

# Annual Report on Remuneration Policy of Board Members



**2016**  
**Junta General d'Accionistes**  
Junta General de Accionistas  
*Annual Shareholders' Meeting*

## APPENDIX 1

### ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

#### ISSUER'S PARTICULARS

<b>FINANCIAL YEAR END</b>	31/12/2015
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<b>CORPORATE TAX ID NO.</b>	A64907306
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<b>CORPORATE NAME</b>
CELLNEX TELECOM, S.A.

<b>REGISTERED OFFICE</b>
AVENIDA PARC LOGISTIC, 12-20 BARCELONA

## ANNUAL REPORT MODEL ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### A COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the company's remuneration policy. Information about the following will be included under this heading:

- general principles and fundamentals of the remuneration policy;
- most significant changes made to the remuneration policy with regard to the policy applied during the previous financial year, as well as the amendments made during the year to the conditions for exercising options already given;
- criteria used and the composition of comparable groups of companies whose remuneration policies have been studied to establish the company's remuneration policy;
- relative importance of the variable remuneration items with regard to fixed items and criteria followed to determine the various components of the directors' remuneration package (remuneration mix).

#### Explain the remuneration policy

The principles and criteria of the director remuneration policy are reviewed periodically, as part of the responsibilities of the Nomination and Remuneration Committee and the Board of Directors, in order to keep the company's remuneration policy in line with market trends.

Remuneration policy for directors in their capacity as such

The remuneration of directors for performing the duties of supervision and collective decision-making is based on the following general principles:

- the remuneration must be sufficient and appropriate to the dedication, qualifications and responsibilities of directors; however, this remuneration cannot end up compromising the independent judgement of directors (in particular, with regard to independent directors, as detailed in the Board Regulations);
- the remuneration must be appropriate to attract and retain talent;
- the remuneration must be competitive, which is achieved by establishing a remuneration package in line with market benchmarks, considering comparable sectors and companies.

In accordance with the provisions of the Corporate Bylaws and the Board Regulations, the remuneration of directors consists of annual fixed remuneration.

The 2015 financial year was the first year the company was listed and up to then the role of director was not remunerated; therefore there are no comparisons with previous years.

Remuneration policy for directors for performing executive functions

Furthermore, the remuneration of directors for performing executive functions is based on the following general principles: - ensuring that the remuneration package – in terms of its structure and overall amount – is competitive with regard to comparable organisations at national and international level, in order to be able to thus attract, retain and motivate the most outstanding professionals, so the company may achieve its strategic objectives within the increasingly competitive and internationalised context in which it engages in its business;

- maintaining annual variable remuneration linked to individual performance and the overall evolution of the company and the group;
- encouraging the creation of value steadily over time. To do this, the remuneration includes long-term variable components that promote the achievement of objectives steadily over time, as well as the retention of key persons.

The remuneration policy for directors for performing executive functions includes the following elements: (i) fixed remuneration, the purpose of which is to compensate the level of responsibility and performance, and that must be competitive with regard to that applied in comparable organisations; (ii) annual variable remuneration linked to the achievement of certain pre-established, specific and quantifiable economic, financial and operational parameters that are aligned with the company's strategic objectives; (iii) a multi-annual variable incentive, as well as certain supplementary payments in kind; and (iv) care benefits.

The only director who performs executive functions is the company's CEO.

Executive directors had not been appointed before the appointment of the CEO, and therefore there are no comparisons with previous financial years.

**A.2 Information on preparatory work and the decision-making process that has been followed to determine the remuneration policy and the role played, where appropriate, by the Remuneration Committee and other control bodies in setting up the remuneration policy. This information will include, where appropriate, the Remuneration Committee's mandate and composition and the identity of any external advisors whose services have been used to define the remuneration policy. The status of the directors who, where applicable, have been involved in defining the remuneration policy will also be stated.**

**Explain the process used to determine the remuneration policy**

By resolution of the Board of Directors on 17 April 2015, the Nomination and Remuneration Committee was created, whose functions include proposing the director remuneration policy to the Board of Directors, as well as periodically reviewing remuneration programmes, considering their suitability and returns.

The Nomination and Remuneration Committee is formed of the following members (two independent directors, of whom one serves as chair of the Committee, and a proprietary director):

- Giampaolo Zambelletti (chairman)
- Peter Shore (member)
- José María Coronas Guinart (member)

In the preparatory work and decision-making process followed to define the remuneration policy, the Nomination and Remuneration Committee and Board of Directors have taken into account the standard practice in the Spanish market and comparable organisations, considering the size, characteristics and activity of the company.

Moreover, the Nomination and Remuneration Committee and the Board of Directors receive assistance from several recognised remuneration consulting firms, in order to provide market information and advice on designing the company's remuneration policy.

The draft remuneration policy of the Board of Directors drawn up by this body on the proposal of the Nomination and Remuneration Committee will be made available to the Ordinary General Meeting for voting in a separate agenda item.

**A.3 Indicate the amount and nature of the fixed components, with a breakdown, where appropriate, of the executive directors' remuneration for performing senior management functions, of the additional remuneration received as chair or member of any Board committee, of the allowances for participating on the Board and its committees or other fixed remuneration as director, as well as an estimation of the annual fixed remuneration to which they give rise. Identify other benefits that are not paid in cash and the basic parameters for which they are granted.**

**Explain the fixed components of the remuneration**

Before the imminent flotation, on 10 April 2015 the company's then sole shareholder set the maximum remuneration to be received by members of the Board of Directors in their capacity as such at 1,000,000 euros, consisting of an annual fixed allocation. On that same date, the Board of Directors agreed to distribute the remuneration as follows:

- Chairman €120,000/year
- Committee member directors €90,000/year
- Other Board members €60,000/year

Directors exclusively receive the remuneration linked to the greatest position of responsibility that they hold.

Directors do not receive payments for attendance.

Moreover, as director with executive functions, the CEO receives fixed remuneration for performing his senior management functions, by virtue of the commercial contract he signed with the company.

The fixed remuneration is determined taking into account the content of the executive functions associated with the post and the market information from comparable companies.

During the 2015 financial year, the fixed remuneration of the CEO for performing his senior management functions amounted to a total of 553,634 euros.

**A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.**

In particular:

- identify each of the remuneration plans of which the directors are beneficiaries, their scope, their date of approval, date of implementation, validity period, as well as their main characteristics. In the case of share option and other financial instrument plans, the general characteristics of the plan will include information on the conditions for exercising these options or financial instruments for each plan;
- indicate any remuneration as profit sharing or bonuses, and the reason why it was given;
- explain the basic parameters and basis for any annual bonus system.
- the categories of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of remuneration systems or plans that include variable remuneration;
- the basis of these variable remuneration systems or plans, the performance evaluation criteria chosen, as well as the components and evaluation methods used to determine whether these evaluation criteria have been met and an estimation of the absolute amount of variable remuneration to which the remuneration plan currently in force would give rise, according to the degree of compliance with the hypotheses or objectives it uses as reference;
- Where appropriate, information will be provided about any payment deferment periods that have been established and/or retention periods for shares or other financial instruments, if any.

<b>Explain the variable components of the remuneration systems</b>
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Of all members of the Board, only the CEO is the beneficiary of remuneration systems or plans that include variable remuneration.

i) Annual variable remuneration:

one part of the CEO's remuneration is variable, in order to strengthen his commitment to Cellnex and motivate his performance.

The amount of the CEO's annual variable remuneration is established as a percentage of his fixed remuneration based on the achievement of a series of annual objectives, both quantitative and qualitative, which are set by the Nomination and Remuneration Committee at the beginning of each calendar year, taking into consideration the strategic objectives of the Cellnex Group.

The expected variable remuneration of the CEO is 50% of his fixed remuneration, while the achievement of each objective may be evaluated between 0% and 125%.

The percentage of variable remuneration is set by the Board of Directors, in accordance with standard practice in the Spanish market for positions of similar responsibility.

The achievement of the annual objectives set is determined by the Board of Directors subject to a report from the Nomination and Remuneration Committee.

ii) Long-term variable remuneration:

Prior to the flotation, and as part of the remuneration policy, on 10 April 2015 the company's then sole shareholder approved the extraordinary and non-recurring implementation of a Long-Term Incentive Plan (LTI) in order to retain key company personnel and steadily encourage the creation of value for shareholders over time. The LTI evaluation period runs from May 2015 to 31 December 2017. Payment, where appropriate, will take place once the Group's annual financial statements for the financial year 2017 have been approved. The CEO, senior management and some key employees of the Cellnex Group are the beneficiaries of the plan.

The CEO's expected variable remuneration for this item is three years' annual fixed remuneration.

The objectives included in this long-term remuneration system for the CEO, with a 50% weight for each one, are the following:

- The accumulated appreciation of the Cellnex share calculated between the initial starting price of the IPO and the average price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.
- Achievement of the EBITDA adjusted according to the market consensus and on a like-for-like basis of consolidation, following a scale of achievement.

**A.5 Explain the main characteristics of the long-term savings systems, including retirement and any other survivor's benefit, financed in full or in part by the company, provided either internally or externally, with an estimation of the amount thereof or annual equivalent cost, indicating the type of plan, whether it is based on contributions or defined benefit, the conditions for vesting economic rights in favour of directors and their compatibility with any kind of compensation for early termination or cancellation of the contractual relationship between the company and the director.**

Also indicate the contributions in favour of the director to defined contribution pension schemes, or the increase in the director's vested rights, where referring to contributions to defined benefit plans.

**Explain the long-term savings systems**

Only the CEO is the beneficiary of a defined contribution pension plan, set up by means of a collective insurance policy.

In the event that the executive leaves the company prior to when any of the benefits envisaged in the pension plan become due, the CEO will be given all the rights regarding the contributions made up to that point, unless at any time during the year following the cessation of his services as CEO, he breaches the post-contractual clause regulated in his contract on provision of services to the policyholder.

The annual contribution for 2015 was 150,000 euros.

**A.6 Indicate any compensation agreed or paid in case of termination of duties as director.**

**Explain the compensation**

No compensation was agreed or paid for this item during the financial year 2015, except that described in section A7.

**A.7 Indicate the conditions that must be observed by the contracts of those who exercise senior management functions as executive directors. Among others, information will be provided about the duration, the limits on amounts of compensation, permanence clauses, periods of notice, as well as payment as substitution for the abovementioned periods of notice, and any other clauses regarding hiring bonuses, as well as compensation or protection for early termination or cancellation of the contractual relationship between the company and the executive director. Include, among others, the non-competition, exclusivity, minimum-stay or loyalty and post-contractual non-competition clauses or agreements.**

**Explain the contractual conditions for executive directors**

The commercial contract between the company and the CEO was signed in April 2015 in accordance with and following the formalities provided in Article 249(3) of the Spanish Limited Liability Companies Law (previously approved by the company's Board of Directors with the favourable vote of two-thirds of its members, with the CEO abstaining from attending the discussion and participating in the vote). The main characteristics of the contract are as follows:

- a) Duration: fixed-term, from the signing until 31 December 2024.
- b) Exclusivity: the contract sets out the obligation to provide services to the company exclusively and with full dedication.

Termination: the CEO's contract establishes that it will be terminated automatically in the following cases: (i) resignation or cessation of the CEO in his capacity as such; (ii) non-renewal of his post; or (iii) expiry of the established duration.

- c) Termination benefits: In the event that the contractual relationship is terminated prior to the expiry of the agreed period,

the CEO will not have the right to receive any compensation for the termination of the relationship, except in the following cases: (i) serious breach by the company of the obligations included in the contract; (ii) substantial modification of his functions without consent; (iii) change in control of the company in the sense provided for in Article 42 of the Commercial Code; or (iv) cessation or non-renewal of the director post he holds.

d) Post-contractual non-competition clause: in the year following the date on which the contract is terminated, the CEO may not compete with the company by means of providing services, directly or indirectly, for his own account or for others, by himself or by proxy, to the company, companies or any other organisation whose purpose is "activities that compete with those of the company".

**A.8 Explain any supplementary remuneration received by directors as consideration for the services provided other than those inherent to their post.**

**Explain the supplementary remuneration**

There is no supplementary remuneration for services provided to the company other than those already indicated in this report.

**A.9 Indicate any remuneration in the form of advances, loans and guarantees granted, indicating the interest rate, their essential characteristics and the amounts eventually repaid, as well as the obligations assumed on account thereof by way of guarantee.**

**Explain the advances, loans and guarantees granted**

There are no advances or loans granted to directors by the company on account of their status as members of Cellnex's Board.

**A.10 Explain the main characteristics of the remuneration in kind.**

**Explain the remuneration in kind**

As part of his remuneration in kind, the CEO has health insurance with coverage for his entire family. In addition, he has life insurance and disability insurance with insured capital of twice his fixed remuneration.

**A.11 Indicate the remuneration received by the director by virtue of the payments made by the listed company to a third organisation in which the director provides services, when such payments are used to remunerate the director's services within the company.**

**Explain the remuneration received by the director by virtue of the payments made by the listed company to a third organisation in which the director provides services**

There is no paid remuneration of this nature.

**A.12 Any remuneration item other than the above, regardless of its nature or the group entity that pays it, especially where it is considered a related-party transaction or the issuing thereof distorts the faithful image of the total remuneration received by the director.**

**Explain the other remuneration items**

There are no remuneration items other than those indicated in the above sections.

**A.13 Explain the actions taken by the company in relation to the remuneration system to reduce the exposure to excessive risks and adapt it to the long-term objectives, values and interests of the company. This will include, where appropriate, a reference to: measures envisaged to ensure that the remuneration policy considers the company's long-term results, measures that may establish an appropriate balance between the fixed and variable components of the remuneration, measures taken in relation to any categories of personnel whose professional activities have a material impact on the organisation's risk profile, collection methods or clauses so as to be able to recover the variable components of results-based remuneration when such components have been**

paid in consideration of information that has subsequently been clearly demonstrated to be inaccurate and measures envisaged to prevent conflicts of interest, where appropriate.

#### Explain the actions taken to reduce risks

The remuneration policy is designed considering the company's long-term strategy and results. The medium- and long-term variable remuneration plans implemented by the company and described in section A4 fall within a multi-annual framework, in order to ensure that the evaluation process is based on long-term results and that the company's underlying economic cycle is taken into account.

In addition, the executive director and senior management personnel remuneration policy establishes a balance between the fixed and variable components of the remuneration, permitting in certain cases of failure to meet set objectives the non-receipt of an amount of variable remuneration. Thus, the remuneration components are sufficiently flexible so as to enable the modulation thereof up to the point of it being possible to eliminate them altogether.

In particular, the payment of the CEO's variable remuneration does not take place immediately, but rather after the annual accounts are drawn up that pertain to the financial year in which the remuneration is earned. This makes it possible for the company to analyse the fulfilment of the objectives with the necessary time lag. Furthermore, if during a six-month period, any circumstances occur that justify a new assessment or review of the degree of fulfilment of the objectives by the Board of Directors, subject to a report from the Nomination and Remuneration Committee, the company may suspend payment of the amounts pending payment to the CEO for any variable item, and, where appropriate, recover the amount paid unduly as a result of the new assessment carried out.

## B REMUNERATION POLICY ENVISAGED FOR FUTURE FINANCIAL YEARS

Abolished.

## C GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST FINANCIAL YEAR

C.1 Provide a brief explanation of the main characteristics of the remuneration structure and items in the remuneration policy applied during the last financial year, which gives rise to the details of the individual remuneration received by each of the directors reflected in section D of the present report, as well as a summary of the decisions taken by the board to apply these items.

#### Explain the remuneration structure and items in the remuneration policy applied during the financial year

The remuneration structure and items in the remuneration policy applied in the 2015 financial year do not differ from the provisions of section A3 of this report; however, it must be taken into consideration that it was implemented after the flotation.

The fixed remuneration of the directors in their capacity as such was agreed by the Board of Directors on 10 April, observing the annual maximum approved by the General Meeting, in accordance with the provisions of the Corporate Bylaws and the Board Regulations. Said remuneration was applied from 1 May.

As regards the CEO, the company's sole executive director, the remuneration he received was as follows:

Fixed remuneration:

The fixed remuneration of the CEO takes into account the criteria of dedication, qualification and responsibility. The fixed remuneration in the 2015 financial year is the same as indicated in section A.3 of the present report.

Annual variable remuneration:

For the 2015 financial year, the variable remuneration anticipated for the CEO is determined based on the following annual targets:

QUANTITATIVE VARIABLES 80%  
EBITDA 35%  
Tenancy Ratio of Telecom Site Rental 15%  
Telecom Site Rental revenue 20%  
Achievement of inorganic growth projects 30%  
QUALITATIVE VARIABLES 20%  
Cultural change, strategic reorientation, etc. 100%

The Nomination and Remuneration Committee has valued the contribution of the CEO to the fulfilment of the strategic obligations of the Group as being 118%, establishing his variable remuneration for 2015 at 327,019 euros, to be paid during the first half of 2016.



Long-term variable remuneration:

The Long-Term Incentive Plan for 2015–2017 explained in point A.4 of the present document was implemented during 2015.

Remuneration in kind and deferred remuneration:

During the 2015 financial year, the policy of remuneration in kind defined in the remuneration policy has been applied, covering the social welfare, life insurance and medical insurance provision systems.

The amount paid by the company in 2015 for these items was:

- Contribution to the collective endowment insurance: 150,000 euros
- Other remuneration in kind: 6,000 euros

## D DETAILS OF THE INDIVIDUAL REMUNERATION RECEIVED BY EACH DIRECTOR

Name	Type	Accrual period 2015 financial year
TOBIÁS MARTÍNEZ GIMENO	Executive	From 01/01/2015 to 31/12/2015.
FRANCISCO JOSÉ ALJARO NAVARRO	Proprietary	From 01/05/2015 to 31/12/2015.
JOSÉ MARÍA CORONAS GUINART	Proprietary	From 01/05/2015 to 31/12/2015.
PIERRE BLAYAU	Independent	From 01/05/2015 to 31/12/2015.
GIAMPAOLO ZAMBELETTI ROSSI	Independent	From 01/05/2015 to 31/12/2015.
PETER SHORE	Independent	From 01/05/2015 to 31/12/2015.
BERTRAND BOUDEWIJN KAN	Independent	From 01/05/2015 to 31/12/2015.
LUIS DEULOFEU FUGUET	Proprietary	From 01/05/2015 to 31/12/2015.
FRANCISCO REYNÉS MASSANET	Proprietary	From 01/05/2015 to 31/12/2015.

D.1 Complete the following tables with regard to the individual remuneration of each director (including the remuneration for exercising executive functions) paid during the year.

a) Remuneration paid by the company that is the object of the present report:

i) Cash remuneration (in thousands of €)

Name	Salary	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on board committees	Termination benefits	Other items	Total 2015	Total 2014
FRANCISCO REYNÉS MASSANET	0	80	0	0	0	0	0	0	80	0
TOBIÁS MARTÍNEZ GIMENO	554	40	0	318	0	0	0	0	912	0
FRANCISCO JOSÉ ALJARO NAVARRO	0	60	0	0	0	0	0	0	60	0
JOSÉ MARÍA CORONAS GUINART	0	60	0	0	0	0	0	0	60	0
LUIS DEULOFEU FUGUET	0	40	0	0	0	0	0	0	40	0

Name	Salary	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on board committees	Termination benefits	Other items	Total 2015	Total 2014
PIERRE BLAYAU	0	60	0	0	0	0	0	0	60	0
PETER SHORE	0	60	0	0	0	0	0	0	60	0
GIAMPAOLO ZAMBELETTI ROSSI	0	60	0	0	0	0	0	0	60	0
BERTRAND BOUDEWIJN KAN	0	60	0	0	0	0	0	0	60	0

**ii) Share-based remuneration systems**

**iii) Long-term savings systems**

Name	Contribution for the year by the company (thousands of €)		Amount of accumulated funds (thousands of €)	
	2015 Financial Year	2014 Financial Year	2015 Financial Year	2014 Financial Year
TOBIÁS MARTÍNEZ GIMENO	150	0	150	0

iv) Other profit (in thousands of €)

TOBIÁS MARTÍNEZ GIMENO			
Remuneration as advances, loans granted			
Transaction interest rate		Essential characteristics of the transaction	Amounts eventually returned
0.00		NOT APPLICABLE	NOT APPLICABLE
Life insurance premiums		Guarantees provided by the company in favour of directors	
2015 Financial Year	2014 Financial Year	2015 Financial Year	2014 Financial Year
4	0	NOT APPLICABLE	NOT APPLICABLE

**b) Remuneration received by company directors for serving on boards of other group companies:**

**i) Cash remuneration (in thousands of €)**

Name	Salary	Fixed remuneration	Allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on board committees	Termination benefits	Other items	Total 2015	Total 2014
TOBIÁS MARTÍNEZ GIMENO	0	0	0	0	0	0	0	0	0	0

**ii) Share-based remuneration systems**

**iii) Long-term savings systems**

**c) Summary of the remuneration (in thousands of €):**

The summary must include the amounts corresponding to all remuneration items included in the present report that have been received by the director, in thousands of euros.

In the case of long-term Savings Systems, the contributions or allocations made to this kind of system will be included:

Name	Remuneration earned in the company				Remuneration earned in group companies				Total		
	Total cash remuneration	Amount of shares granted	Gross yield of the options exercised	Company total 2015 financial year	Total cash remuneration	Amount of shares provided	Gross yield of the options exercised	Group total 2015 financial year	Total 2015 financial year	Total 2014 financial year	Contribution to the savings systems during the year
FRANCISCO REYNÉS MASSANET	80	0	0	80	0	0	0	0	80	0	0
TOBÍAS MARTÍNEZ GIMENO	912	0	0	912	0	0	0	0	912	0	150
FRANCISCO JOSÉ ALJARO NAVARRO	60	0	0	60	0	0	0	0	60	0	0
JOSÉ MARÍA CORONAS GUINART	60	0	0	60	0	0	0	0	60	0	0
LUIS DEULOFEU FUGUET	40	0	0	40	0	0	0	0	40	0	0
PIERRE BLAYAU	60	0	0	60	0	0	0	0	60	0	0
PETER SHORE	60	0	0	60	0	0	0	0	60	0	0
GIAMPAOLO ZAMBELETTI ROSSI	60	0	0	60	0	0	0	0	60	0	0
BERTRAND BOUDEWIJN KAN	60	0	0	60	0	0	0	0	60	0	0
<b>TOTAL</b>	<b>1,392</b>	<b>0</b>	<b>0</b>	<b>1,392</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,392</b>	<b>0</b>	<b>150</b>

D.2 Provide information on the relationship between the remuneration obtained by the directors and the results or other performance measures of the organisation, explaining, where appropriate, how the variations in the company's performance have been able to influence the variation of the directors' remuneration.

NOT APPLICABLE

D.3 Provide information on the general meeting's non-binding vote on the annual report on remuneration from the previous financial year, indicating the number of negative votes that, where appropriate, were cast:

	Number	% of total
Votes cast	0	0.00%

	Number	% of total
Votes against	0	0.00%
Votes in favour	0	0.00%
Abstentions	0	0.00%

## **E OTHER INFORMATION OF INTEREST**

If you consider that there is any material aspect concerning director remuneration that has not been addressed in the other sections of this report and that is necessary to provide a more comprehensive and reasoned view of the company's remuneration structure and practices in relation to its directors, provide a brief explanation.

NOT APPLICABLE

This annual remuneration report was approved by the company's Board of Directors at its meeting held on 18/02/2016.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No