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Report from Board on Remuneration Policy

Junta '19
General de Accionistas
Annual Shareholders' Meeting

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JUSTIFIED PROPOSAL SUBMITTED BY THE BOARD OF DIRECTORS OF CELLNEX TELECOM, S.A. REGARDING THE REMUNERATION POLICY

The Director Remuneration Policy drafted under the terms set out in article 529 *novodecies* of the Spanish Corporate Enterprises Act (the "**Remuneration Policy**") is submitted for approval by the General Shareholders' Meeting of Cellnex Telecom, S.A. (the "**Company**").

The Board has resolved to submit to the General Meeting the approval of the Remuneration Policy, whose text is attached to the report received from the Nominations and Remuneration Committee, which the Board has made its own in all its terms and is attached as an Annex to this justified proposal.

That Remuneration Policy aims to provide continuity to the Company's remuneration policy of the previous years and, therefore, most of the previous wording is maintained, except for (i) the amendment to the total maximum annual remuneration to be paid to all the directors in their capacity as such and (ii) the amendment to the annual fixed, annual variable and multi-year variable remuneration for the Chief Executive Officer.

The Board believes that the proposed Remuneration Policy conforms to the best practices and trends in the market, considering the comparable sectors and companies. Moreover, the factors determining the various components of the CEO's remuneration for carrying out his executive functions are competitive with respect to those applied by the domestic and international comparables, as deduced from the comparative study conducted for such purpose by an external independent company.

Madrid, 4 April 2019.

ANNEX

<u>REPORT FROM THE NOMINATIONS AND REMUNERATION COMMITTEE OF CELLNEX TELECOM, S.A. REGARDING THE DIRECTOR REMUNERATION POLICY</u>

This report was drafted to comply with the provisions of article 529 *novodecies* of the Spanish Corporate Enterprises Act and aimed at proposing the approval of the director remuneration policy, which will be valid for 2019, 2020 and 2021.

The proposed remuneration policy aims to provide continuity to the Company's remuneration policy of the previous years and, therefore, most of the previous wording is maintained, except for (i) the amendment to the total maximum annual remuneration to be paid to all the directors in their capacity as such and (ii) the amendment to the annual fixed, annual variable and multi-year variable remuneration for the Chief Executive Officer.

The amendment to the total maximum annual remuneration to be paid to all the directors in their capacity as such:

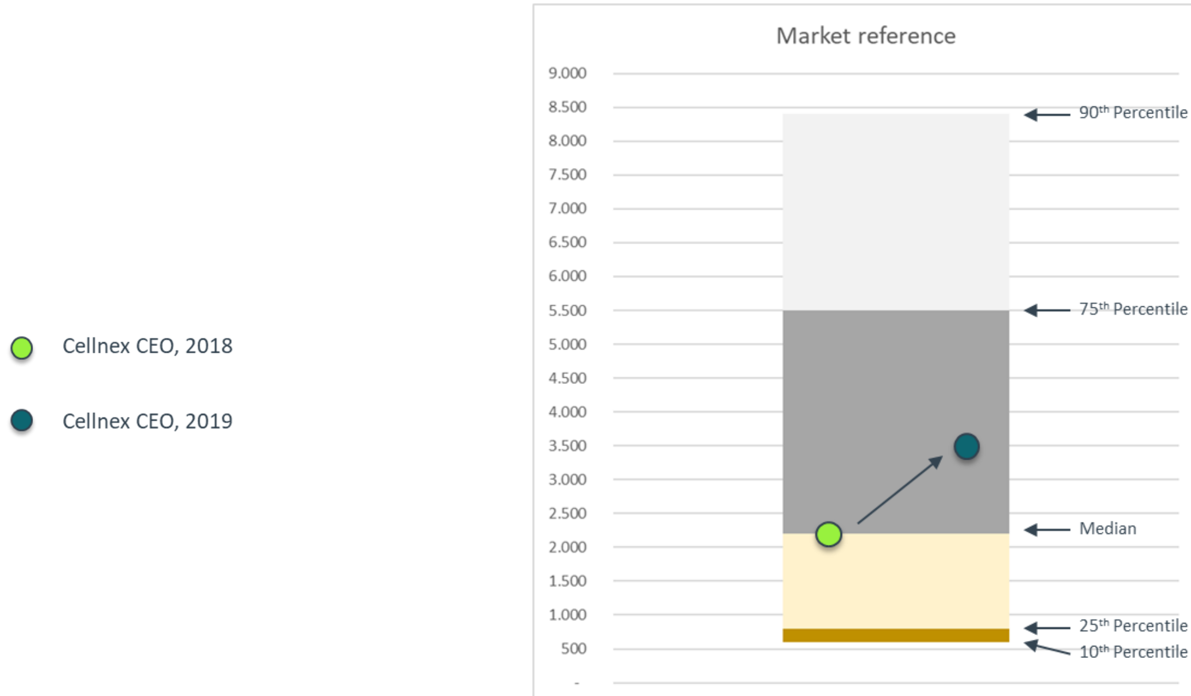
The remuneration system envisaged for the directors in their capacity as such described in the Policy conforms to that established in the By-laws and Board Regulations. The maximum remuneration amount increases with respect to the previous Policy (increased from €1.5 million to €2 million) since the number of Board and Committee members has gone up and there may be a raise in the current remuneration for directors during the years in which the Policy is in force.

The amendment to the annual fixed, annual variable and multi-year variable remuneration for the Chief Executive Officer:

The remuneration for the directors who carry out executive functions included in the remuneration policy also complies with the requirements arising from the applicable legislation and from that established in the By-laws and Board Regulations. The proposed changes refer to the fixed, annual variable and multi-year variable remuneration for the executive director and are based on the proposals provided by a prestigious company (Willis Towers Watson), which conducted a complete study on the executive director's remuneration package, comparing the top 17 telecommunications companies in Europe and the USA (Vodafone, Deutsche Telekom, American Tower, Telefonica, Orange, Crown Castle, Swisscom, KPN, Iliad, Tele2, Inwit, Sunrise, MasMovil, El Towers, Rai Way, Arquiva and Telxius) and assessing their best corporate governance practices and the good results of the company, given that Cellnex is in sixth position in the abovementioned comparison in terms of TSR (total shareholder return).

The result of such comparative analysis is reflected in the following graphic, which shows the position of the remuneration package of the CEO with respect to the rest of the companies in 2018, and the position in which he would be following the approval of the proposals contained in the current Policy.

Total Target Compensation = Base Salary + Target Bonus + LTI annualized expected value + Board Fees + Pensions.



Therefore, in accordance with the different commercial factors used by Willis Towers Watson in the comparison, the total compensation of the Cellnex CEO in 2018 is positioned in the median of the market, while the performance of Cellnex was above the 75th percentile of the market. Consequently, the proposal consists of an improvement which will position the Cellnex CEO in the lower part of the 75th percentile (at approximately 60).

Such study ratifies the study carried out last year by the company Talengo, the conclusions of which are set out in the 2018 Annual Remuneration Report.

Finally, given that a few years have passed since the listing of Cellnex on the Spanish stock exchange and confirmation of the good results of the company, it is appropriate to reconsider the remuneration of the CEO (which was below the market during those initial years of listing) and to revise it upwards, taking into account the growth of the company and the good management of the CEO (according to the latest Forbes report, the Cellnex CEO appears among the 5 best in Spain).

The text of the Remuneration Policy proposed for approval is as follows:

"*DIRECTOR REMUNERATION POLICY*

The director remuneration policy must be adjusted in accordance with the remuneration system established in the by-laws and be approved by the General Shareholders' Meeting at least every three (3) years as a separate item on the agenda.

The grounds for the proposed remuneration policy of the Board of Directors shall be stated and the proposal must be accompanied by a specific report from the Nominations and Remuneration Committee. Both documents will be made available to the shareholders on the company's website after notice of the General Meeting has been given, and shareholders may also request that these documents be delivered or sent free of charge. The General Meeting announcement will mention this right.

The director remuneration policy will remain valid for three (3) years. Any amendment to or replacement of this policy during said period will require the prior approval of the General Shareholders' Meeting, in accordance with the procedure established for its approval.

The Board of Directors must draft and publish an annual director remuneration report that includes comprehensive, clear and comprehensible information concerning the remuneration of directors applicable to the current year; a global overview of application of the remuneration policy during the preceding year; in addition to details of the individual remuneration packages accruing for all items and for each director during that year. That report shall be made available to the shareholders on occasion of the announcement of the Annual General Meeting and be put to a consultative vote as a separate item on the agenda. In the event that the annual director remuneration report be rejected by the advisory vote of the Annual General Meeting, the remuneration policy to be applied to the following financial year must be submitted to the General Meeting for approval prior to its application, even if the aforementioned three (3) years have not elapsed. An exception to the foregoing shall be made if the remuneration policy has been approved at that same Annual General Meeting.

Any remuneration received by directors for the exercise or termination of their role or for the fulfilment of their executive duties shall be in accordance with the director remuneration policy valid at that time, excepting the remuneration explicitly approved by the General Shareholders' Meeting.

Director remuneration

a) General

The directors shall receive remuneration for performing the duties corresponding to them by virtue of belonging to the Board of Directors as the Company's appointed decision-making body.

The remuneration for directors in their capacity as such shall consist of a fixed annual amount.

The maximum annual amount of the remuneration to be paid by the Company to all the directors for the items envisaged in the preceding paragraph shall not exceed the amount determined for such purpose in the remuneration policy approved by the General Shareholders' Meeting.

Remuneration for each director for their position shall be determined by the Board of Directors, which, for this purpose, shall take into account the duties and responsibilities attributed to each director, their position on board committees and any other objective circumstances considered relevant.

The Board of Directors and the Nominations and Remuneration Committee shall adopt all the measures in their scope to ensure that the independent directors' remuneration conforms to their actual dedication and provides incentives for their dedication, but which must not be an obstacle to their independence.

b) Remuneration for executive directors

The directors with executive functions at the Company, whatever the nature of their legal relationship with it, shall be entitled to also receive the remuneration for such duties envisaged in the contract arranged for such purposes between the director and the company.

The Board of Directors shall establish the directors' remuneration for performing the executive functions and the terms and conditions of their contracts with the Company in accordance with that stated in the applicable regulations at any given time and according to the director remuneration policy approved by the General Meeting which must necessarily envisage: (i) the amount of the fixed annual remuneration and the variation therein in the period covered by the policy, the different parameters for setting the variable components and (ii) the main terms and conditions of directors' contracts, and, in particular, the length of their contracts, compensation for early severance or termination of the contractual relationship, exclusivity, post-contractual non-compete, permanence and loyalty arrangements, and other supplementary remuneration in kind which they may receive.

2.- General principles and criteria of the remuneration policy

The principles and criteria for the director remuneration policy are permanently reviewed by the Nominations and Remuneration Committee and the Board of Directors within the framework of their powers to maintain the alignment of the Company's remuneration policy 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 main principles:

- *The remuneration must be sufficient and conform to the directors' dedication, qualification and responsibilities but it must not compromise their independent criteria.*
- *The remuneration must be sufficient to attract and retain directors with the 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 executive director's remuneration for exercising his/her functions is based on the following main principles:

- *Making sure that the compensation package can attract, retain and motivate the executive director thanks to its structure and overall amount and be competitive with respect to the national and international standards, 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 its group of companies, whose parent is the Company (the "**Group**").*
- *Fostering sustained creation of value over time. The remuneration includes long-term variable components encouraging him/her to meet the targets in a sustainable way over time and retain the executive director.*

3.- Remuneration policy for directors in their capacity as such. Maximum annual remuneration amount

In accordance with the Company By-laws and the Company's Board of Directors' Regulations, the directors' remuneration shall comprise a fixed annual amount.

The total maximum annual remuneration to be paid to all the directors in their capacity as such cannot exceed 2,000,000 euros. The maximum remuneration for the remuneration policy's valid period shall remain under the same terms, unless there is a specific resolution by the General Shareholders' Meeting approving a different amount.

The Nominations and Remuneration Committee is in charge of proposing to the Board of Directors the directors' remuneration based on their duties (including the maximum annual amount, which must necessarily be approved by the General Shareholders' Meeting). The Board of Directors is in charge of establishing the exact amount to be paid within that limit and how it is distributed among the directors, considering each one's duties and responsibilities on the Board and, where applicable, on its Committees and any other objective circumstances considered relevant.

The directors shall not receive attendance allowances. Without prejudice to this, the travel and accommodation expenses incurred to attend the meetings of the Board of Directors and/or its Committees shall be paid by the Company.

The directors shall solely receive the remuneration linked to the responsibility that they have. Such amounts can be reviewed and updated by the Board of Directors after a report from the Nominations and Remuneration Committee, within the maximum annual amount approved by the General Shareholders' Meeting. Each director's remuneration must be detailed in the corresponding annual director remuneration report, which shall be put to a consultative vote as a separate item on the agenda of the Company's General Shareholders' Meeting.

Likewise, the Company has arranged civil liability insurance for all its directors under market conditions.

4.- Remuneration policy for executive directors. Remuneration amount. Main terms and conditions of their contracts.

At this date, only the Company's Chief Executive Officer carries out executive functions.

The Nominations and Remuneration Committee is in charge of proposing to the Board of Directors the Chief Executive Officer's remuneration for his/her executive functions and other contractual conditions, and the Board approves this.

The remuneration policy for the executive director considers, inter alia, the following: (i) a fixed remuneration, whose purpose is to reward the level of responsibility and performance required by the Chief Executive Officer and which must be competitive regarding that applied by the comparables; (ii) an annual variable remuneration linked to meeting the pre-established, specific and quantifiable targets; (iii) a multi-year variable incentive; and (iv) certain supplementary payments in kind.

The Nominations and Remuneration Committee's proposal is based on a report drafted by a top-level specialist external advisor with vast experience who conducts a thorough study on the comparables and this is included in the Annual Remuneration Report.

4.1.- Fixed remuneration:

The Chief Executive Officer's fixed remuneration mainly shows the level of responsibility of this position in the organisation and his/her professional experience, making sure that this is competitive with respect to its domestic and international comparables.

To establish an appropriate and competitive remuneration in the market and the potential reviews, the Nominations and Remuneration Committee considers the previous features as well as the salary studies and analyses drafted by prestigious consultancy firms.

Based on them, the Nominations and Remuneration Committee proposes the Chief Executive Officer's remuneration every year, for subsequent approval by the Board of Directors.

The Chief Executive Officer's fixed remuneration during the years in which this policy is in force amounts to 1,000,000 euros per year. The Board of Directors has the power to increase that remuneration one or more times, up to a maximum of 20% of that amount.

4.2.- <u>Annual variable remuneration</u>:

Part of the Chief Executive Officer's remuneration is variable, with a view to strengthening his/her commitment to the Company and fostering better performance. The variable remuneration is paid in cash and/or shares, although it can be partly or fully replaced with the employer's contribution to improving the employee welfare plan. The Annual Remuneration Report must include the breakdown of the variable remuneration of the year in question.

The Chief Executive Officer's annual variable remuneration amount is established as a percentage of his/her fixed remuneration and mostly linked to his/her company performance in relation to certain economic and financial parameters and specific operational parameters that are pre-established, quantifiable and aligned with the Company's strategic objectives. Corporate governance objectives and the Chief Executive Officer's personal performance are also taken into account.

The Chief Executive Officer's annual variable remuneration represents 100% of his/her fixed remuneration.

The annual variable remuneration is approved by the Company's Board of Directors, at the proposal of the Nominations and Remuneration Committee, based on the degree of compliance with the objectives, once the financial statements of the year in question have been completed and audited. The scale of achievement with each objective will be between 0% and 100%, and a correction factor of 0.75-1.50 can be applied depending on the officer's personal contribution.

The Annual Remuneration Report of each year will include the specific objectives and their weightings, as well as the aspects to evaluate in order to determine the correction factor.

4.3.- <u>Multi-year variable incentive</u>:

The Chief Executive Officer's total annual remuneration has a component linked to a multi-year incentive.

The purposes of this remuneration item are to motivate and retain, through a remuneration policy that links and brings the Group's managers and, in particular, the Chief Executive Officer into line with the Company's Strategic Plan, aligning the managers' objectives with those of the shareholders, and be competitive in the market to attract new talent.

The instruments used for the multi-year incentive can comprise share options, share issues, cash bonuses and other remuneration instruments used in market practices that meet the aforementioned objectives.

In 2017, the Board of Directors, at the proposal of the Nominations and Remuneration Committee, resolved to implement a ROLLING LTIP, which will be applied during the term of this Remuneration Policy, consisting of a number of three-year incentive plans (2017-2019 LTIP, 2018-2020 LTIP and 2019-2021 LTIP) aimed at retaining and fostering the involvement of the Chief Executive Officer and of the Group's certain key staff.

The objectives included in the various ROLLING LTIPs will be determined accordingly by the Board of Directors, at the proposal of the Nominations and Remuneration Committee, and be linked to the Company's share price and/or economic aggregates.

The Nominations and Remuneration Committee will finally assess the compliance with the objectives set out in each ROLLING LTIP once the Plan's term has elapsed; where applicable, the settlement will be made after the General Shareholders' Meeting approving the financial statements of the last year included in each Plan is held.

In the event that the objectives envisaged in the corresponding Plan are met, the Chief Executive Officer's remuneration is expected to be as follows:

- 2017-2019 LTIP (this has two phases: 2017-2018 and 2018-2019):

If the Company's objectives are met at 2018 and 2019 year-end, respectively, the Chief Executive Officer's remuneration is expected to be one year of his/her fixed remuneration for the 2017-2018 period and one year of his/her fixed remuneration for the 2018-2019 period. The scale of achievement of the objectives will be between 0% and 125%. Forty per cent of that remuneration will be paid through company shares, with the obligation to keep them for at least two years.

- 2018-2020 LTIP

If the Company's objectives are met at 2020 year-end, the Chief Executive Officer's remuneration is expected to be one year of his/her fixed remuneration. The scale of achievement of the objectives will be between 0% and 125%. Fifty per cent of that remuneration will be paid through company shares, with the obligation to keep them for at least two years.

- 2019-2021 LTIP

If the Company's objectives are met at 2021 year-end, the Chief Executive Officer's remuneration is expected to be $1.1\hat{6}$ *times of his/her fixed remuneration. The scale of achievement of the objectives will be between 0% and 125%. A 100% of that remuneration will be paid through company shares and/or stock appreciation rights, with the obligation to permanently have shares equivalent to one year of the fixed salary.*

The delivery of shares under the different Plans will be made applying a reduction to compensate for the tax impact. The calculation to determine the number of shares to be delivered is made dividing the net amount to be paid by the average share price of the last month before the General Shareholders Meeting that, when appropriate, approves the accounts of the relevant exercise.

The Annual Remuneration Report must detail the objectives and weightings of the various LTIPs that are affected in the corresponding period, as well as the level of achievement. Also, notice will be given regarding the amount paid and payable in each financial year.

The Company will establish other multi-year incentive plans for subsequent periods.

4.4.- <u>Main terms and conditions of the contract with the Chief Executive Officer</u>:

The terms and conditions of the Chief Executive Officer's professional services are regulated in his/her contract, in accordance with the provisions stated in the Company By-laws.

The contract signed between the Company and the Chief Executive Officer has a specific term (until 31 December 2024) and establishes the CEO's right to receive, in certain cases, two years of his/her fixed and variable remuneration (accrued in the last year before the contract termination) as the indemnity for terminating the contractual relationship.

The contract obligates the CEO to provide services exclusively and with full dedication. The Chief Executive Officer may not render services on his/her own account or under the direct or indirect employment of third parties outside the Group, unless the Company has granted its express consent.

The contract include a one-year post-contractual non-compete clause, with a compensatory economic consideration for that restriction of one year of the Chief Executive Officer's fixed remuneration.

The Chief Executive Officer's contract also envisages a number of supplementary payments in kind. In particular, the CEO is the beneficiary of health insurance that also covers his/her family. Likewise, the Chief Executive Officer is the beneficiary of insurance covering the contingencies of survival of the ordinary age of retirement, death, permanent disability (total, absolute or severe disability) and long-term unemployment, where the Company makes an annual contribution of 25% of the Chief Executive Officer's annual gross remuneration to cover such contingencies.

The Annual Remuneration Report of each year will detail the supplementary remuneration amounts received in that period.

5.- Principle of full transparency:

The Company's Board of Directors undertakes to ensure that all the remuneration items received by all the directors are based on the principle of full transparency, providing transparent and sufficient information, issued sufficiently in advance and aligned with the good governance recommendations for listed companies.

For such purposes, the Board of Directors has drafted this Director Remuneration Policy and monitors the transparency of the directors' remuneration. The Board of Directors will also draft the annual director remuneration report, which will be made available to the shareholders on occasion of the announcement of the General Shareholders' Meeting, and be put to a consultative vote as a separate item on the agenda.

6.- Term:

Without prejudice to the prevailing board remuneration policy legislation, the Remuneration Policy will be valid for three years from its approval, i.e. 2019, 2020 and 2021, apart from the amendments/adaptations that are resolved which will be valid from their year of approval by the General Shareholders' Meeting and for the years during which the Remuneration Policy lasts."