



## **ANNUAL REPORT BY MASMOVIL IBERCOM, S.A.'s APPOINTMENTS AND REMUNERATION COMMITTEE ON ITS OWN OPERATIONAL PERFORMANCE AND ACTIVITIES DURING THE 2017 FINANCIAL YEAR**

### **1. INTRODUCTION**

The Appointments and Remuneration Committee of Masmovil Ibercom, S.A. (the “**Company**” or “**MASMOVIL**”) commenced its operations following its establishment by the Company’s Board of Directors at a meeting held on 21 July 2015, when MASMOVIL’s shares were listed on the *Mercado Alternativo Bursátil* (a sub-market of the Spanish stock exchange organisation) in the “Companies in Expansion” segment.

In addition, in view of the forthcoming admission of the Company’s shares for trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges in July 2017, the Board of Directors, meeting on 22 May of the said financial year, agreed to amend the Regulations governing the Board and its Committees in order to bring them into line with the listed companies statute set out in Title XIV of the current Spanish Capital Companies Act and the Code of Good Governance for Listed Companies, which had been approved by agreement of the Board of the Spanish National Securities Markets Commission on 18 February 2015. In this regard, Articles 17, 18 and 19 of the said Regulations govern the composition and operational regulations for the Appointments and Remuneration Committee.

One of the powers that the Regulations governing the Board of Directors attributes to the Board of Directors involves making an assessment of the quality and performance of, *inter alia*, the Appointments and Remuneration Committee, to which end it collects the reports that it requires from the said Committee. In addition, recommendation 36, paragraph b) of the Code of Good Governance for Listed Companies establishes that, when making its assessment of the various committees, the Board of Directors will work from the reports that the committees submit to the Board.

This report refers to the activities of the Appointments and Remuneration Committee during the financial year ending 31 December 2017.

Pursuant to the contents of recommendation 6 of the Code of Good Corporate Governance for Listed Companies, this present report shall be published on the Company’s website sufficiently in advance of the date on which the 2018 Ordinary General Meeting of Shareholders is held.

### **2. COMPOSITION**

Article 17 of the Board of Directors’ Regulations establishes that the Appointments and Remuneration Committee shall comprise three (3) Non-Executive Directors appointed by the Board of Directors, the majority of whom must be Independent Directors. Members of the Committee shall be appointed on the basis that they possess the appropriate knowledge, skills and experience for the duties they are called on to

discharge.

Thus, on 4 November 2016, MASMOVIL's Board of Directors appointed the current members and allocated their duties on the Committee as follows:

- ✓ Felipe Fernández Atela (Chairman) is an Independent Director. He was appointed Director at the Ordinary General Meeting held on 29 June 2015.
- ✓ Eduardo Díez-Hochleitner Rodríguez (Member) is an Independent Director and Chairman of the Board. He was appointed Director at the Ordinary General Meeting of Shareholders held on 29 June 2015.
- ✓ John C. Hahn (Member) is a Proprietary Director (representing PLT VII MAS, S.à r.l. - Providence). He was appointed Director at the Extraordinary General Meeting of Shareholders held on 4 November 2016.

The Secretary to the Appointments and Remuneration Committee is the Secretary to the Board of Directors, Alberto Castañeda González.

### **3. OPERATION**

It is provided that the Appointments and Remuneration Committee shall meet whenever it is convened by its Chairman, who shall convene a meeting whenever the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals and, in all cases, when this is advisable for the proper performance of its duties.

Meetings of the Committee shall be held at the Company's registered office or at any other location decided by the Chairman and indicated in the announcement of the meeting. Meetings shall be validly constituted when the majority of members are present or represented, and the Committee's reports shall be adopted following a vote in favour by a majority of the members present at the meeting. In the event of a tie, the Chairman or the person acting in the Chairman's place shall have the casting vote.

### **4. DUTIES**

The duties of the Appointments and Remuneration Committee are regulated under Article 18 of the Board of Directors' Regulations, and particularly include the following:

- a) With regard to appointments:
  - i) Proposing the criteria to be followed as regards the composition and structure of the Board of Directors and the selection of candidates for membership of the Board of Directors.
  - ii) Assessing the skills, knowledge and experience required of candidates who are to fill vacancies on the Board of Directors, where necessary.
  - iii) Reporting on proposed appointments to senior executive positions with the Company, and establishing the contractual and payment conditions for those appointed.

- iv) Reporting on the Company's position regarding the appointment and dismissal of Members of the Boards of Directors of its subsidiaries.
  - v) Submitting proposals to the Board of Directors regarding the appointment of Independent Directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
  - vi) Reaching decisions on any conflicts of interest that have been raised by Directors with the Secretary to the Board of Directors.
- b) With regard to remuneration:
- i) Proposing the remuneration to be paid to Directors, pursuant to the remuneration rules set out in the Articles of Association.
  - ii) Submitting proposals to the Board of Directors regarding payment policy for Directors and General Management and for those people who perform Senior Management duties and who report directly to the Board, Executive Committees or Managing Directors, and regarding the individual payment and other contractual conditions for Executive Directors.
  - iii) Informing the Board, prior to any agreement or proposal by the Board of Directors involving payments to be made to Directors and Managers based on the value of the Company's shares or the shares of its subsidiaries, or involving the handover of shares in the Company or its subsidiaries or the allocation of options over such shares, or involving any instrument designed to retain and incentivise such Directors or Managers.
- c) With regard to Corporate Social Responsibility:
- i) Overseeing strategy for communication and relations with shareholders and investors, including small and medium-sized shareholders.
  - ii) Reviewing the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
  - iii) Evaluating all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
  - iv) Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

## 5. ACTIVITIES

During the period referred to in this present report, the Appointments and Remuneration Committee has held eight (8) meetings, which were attended by all of the Committee's members.

Among the issues discussed during the 2017 financial year, the following were of particular importance:

- ✓ The proposed selection of a candidate to take charge of MASMOVIL's Internal Auditing Department and the person selected to perform the duties of Group Compliance Officer, along with the review of their contractual conditions.
- ✓ The review of the contractual conditions of the Managing Director and Level 1 managers.
- ✓ The examination of the remuneration system to be put in place for the Managing Director and the Group's Managers (Shares Appreciation Rights' Plan) and the proposal for selecting beneficiaries.
- ✓ The proposal for defining the system to be used to calculate variable remuneration for the 2017 financial year for the Managing Director and Level 1 Managers.
- ✓ The proposal for approving the Bonus for the 2016 financial year for managers and employees of the MASMOVIL Group.
- ✓ The proposal to approve the maximum figure for the remuneration of the directors in their capacity as such for the period between 1 July 2017 and 30 June 2018, for final approval by the General Shareholders' Meeting.
- ✓ Reviewing the following policies:
  - The Policy for Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors.
  - Directors' Remuneration Policy.
  - Director Selection Policy.
  - Corporate Social Responsibility Policy.
  - Equality Policy.
  - Personal Data Protection Policy.
- ✓ Examining the remuneration system to be put in place for Managers in the Business to Business Division.
- ✓ Reviewing the process for the assessment of the Company's Board of Directors.

- ✓ Proposing the creation and defining the operation of the (non-financial) risk monitoring and management system.
- ✓ Designing the Corporate Governance Plan for the 2018 financial year.

## **6. ASSESSMENT**

Bearing in mind that the Company's Appointments and Remuneration Committee has held its meetings in accordance with the procedures and formalities set out in the Company's Articles of Association and the Board of Directors' Regulations, and that it has exercised the powers entrusted in it under the said Articles and Regulations in the manner prescribed, it is concluded that the Appointments and Remuneration Committee has efficiently undertaken and performed the most important duties for which it is responsible, and that it has acted pursuant to the contents of the legislation in force and in accordance with the Company's Corporate Governance rules.

By virtue thereof, the Company's Appointments and Remuneration Committee hereby signs this report on its own operational performance and activities during the 2017 financial year.

In Madrid, on 22 February 2018.

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The Chairman  
Felipe Fernández Atela

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Secretary  
Alberto Castañeda González

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Eduardo Díez-Hochleitner  
Rodríguez

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John C. Hahn