

REPORT ON THE FUNCTIONING AND ACTIVITIES OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

Reporting period: 1 January to 31 December 2016

1. Composition

The Appointments and Remuneration Committee is chaired by an independent Director, Mrs Mónica López-Monís Gallego, and the majority of its members are also independent Directors. During year 2016, the new members to the committee have been the independent Director Mrs Marina Serrano González, to cover the vacancy left by the resignation of the Proprietary Director Mr Juan Villar-Mir de Fuentes, representative of OHL Concesiones, S.A.U, as a result of the sale of part of its shares.

As at 31 December 2016, the Appointments and Remuneration Committee has the following members:

Position	Name or company name	Category of director
President	Mónica López-Monís Gallego	Independent
Board Member	María Teresa Costa Campi	Independent
Board Member	Miguel Ángel Gutiérrez Méndez (*)	Independent
Board Member	Juan-José López Burniol	Proprietary, Critería Caixa, S.A.U.
Board Member	Marina Serrano González	Independent
Secretary	Josep Maria Coronas Guinart	Non Board Member Secretary

(*) He submitted his resignation as Director on 4/1/2017 due to having held the post of Independent Director for twelve years, expressing his wish that the majority of independent directors on the Board should be consolidated.

The directors that sit on the Appointments and Remuneration Committee have the knowledge, skills and experience required to perform the duties entrusted to this Committee by the Board of Directors.

2. Responsibilities and functioning

Pursuant to Article 16 of the Board of Directors Regulations, the Appointments and Remuneration Committee shall be composed of five non-executive directors. The majority of its members must be independent directors and it shall be ensured that same have the knowledge, skills and experience required to perform the duties with which they are entrusted. In performing its duties, the Committee may procure the services of specialised external consultants.

The Appointments and Remuneration Committee shall have the following basic duties:

- a) Assess the competencies, knowledge and experience required on the Board of Directors. To this end, it shall define the functions and required aptitudes for the candidates put forward to fill each vacancy, evaluating the time and dedication required for the effective performance of each one.
- b) Set a representation objective for the most under-represented gender on the Board of Directors and draw up guidelines on how to reach said objective.
- c) Present to the Board of Directors the proposed candidates for the position of independent director so that they may be appointed by co-option or submitted to the decision of the General Shareholders' Meeting, and present the proposals for the reappointment or dismissal of said directors by the General Shareholders' Meeting.
- d) Inform on the proposed candidates for the other director positions so that they may be appointed by co-option or submitted to the decision of the General Shareholders' Meeting, and on the proposals for their reappointment or dismissal by the General Shareholders' Meeting.
- e) Inform on the proposals for the appointment and dismissal of executives and propose the basic conditions of their contracts to the Board.
- f) Inform on the appointments made by the Board of Directors of the President in advance and, where applicable, one or several Vice-Presidents, as well as the Secretary and, where applicable, the Vice-Secretary. The same procedure shall be followed to agree on the dismissal of the Secretary and, where applicable, the Vice-Secretary.
- g) Analyse and organise the succession of the President of the Board of Directors and of the company's Chief Executive Officer and, where applicable, make proposals to the Board aimed at ensuring the succession occurs in an orderly and planned manner.

- h) Propose to the Board of Directors the remuneration policy for the directors and managing directors or whoever performs their senior management duties, as well as the individual remuneration and other contractual conditions of the executive directors, while also ensuring that these are adhered to.
- i) Periodically review the remuneration policy applied to the directors and the managing directors or whoever performs their senior management duties, including the remuneration systems involving shares and their application, and to ensure that their individual remuneration is in line with that paid to the company's other directors and executives.
- j) Verify the information on the remuneration of the directors and executives contained in the various corporate documents, including the annual report on the remuneration of directors, and propose the approval of said annual report to the Board of Directors so that it may be submitted to a consultative vote at the General Shareholders Meeting.
- k) Ensure that any possible conflicts of interest do not affect the independence of the specialist external consultants whose services the Committee has decided to contract.
- l) Supervise compliance with the company's corporate governance regulations.
- m) Supervise the strategy for communicating and relating with shareholders and investors, including small and medium shareholders.
- n) Periodically evaluate the Company's corporate governance system to ensure that it fulfils its mission of promoting the corporate interests and takes into account, as applicable, the legitimate interests of the other stakeholders.
- o) Consider the suggestions made to it by the President, directors, Company directors or shareholders.
- p) Inform the Board of Directors on all matters provided for by the Laws and the Corporate Bylaws.

The Appointments and Remuneration Committee will meet every time the Board or its President requests that 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 President of the Committee, either on his/her own initiative or at the request of the President of the Board of Directors or of three members of the Committee itself.

The Board will appoint a President from among the independent committee directors. The Committee itself will appoint a Secretary and may appoint a Vice-Secretary, neither needing to be directors.

3. Activities

During 2016, the Committee has met on ten occasions with 100% attendance of its members.

The following subjects and matters were dealt with during the year:

- **Appointment of Directors and composition of the Committees:**

- A) Selection process for independent directors:

- The Committee has actively participated in the process of selecting several independent directors which was begun at the start of the year, setting out the functions to be performed and ensuring the candidates possessed the necessary skills, based on prior analysis of the needs of the Board of Directors, in accordance with the criteria contained in the Company Policy for Selecting Directors.

- At all times, said process has favoured the diversity of knowledge, experience and gender, as well as international diversity.

- In the selection process for the aforementioned independent directors, the Committee has sought external advice from the specialist consultant Egon Zehnder, and has taken into account the independence criteria set out in Article 7 of the Board of Directors Regulations and Article 529 duodecies, section 4, of the Law on Capital Companies.

- After said selection process, the Committee has brought before the Board of Directors a proposal for the appointment of four independent directors, two in July and another two in November 2016.

- B) Composition of the Executive Committee:

- With the purpose of ensuring that the composition of the Executive Committee suitably reflects the composition of the Board of Directors, in compliance with Recommendation 37 of the Code of Good Governance of Listed Companies, the Appointments and Remuneration Committee has submitted to the Board the proposal of increasing the number of independent directors on said Executive Committee. To this end, the proposal included appointing to the Executive Committee the

independent directors who hold the positions of President of the Audit and Control Committee and of the Corporate Social Responsibility Committee (the President of the Appointments and Remuneration Committee was already a member of the Executive Committee).

C) Other Committees:

The Committee has brought before the Board the proposal of appointing new members to the various Committees for the purpose of filling vacancies.

- **Appointment of directors in affiliated companies:**

The Committee has informed on the proposals of appointments of directors to the governing bodies of the affiliated companies.

- **Remuneration of Directors and Senior Management:**

The Committee has reviewed the remuneration policy for directors and senior management set out in the various corporate documents, informing the Board on the objectives that have been set for the Chief Executive Officer and for the senior management, the degree of compliance with these objectives and the quantitative and qualitative assessment.

- **Organisational changes and appointment of Senior Management:**

The Committee has informed the Board about the organisational changes in the company and its subsidiaries.

- **Corporate Governance:**

A) Annual Report on Directors' Remuneration:

The Committee has presented the 2015 Annual Report on Directors' Remuneration to the Board so that it may submit it to a consultative vote of the General Meeting.

B) Annual Corporate Governance Report:

The Committee has reported favourably on the 2015 Annual Corporate Governance Report, except for the part corresponding to the competencies of the Audit and Control Committee.

C) Report on the application of the Internal Conduct Regulations:

The Committee has reported favourably on the Report on the application of the Internal Conduct Regulations for matters related to the securities market for the year 2015.

D) Corporate policies:

The Committee has reported favourably on the Policy of communication and contacts with shareholders, institutional investors and proxy advisors.

E) Evaluation of the functioning of the Board of Directors and the Appointments and Remuneration Committee:

The Committee has issued a favourable evaluation of the Board of Directors and its Committees for the year 2015. Furthermore, it has evaluated the functioning of the Committee itself during said year, for the purpose of compliance with the provisions of Article 529 nonies of the Law on Capital Companies and Recommendation 36 of the Code of Good Governance of Listed Companies, rating its functioning as satisfactory.

- **Board of Directors' Regulations:**

The Committee has informed on the proposal to modify the Board of Directors' Regulations to limit the maximum number of boards to which a director may belong, in order to comply with Recommendation 25 of the Code of Good Governance of Listed Companies.

Barcelona, 24 February 2017.