

# Report of the Nominations and Remuneration Committee Regarding the Directors' Remuneration Policy

**2016**

**Junta General d'Accionistes**

Junta General de Accionistas

*Annual Shareholders' Meeting*

## **REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE REGARDING THE DIRECTORS' REMUNERATION POLICY**

This report has been prepared in accordance with article 529 of the Spanish Companies Act and its object is to propose the policy for the remuneration of directors which will remain in force for a period of three years from the date of its approval by the Annual General Meeting.

The policy reflects what is already set out in the Company's various internal regulations, including the remuneration of directors and the terms related thereto (establishing the maximum amount of their annual remuneration) and the remuneration package of the CEO. In addition, the policy is prepared in accordance with the best practices of the market, taking into account comparable companies in the sector.

The proposed policy is set out on the following terms:

### **1.- Internal policy of Cellnex.**

The Bylaws and the Board of Directors' Regulations of Cellnex Telecom, S.A. ("**Cellnex**" or the "**Company**") set out the principles on which the remuneration policy of the Directors of the Company is based. The articles 25 and 26 of the Bylaws and articles 24 and 25 of the Regulations of the Board of Directors of the Company is established in line with the revised text of Ley de Sociedades de Capital, approved by Royal Legislative Decree 1/2010, of July 2, the following:

#### **"Remuneration policy for the directors**

*The remuneration policy for the directors will be adapted to the remuneration system established in the bylaws and will be approved by the General Shareholders' Meeting at least every three (3) years as a separate item on the agenda.*

*The proposal for the remuneration policy from the Board of Directors will be reasoned and must be accompanied by a specific report from the Appointments and Remuneration Committee. Both documents will be made available to the shareholders on the Company website from when the call for the General Meeting is issued, and shareholders may also request the free delivery or remittance thereof. Mention of this right must be made in the call for the General Meeting.*

*The remuneration policy for the directors will remain in force throughout the three (3) business years following that in which it is approved by the General Meeting. Any amendment to or replacement of the same during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for the approval thereof.*

*The Board of Directors will draft and publish an annual report on the remuneration of directors, which will include comprehensive, clear and understandable information on the remuneration policy applicable to the current business year, a global summary of the application of the remuneration policy during the previous business year, and a breakdown of the individual remuneration accrued for all items by each of the directors during the aforementioned business year. This report will be made available to shareholders when the Ordinary General Meeting is convened and will be put to an advisory vote during said Meeting, as a separate agenda item. Should the aforementioned annual report on the remuneration of directors be rejected in the advisory vote of the Ordinary General Meeting, the remuneration policy applicable to the following business year must be submitted for the approval of the General Meeting prior to the application thereof, even if the aforesaid period of three (3) years has not yet elapsed. This will not apply to cases in which the remuneration policy has been approved during the same Ordinary General Meeting.*

*Any remuneration paid to the directors for the exercise or termination of their role and for the performance of executive functions will be in accordance with the remuneration policy for directors in force at any given moment, except any remuneration that has been expressly approved by the General Shareholders' Meeting.*

#### Remuneration of directors

##### a) General

*The directors will be remunerated for exercising the duties which correspond to them by virtue of their membership to the Board of Directors, as the Company's collegiate decision-making body*

*Remuneration for directors, in their capacity as such, shall take the form of a fixed annual allocation.*

*The maximum annual remuneration that the Company will pay to its directors as a whole for the item envisaged in the preceding paragraph will not exceed the quantity earmarked to this end by the remuneration policy approved by the General Shareholders' Meeting.*

*The determination of the remuneration for each director, in his/her capacity as such, will be the responsibility of the Board of Directors, which for said purposes will take into account the duties and responsibilities attributed to each director, whether they are members of Board committees, and all other objective circumstances it deems relevant.*

*With regard to independent directors, the Board of Directors and the Appointments and Remuneration Committee will adopt all measures within their powers to ensure that the remuneration of these directors is in line with the commitment made and offer them incentives for their commitment, but which do not constitute an obstacle to their independence.*

##### b) Remuneration of executive directors

*Directors who have been conferred executive functions in the Company, irrespective of the nature of their legal relationship with the latter, will also be entitled to receive the remuneration for the fulfilment of said functions which is provided for in the contract entered into between the director and the Company for said purpose.*

*The Board of Directors will determine the remuneration of the directors for the performance of executive functions and the terms and conditions of their contracts with the Company in accordance with the*

*provisions of the applicable legislation at any given moment and in accordance with the remuneration policy for directors approved by the General Meeting, which must state (i) the fixed annual remuneration and the variation thereof during the period covered by the policy, the different parameters for establishing the variable components and (ii) the main terms and conditions of their contracts, including, in particular, their duration, compensation for early termination or the termination of the contractual relationship and exclusivity agreements, post-contractual non-competition and continuity and loyalty clauses.”*

## **2.- General principles and criteria of the remuneration policy.**

The principles and criteria of the remuneration policy of the Directors are permanently reviewed by the Appointments and Remuneration Committee and the Board of Directors of the Company within the framework of its powers, in order to keep aligned with the remuneration policy of the Company with the best practices and trends in the market.

Therefore, the Directors’ remuneration for exercising their supervision and decision-making functions is based on the following general principles:

- The remuneration must be sufficient and conform to the Boards’ dedication, qualification and responsibilities but it must not compromise the Directors’ independent criteria.
- The remuneration must be appropriate for attracting and retaining talent and profile desired by the Company.
- The remuneration must be competitive, which is achieved by establishing a remuneration package in line with market standards of comparable sectors and companies.

The remuneration for the Executive Director for exercising his functions is based on the following principles:

- Making sure that the compensation package can attract, retain and motivate the suitable professional thanks to its structure and overall amount and be competitive with respect to comparable national and international organisations, so that the Company can meet its strategic objectives within the increasingly competitive international environment in which it operates.
- Maintaining an annual variable remuneration linked to individual performance and the overall performance of the Company and the Group of companies whose parent company is the Company (the “**Group**”).
- Incentivising sustained creation of value over time. Therefore, remuneration includes long-term variable components encouraging achievement of the targets in a sustainable way over time and retention of key personnel.

## **3.- The remuneration policy for Directors. Maxim amount of annual remuneration.**

In accordance with the Bylaws and the Board of Directors’ Regulations, the Directors receive a fixed remuneration.

In any case, the maximum annual remuneration regarding the total Directors will not be over 1.500,000 euros. For the duration of this remuneration policy the maximum remuneration will remain in the same terms, unless specific agreement of the General Shareholders' Meeting in which a different amount is approved.

The Appointments and Remuneration Committee is responsible for proposing to the Board of Directors the Director's remuneration an appropriate for his functions (including the maximum annual amount that must necessarily be approved by the General Shareholders' Meeting). The Board is responsible for setting the exact amount to be paid within the stated limit and for distributing the payment among the Directors, taking into consideration the positions held by each one on the Board and its Committees and other objective circumstances that are relevant.

The Directors do not earn any assistance allowance. The travel and stay expenses to attend the Board of Directors and / or its Committees shall be paid by the Company.

The Directors' remuneration is only related to their responsibility regarding their functions.. These amounts can be reviewed and updated by the Board of Directors, prior report of the Appointments and Remuneration Committee, within the annual maximum amount approved by the General Shareholders' Meeting. These updates will be reported in the Annual Report on Directors' Remuneration will be voted, in an advisory vote and as a separate item on the agenda, the General Shareholders' Meeting of the Company

The Company has contracted a liability insurance for its Directors, based on market conditions.

#### **4.- Remuneration policy for Executive Director. Remuneration. Main terms of their contracts**

To date, only the Chief Executive Officer of the Company performs executive functions.

The Appointments and Remuneration Committee is responsible for proposing to the Board of Directors the remuneration of the Chief Executive Officer for his executive responsibilities and other contractual conditions, and the Board of Directors approves this.

The remuneration policy for the Executive Director considers, inter alia, the following: (i) fixed remuneration aimed at compensating the level of responsibility and performance, which must be competitive with respect to the entities comparables; (ii) annual variable remuneration linked to achieve the pre-set specific and quantifiable targets; (iii) a multi-year incentive remuneration; and (iv) other payments in kind that are supplementary.

##### **4.1.- Fixed remuneration:**

The Chief Executive Officer's fixed remuneration reflects the responsibility of the position within the Company as well as his professional experience looking after it with the objective of making it competitive in a national and international level.

With the objective of settling an adequate and competitive salary policy, the Appointments and Remuneration Committee has taken into consideration for its fixation and possible revisions the elements above as well as the studies and salary analysis prepared by internationally recognized consultancy firms.

On this basis, the Appointments and Remuneration Committee settles annually the remuneration of the Chief Executive Officer for its approval from the Board of Directors.

The Chief Executive Officer's fixed remuneration during the years of effectiveness of this policy amounts to 600.000 euros per year.

#### 4.2.- Annual Variable remuneration:

A part of the Chief Executive Officer's remuneration is variable with the objective of increasing his commitment with the company and motivating his performance. The payment method of this incentive will be in cash although it may be decided to replace all or part of it by a corporate contribution to the improvement of social welfare.

The amount of the Chief Executive Officer's annual variable remuneration is established as a percentage of his fixed remuneration and will be linked, in an important part, the performance of the Company in connection with certain economic and finance parameters and specific operational parameters, predetermined, measurable and aligned with the strategic objectives of the Company. They are also weighted objectives for corporate governance, as well as the personal performance of the Chief Executive Officer. It corresponds to the Appointments and Remuneration Committee determine and assess the compliance with preset parameters.

The current percentage of the Chief Executive Officer's annual variable remuneration is 50% of his fixed remuneration, which will be maintained during the term of this remuneration policy.

#### 4.3.- Long-term variable incentive:

The Chief Executive Officer has a component of his compensation link to a long-term variable incentive.

The objectives sought with this remuneration are motivate and retain with a remuneration's policy that binds the Group's manager and, in particular, the Chief Executive Officer, with the Strategic Plan for the Company, aligning the management's objectives with the shareholders as well as maintaining a competitive remuneration policy to gain new talent.

The remuneration instruments used for this long-term variable incentive will be stock options, shares, bonus in cash or any other method used in the market and that allow the achievement of the above-mentioned objectives.

In 2015, the Appointments and Remuneration Committee proposed the creation of a long-term variable incentive plan named ILP 2015-2017 with the objective of retaining and motivating the Chief Executive Officer's and some key managers of the Group.

The objectives included in this long-term variable incentive, with a weighting of 50% each, are:

- The accumulated increase in the share of Cellnex, as a result of comparing the price of the offer carried out prior to the admission to trading of the Company's shares and the average

price in the last quarter of 2017, weighted by the volume ("vwap"), following a scale of achievement.

- Achieving the adjusted Ebitda according to the market consensus and at constant scope of consolidation, following a scale of achievement.

The final valuation of these objectives establish in the long-term variable incentive 2015-2017 will be made by the Appointments and Remuneration Committee once the period is ended and the payment, if it applies, will be made after the General Shareholders' Meeting that approves the 2017 financial statements

The expected incentive for the Chief Executive Officer, if the strategic objectives are achieved after 2017 will amount a total of three years of his fixed remuneration.

Notwithstanding, the Company will be able to establish other long-term variable incentive for the duration of this policy in which, if it is appropriate, similar parameters will be established for the setting of their variable components.

#### **4.4.- Main conditions of the Chief Executive Officer contract:**

The conditions regarding the professional services of the Chief Executive Officer are regulated in his contract, according to the Company's bylaws.

The contract signed between the Company and the Chief Executive Officer is defined duration (until 31 December 2024) and includes the right of receive, in certain cases, two time his annual fixed and variable remuneration (accrued during the last year prior to the end of the contract) as a compensation by the end of the contractual relationship.

The contract includes the exclusivity of professional services, the Chief Executive Officer is not allowed to provide professional services neither in a personal way or a professional one outside of the Company except if allowed by the Company.

The contract includes a post-contractual non-competition for a period of one year, with an economic compensation for the restriction of one year's fixed remuneration of the Chief Executive Officer.

Additionally, the Chief Executive Officer contract includes certain payments in kind that are supplementary. In particular, the Chief Executive Officer is beneficiary of a health insurance policy that covers his family. In addition, the Chief Executive Officer is beneficiary of insurance to cover the contingencies of survival to normal retirement age, death, total incapacity, absolute or serious disability and long-term unemployment, making the Company to cover such contingencies an annual contribution consisting of 25% of gross annual fixed remuneration of the Chief Executive Officer.

#### **5.- Principle of full transparency.**

The Company's Board of Directors make the commitment to implement the principle of full transparency of the whole compensation received by all the Directors, providing transparent information, sufficient, issued in advance and in line with the recommendations of good governance of the listed companies

To this end, the Board of Directors has prepared this Directors' Remuneration Policy and ensures the transparency of Directors' remuneration. The Board of Directors also prepares an annual report on the annual remuneration of Directors, which is made available to shareholders on the occasion of the call of the Ordinary General Meeting and is submitted to a consultative vote as a separate item on the agenda.

#### **6.- Duration.**

According to the current legislation referred to remuneration's policy of the members of the Board of Directors, policies and procedures contained in this document will be applied in the year of its approval by the General Shareholder's Meeting and the three following, except for the modifications, adaptations, updates or replacements at all times be agreed, which will be submitted for approval to the General Shareholder's Meeting of the Company.