corporate documents, including the annual report on directors' remuneration.**

Complies  Complies in part  Explain

51. **The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Complies  Complies in part  Explain

52. **The terms of reference of supervision and control committees should be set out in the Board of Directors' Regulations and aligned with those governing legally mandatory board committees, as per the previous recommendations, including at least:**

a) **Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**

b) **They should be chaired by independent directors.**

c) **The Board of Directors should appoint the members of such committees keeping in mind the knowledge, skills and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and provide report-backs on their**

activities and work at the first board plenary following each committee meeting..

d) That committees may engage external advisors, when they feel this is necessary for the discharge of their functions.

e) Meetings proceedings should be minuted and a copy made available to all board members.

**Complies** **Complies in part** Explain Not applicable X

**53. The supervision of the compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policies should be assigned to one board committee or split between several, which could be the Audit Committee, Nomination Committee, Corporate Social Responsibility Committee, where one exists, or a dedicated committee that the Board of Directors, exercising their powers of self-organisation, creates to that effect and with at least the following functions:**

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.

b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.

c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the company's interests and take into account, where applicable, the legitimate interests stakeholders.

d) Review the company's corporate responsibility policy, ensuring that this is focused on generating value.

e) Monitor strategies and practices in corporate social responsibility and assess compliance in their respect.

f) Monitor and evaluate the company's interaction with its stakeholder groups..

g) Evaluate all elements regarding the company's non-financial risks, including operational,, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes, in accordance with the applicable legislation and international benchmarks.

**Complies** X **Complies in part** Explain

**54. The corporate social responsibility policy should state the principles or commitments that the company will voluntarily**



**adhere to in its dealings with stakeholders groups, identifying at least:**

- a) The objectives of the corporate social responsibility policy and the support instruments to be deployed .**
- b) The corporate strategy regarding sustainability, environment and social matters.**
- c) Concrete practices in matters regarding: shareholders, employees, clients, suppliers, social matters, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conducts.**
- d) The result, associated risk and management of monitoring methods or systems in the application of the specific practices noted in the previous point.**
- e) The supervisory mechanisms of non-financial risks, ethics and business conduct.**
- f) The main channels of communication, participation and dialogue with stakeholders.**
- g) The responsible communication practices that prevent the manipulation of information and protect the company's integrity and honour.**

**Complies X Complies in part Explain**

**55. The company should report in a separate document or in the management report on the matters relating to corporate social responsibility, using for this one of the internationally accepted methodologies.**

**Complies X Complies in part Explain**

**56. The remuneration of the directors should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, abilities and responsibility that the role requires, but not so high as to compromise the independent judgement of non-executive directors.**

**Complies X Explain**

**57. Variable remuneration linked to the company's and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long term savings schemes such as pension plans should be confined to executive directors..**

The possibility of shares as remuneration can be considered provided non-executive directors retain these until they cease their directorship. The latter will not be applicable to shares that the director requires to be transferred to satisfy the costs regarding his or her acquisition.

Complies X Complies in part Explain

**58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector or other similar circumstances.**

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria relevant for the company's long term value, such as compliance with its internal company rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies X Complies in part Explain Not applicable

**59. The payment of a considerable part of the variable components of the remuneration should be deferred for the minimum amount of time necessary to confirm that the performance conditions previously set out have been met.**

Complies X Complies in part Explain Not applicable

**60. In the case of remuneration linked to company earnings, deductions should be computed following provisions stated in the external auditor's report that may lower said results.**

Complies X Complies in part Explain Not applicable

**61. A considerable percentage of executive director's variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complies Complies in part X Explain Not applicable

Part of the CEO's long-term variable remuneration is linked to the delivery of shares.

**62. Once the shares or the options or rights over shares have been set out in the remuneration systems, the directors should not be allowed to transfer the ownership of such shares to a value equivalent to two times their fixed annual remuneration, or to exercise their options or rights for at least three years after their award.**

**The above condition will not apply to any shares that the director must dispose of to defray costs regarding their acquisition.**

Complies  Complies in part  Explain  Not applicable

**63. Contractual agreements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data which is latter identified as incorrect.**

Complies  Complies in part  Explain  Not applicable

**64. Payments for contract termination should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company has been able to verify that the director has met the predetermined performance criteria.**

Complies  Complies in part  Explain  Not applicable

## **H OTHER INFORMATION OF INTEREST**

1. If there is any other relevant aspect relating to the Corporate Governance practices followed by the company that has not been addressed in this report and which is necessary to provide a more comprehensive and well-grounded information on the corporate governance structure and practices at the company or group, explain these briefly.
2. In this section, any other information, clarification or observation related to the above sections of this report can be included, to the extent that they are relevant and not reiterative.

In particular, state whether the company is subject to different corporate governance legislation from a country other than Spain and, if so, include the compulsory information the company is obligated to provide when different to that required in this report.

3. Also state whether the company has voluntarily subscribed to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, identify the Code in question and its date of signing.

- Cellnex Telecom, S.A.'s Board of Directors, in December 2016, in the exercise of its functions and in compliance with the provisions laid down in the Capital Companies Law, and aware of the importance for the Group of adopting good corporate governance practices set out by law, proceeded to approve the Group's fiscal strategy, using it to determine the commitments, principles and fundamental pillars for action in the fiscal sphere.
- Cellnex Telecom joined in November 2015 the United Nations Global Compact, an international and voluntary initiative, as an expression of its commitment to the internationalisation of the concept of corporate responsibility in its operating strategy and organisational culture. It has therefore assumed the commitment to drive and spread business sustainability policies and practices based on the 10 key principles promoted by the United Nations, focused on the areas of human rights, labour laws, the environment and fighting against corruption in business activities.
- Cellnex Telecom voluntarily registered in September 2016 with the Interest Group Register created by the Spanish National Markets and Competition Commission (CNMC), an initiative that seeks to ensure that principles of transparency and ethics take priority in all the body's interactions with interest groups. Joining the Interest Groups Register involves assuming a Decalogue of Ethics that sets out the operational principles that must be followed, such as integrity and honesty in carrying out its activity and in its relationships with CNMC staff.
- Cellnex Telecom, in August 2016, joined the Autonomous Government of Catalonia's Transparency Register as an interest group, subject to a set of ethical rules laid down in Law 19/2014 of 29 December on transparency, access to public information and good governance and Section 8 of Decree 171/2015 of 28 July.

#### NOTE OF CLARIFICATION ap. C1.17

Mr. José Aljaro Navarro is the representative of the Director of Abertis Telecom Satélites, S.A.U. in Hispasat

Mr. Luis Deulofeu Fuguet is the representative of the Chairman of Sanef, S.A. in Eurotoll

Mr. Luis Deulofeu Fuguet is the representative of the Chairman of Sanef, S.A. in Bil&Go

#### NOTE OF CLARIFICATION ap. C.2.1. AUDIT AND CONTROL COMMITTEE

The duties, procedures, organisation, operation and activities of the AUDIT AND CONTROL COMMITTEE are as follows:

##### RESPONSIBILITIES

As described in Cellnex Telecom's Bylaws and in the Board Regulations, and without prejudice to other duties that are legally attributable to it or that may be entrusted to it by the Board of Directors, the Audit and Control Committee shall have at least the following basic responsibilities:

- a) To inform the General Shareholders' Meeting on questions arising in relation to those matters which fall within the competence of the Committee;

- b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the external auditors or auditing company, the contract conditions, the scope of the professional mandate and, where appropriate, revocation or non-renovation, all pursuant to the current regulations, as well as to regularly gather from the same information on the audit plan and the implementation thereof, and to safeguard their independence in the exercising of their duties;
- c) To monitor the process of preparing and presenting the mandatory financial information as well as the integrity thereof;
- d) To establish the appropriate relations with the external auditors or external auditing companies in order to receive information on issues which may prejudice their independence, to be studied by the Committee, and any other information related to the auditing of the accounts, as well as any other notifications envisaged in the legislation and regulations concerning the auditing of accounts. In all cases, they must receive on an annual basis from the external auditors or external auditing companies written confirmation of their independence from the Company or any organisations directly or indirectly related thereto, in addition to information regarding any additional services of any kind provided to said organisations and the corresponding fees received therefrom by the external auditors or external auditing companies, or by persons or organisations related thereto in accordance with the provisions established in the legislation applicable to the auditing of accounts;
- e) To issue, on an annual basis, prior to the issue of the Audit Report, a report expressing an opinion on the independence of the external auditors or auditing companies. This report must contain, in all cases, an evaluation of the provision of the additional services referred to in the previous paragraph, considered individually and as a whole, other than the legal audit, and in connection with their independent status or with the governing regulations of the audit;
- f) To inform the Board of Directors in advance on all matters provided for by the Law, the corporate bylaws and its Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of holdings in entities with a special purpose or domiciled in countries or territories considered as being tax havens and on operations with associated parties;
- g) To supervise compliance with the internal protocol for relationships between the majority shareholder and the Company and the companies of its respective groups, as well as to conduct any other actions established in the protocol itself for optimal compliance with the aforesaid duty of supervision;

- h) To provide information in relation to the transactions that involve or could involve conflicts of interest, and in general, on the matters considered in Chapter IX of the Board of Director's Regulation;
- i) To inform on operations of structural and corporate modifications which the Company plans to conduct, the economic conditions and the accounting impact thereof and, in particular, on the exchange ratio, where applicable;
- j) To monitor the effectiveness of the Company's internal control, the internal audit services, verifying the suitability and integrity thereof and to review the appointment and replacement of those persons responsible for the same, to supervise the suitable security and control measures for preventing the commission of criminal offences, the risk management systems, including fiscal risks, the systems for managing compliance with all applicable regulations, as well as to discuss with the external auditors any significant weaknesses detected in the internal control system while conducting the audit;
- k) To supervise a mechanism which allows employees to confidentially report potentially relevant irregularities detected inside the Company, especially those regarding finance and accounting, as well as those which may constitute a criminal responsibility for the Company.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

## OPERATION

The Board of Directors' Regulation shall define the skills of the Committee and its scheme of organization and operation.

The Board shall likewise determine who will hold the position of Chair from among the independent directors, who will be replaced every four years, being able to be re-elected once a period of one year has elapsed since his/her resignation. The Committee itself will appoint a Secretary and may also appoint a Vice-Secretary, neither needing to be members thereof.

The Audit and Control Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chairman, either on his/her own initiative or at the request of the Chair of the Board of Directors, or of two members of the Committee itself.

The Audit and Control Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

Any member of the management team or company personnel will be obliged to attend the Audit and Control Committee's sessions and to provide them with his/her assistance and access to the information s/he has available, if so requested. The Committee can also request that the Company's external auditors attend its sessions.

## ACTIVITIES

During 2016, the Audit and Control Committee met on six occasions and carried out the following activities:

**a) Review of financial information**

- 2015 Annual Consolidated Financial Statements
  - In February, the Audit and Control Committee reviewed the 2015 annual consolidated financial statements with the finance team and the external auditors who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the 2015 annual consolidated financial statements.
- 2016 financial statements:
  - In April, the Audit and Control Committee reviewed the financial statement for the first quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the first quarter financial statements.
  - In July, the Audit and Control Committee reviewed the half-yearly financial statements and the external auditors report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the interim consolidated financial statements
  - In October, the Audit and Control Committee reviewed the financial results for the third quarter of the year with the finance team who presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the third quarter financial statements.

**b) External Auditors**

- In February, the external auditors attended the Audit and Control Committee to review the 2015 annual consolidated financial statements and presented the main aspects and its conclusions.
- In July, the external auditors attended the Audit and Control Committee to present the report of the half-yearly financial statements.
- In December, the Audit and Control Committee met the external auditors to review the scope, the status of its review and the preliminary conclusions of the 2016 financial statements.

**c) M&A requirement and capital markets**

- In July, the Audit and Control Committee reviewed the relevant items regarding the finance requirement to carry out new projects. Different alternatives were presented, the Committee reviewed the main aspects of each one, and the Committee provided a favourable report to the Board of Directors to approve (i) the issuance of a new bond, (ii) restructuring of the existing debt and (iii) the pre-hedging of the interest rate on the new bond issue.
- In October, the managers submitted an update to the Audit and Control Committee in relation to what had been said at the previous meeting, particularly in relation to the issue of a new bond and, after reviewing the main aspects, the Committee

provided a favourable report to the Board of Directors to approve (i) the increase in the total amount of the bonds to be issued under the EMTN program and (ii) subject to favourable market conditions, the issuance of a new long-term bond under this program.

**d) Other information**

- Efficiency Plan: In February, those responsible for its preparation presented to the Audit and Control Committee the relevant items and their conclusions regarding the OPEX efficiency plan for 2016, as set out in the budget.
- Liquidity contract: In May, the Audit and Control Committee reviewed and discussed the possibility of entering into a liquidity contract with an intermediary bank and, after review and discussion, the Committee provided a favourable report to the Board of Directors to approve the entry into the liquidity contract.
- Dividends: In December, the Committee analysed the possibility of distributing an interim dividend. Having concluded such analysis, the Committee provided a favourable report to the Board of Directors to approve the distribution of an interim dividend.
- 2017 Budget: In December, after a detailed review of the 2017 budget, the Committee provided a favourable report to the Board of Directors to approve the budget.

**e) Corporate Governance**

- In February, the Audit and Control Committee reviewed the Activity Report of the Audit and Control Committee and the Annual Corporate Governance Report, both for the year 2015, and (i) following the recommendations of the CNMV, approved the Activity Report for its publication on the Company's website and (ii) provided a favourable report to the Board of Directors to approve the Annual Corporate Governance Report.

**f) Tax**

- In October, those responsible for its preparation presented to the Audit and Control Committee the main aspects, developments and their conclusions regarding the Property Transaction Tax and Corporate Taxation.
- In December, the external tax advisors presented to the Audit and Control Committee the work carried out in corporate taxation and detailed the new legal obligations. In addition, they set out the new Tax Strategy for the Company. The Committee, after reviewing and discussing this new Tax Strategy, provided a favourable recommendation to the Board of Directors for its approval.

**g) Internal Control over Financial Reporting (ICFR)**

The Audit and Control Committee carried out the following activities in relation with the ICFR during 2016:

- The Committee met with the external auditors to review the key findings of their ICFR work in order to understand any internal control weaknesses identified in their work as well as all other significant findings.
- It held the necessary meetings with internal audit to know the results of the reviews made during the year in relation to the risk matrix and controls defined.



- The Committee reviewed all the financial information that the company released to the market.
- In July, those responsible for its preparation presented to the Committee the requirements, obligations and responsibilities of the Committee in ICFR and provided relevant documents to this effect, detailing the main aspects thereof. The Committee, after its revision, approved these documents and provided a favourable report to the Board of Directors to approve it.

#### **h) Monitoring internal audit**

- **Functions.** The main Internal Audit functions are:
  - Perform the auditing activities as defined in the annual audit plan, based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Senior Management
  - An adequate coordination with the external auditors to be maintained for the exchange of information regarding the audits carried out with the aim of minimizing duplication and to track the audits performed, as well as any weaknesses in the internal control identified.
  - Report to the Audit and Control Committee and Senior Management of Cellnex Group regarding the key recommendations in each company, as well as the action plan to be performed by the Company.
  
- **Activities.** The main activities carried out by Internal Audit and supervised by the Audit and Control Committee:
  - **Audits:**
    - Those audits included in the 2016 Audit Plan.
    - Monitoring recommendations and action plans proposed in the different audits.
  
  - **2017 Audit Plan.** In December, the Audit and Control Committee approved the 2017 Annual Audit Plan based upon:
    - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by Senior Management.
    - Defining the activities to be reviewed: basic processes (revenues, procurements, etc.), other processes (patrimony) or compliance (ICFR, others).

#### **i) Risk Control**

This function is carried out by Internal Audit.

- **Activities.** The activities carried out by Internal Audit and supervised by the Committee were:

- Spain:
  - Reviewing the Risk Map: in May and July, the Committee carried out a review of the risks (including likelihood and impact).
  - The review of the action plans associated to the risks was carried out in the October meeting.
- Italy:
  - A risk map review was carried out (including likelihood and impact).

**j) Crime prevention model**

Monitoring the actions taken in relation to the implementation of the crime prevention model.

**NOTE OF CLARIFICATION ap. C.2.1 NOMINATION AND REMUNERATION COMMITTEE**

**Operation**

In accordance with the Board of Directors' Regulations, the Board of Directors will appoint a Chair among the independent directors. The Chair must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Nomination and Remuneration Committee will appoint a Secretary and may appoint a Vice-Secretary that will not be necessarily members of the Committee itself.

The Nomination and Remuneration Committee will meet every time the Board of Directors or its Chair request a report be issued or proposals adopted and, in any case, whenever it is deemed advisable for the proper execution of its duties. It will be convened by the Chair of the Committee, either on his/her own initiative or on the request of the Chair of the Board of Directors or of two members of the Committee itself.

The Nomination and Remuneration Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority vote among those in attendance, present or represented.

**Responsibilities**

Insofar as they are applicable and in a supplementary manner, the Board's rules of operation will apply thereto. Without prejudice to the other tasks assigned to it by the Board of Directors, the Nomination and Remuneration Committee will have at least the following basic responsibilities:

- a. To evaluate the competencies, knowledge and experience required in the Board of Directors. To this end, it will define the duties and skills required of the candidates to fill each vacancy, and it will evaluate the time and dedication needed for them to effectively perform their
- b. To establish a target for the representation of the under-represented gender on the Board of Directors, and prepare guidance on how to obtain said target.

- c. To submit to the Board of Directors proposals for the appointment of independent directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.
- d. To inform on proposals for the appointment of the other directors for the co-optation thereof or for the submission thereof to the decision of the General Shareholders' Meeting, as well as proposals for the re-election or dismissal of the aforesaid directors by the General Shareholders' Meeting.
- e. To inform on proposals for the appointment and dismissal of members of the Senior Management and the basic conditions of their contracts.
- f. To inform, in advance, on the appointment by the Board of Directors of the Chair and, where applicable, of one or more Vice-Chairs, as well as the appointments of the Secretary and, where applicable, of one or more Vice-Secretaries. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, of each Vice-Secretary.
- g. To examine and organize the succession of the Chair of the Board of Directors and of the Company's CEO and, if appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and well planned manner.
- h. To propose to the Board of Directors the remuneration policy for the directors and general managers, or for those individuals who perform their senior management duties reporting directly to the Board of Directors, to executive committees or to CEOs, as well as the individual remuneration and all other contractual conditions for executive directors, ensuring compliance therewith.
- i. To suggest to the Board of Directors which members should form part of each of the Committees.
- j. To periodically review the remuneration programs, considering their suitability and returns.
- k. To propose to the Board of Directors, for submission to the General Shareholders' Meeting for an advisory vote, the drafting of an annual report on the remuneration of its directors, under the terms of Section 541 of the Law on Capital Companies, already other provision which may replace the same in the future.
- l. To consider the suggestions made to it by the Chair, Board members, company executives or shareholders.
- m. To provide information regarding the appointment and dismissal of managers who have direct dependence to the Board of Directors or some of its members, as well as establishing the basic conditions of their contracts, including remuneration, and also inform decisions on remuneration of directors, within the statutory framework and, where appropriate, of the remuneration policy adopted by the General Meeting of Shareholders
- n. To monitor compliance with the corporate governance rules and internal codes of conduct.
- o. To monitor the corporate social responsibility strategy and practices, and to assess the degree of compliance therewith.

#### Activities.

Six meetings have been held and the following actions, among others, have been carried out:

##### (A) Corporate Governance:

The relevant report evaluating the competence, experience and merits of the Directors, Mr. Francisco Reynes, Mr. Jose Maria Coronas, Mr. José Aljaro and Mr. Tobias Martinez was issued, for the purpose of their re-election.

The necessary arrangements for the selection process of candidates as a female independent director were started, with the engagement of the firm EgonZehnder, and the first interviews were conducted.

An internal evaluation was carried out on the functioning of the Board of Directors and Committees, to be submitted to the Board of Directors.

Information in relation to the IAGC and the IAR was made available, as well as the proposed amendment to the Bylaws and Regulations of the Board / Shareholders' meeting.

The amendment of the Internal Code of Conduct (RIC) was proposed in order to adapt its content to the new Regulation on Market Abuse.

(B) Activities in relation to remuneration:

The degree of compliance of the 2015 CEO's objectives and the performance appraisal were analysed. Also, the objectives of the CEO for the year 2016 were analysed and the corresponding proposals were made to the Board of Directors.

The Directors' Remuneration Policy was prepared and approved, in order to submit it to the Board of Directors and submit it for approval by the General Shareholders Meeting.

The remuneration of the directors was reviewed in order to accommodate it to the market and taking into account the degree of involvement and dedication of the directors.

The remuneration of the Senior Management personnel (those who directly report to the Chief Executive Officer) to be applied as of 2017 was analysed, making the relevant proposal for its approval by the Board of Directors.

(C) Activities in relation to Corporate Social Responsibility:

A Corporate Responsibility Master Plan was defined for the period comprising years 2016-2020, which aims to be a tool that integrates all the company's ethical, environmental and social initiatives, with a long-term view, and which establishes a series of commitments in accordance with internationally accepted standards.

A Corporate Responsibility Policy was drawn up and proposed which establishes the basic guidelines and lines of action in the area of the Corporate Responsibility of Cellnex Telecom that allow the formalization and concretion of the Corporate Responsibility concept within the framework of the organization, its communication to the stakeholders and the progressive integration in all the systems and operative processes of the group.

(D) Activities in relation to the Code of Ethics:

It was proposed to expand the functions of the Ethics and Criminal Prevention's Committee to those of Compliance. Therefore, the name of the Committee was modified by that of the Ethics and Compliance Committee and a document that describes the duties of the responsible for criminal compliance that turns to be held by such Committee, which maintains the same composition of members.

Within the criminal prevention model implemented in Cellnex, it was analysed and drawn up a proposal of a disciplinary system that aims to sanction the breach of the procedures and internal rules implemented by Cellnex for the prevention and detection of crimes.

(E) Talent Management:

The Nomination and Remuneration Committee analysed the actions carried out to date by the Management and the projects for 2017, mainly the Succession Plan and High Potential Program.

(F) Policies:

A proposal for a Selection and Appointment of Directors' Policy was developed to be submitted to the approval of the Board of Directors.

A proposal for a Communication and Contacts Policy with shareholders was developed to be submitted to the approval of the Board of Directors.

NOTE OF CLARIFICATION ap. D2

In addition to the transactions detailed, transactions with the Caixa Group have also been executed.

- CaixaBank, S.A.-Cellnex Telecom, S.A.-Contractual-Guarantees and endorsements- 23,327
- CaixaBank, S.A.- Adesal Telecom, S.L- Adesal Telecom, S.L- Financing agreements: loans - 2,052
- CaixaBank, S.A.- Adesal Telecom, S.L.- Contractual- Financing agreements: loans-500
- CaixaBank, S.A.- Cellnex Telecom, S.A.- Contractual- Financing agreements: factoring- 97,000
- CaixaBank, S.A.- Cellnex Telecom, S.A.- Contractual- Financing agreements: factoring- 97,001
- CaixaBank, S.A.- Cellnex Telecom, S.A. Contractual- Financing agreements: loans-41,667
- CaixaBank, S.A.- Cellnex Telecom, S.A.- Contractual- Financing agreements: loans-150,000
- CaixaBank, S.A.- Cellnex Telecom, S.A.- Contractual- Other-210
- CaixaBank, S.A.- Cellnex Telecom, S.A.- Contractual- Financing agreements: cash-41,378
- VidaCaixa, S.A.- Cellnex Telecom, S.A. and subsidiaries- Contractual- Insurance and pensions-1,528
- Segur Caixa Adeslas, S.A.- Cellnex Telecom, S.A. and subsidiaries- Contractual- Insurance and pensions-249

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on 16 February 2017.

State whether any Directors voted against or abstained in connection with the approval of this Report.

Yes

No