

Report and Proposal to the Board of Directors of amendment to the Directors' Remuneration Policy (Compatibility of the receipt of the fixed remuneration of the Chairman of the Board and that of the Chairman of the Appointments and Remuneration Committee, although both positions are held by the same person)

**(Item 5.2 on the Agenda
of the General Shareholders Meeting of March 21st, 2017)**

Appointments and Remuneration Committee

January 24th, 2017

Background and justification for the proposed amendment

The CCL establishes, among other aspects, (i) the need for listed capital companies to have a remuneration policy for their directors which must be approved by the general shareholders' meeting at least every three years as a separate point on the agenda; and (ii) the need for any amendment or replacement of the policy during its term of validity to be approved by the general shareholders' meeting.

In accordance with article 529 novodecies of the CCL and the transitional provision of Law 31/2014, amending the CCL to improve corporate governance, the Directors' Remuneration Policy of the Company (the "**Directors' Remuneration Policy**" or the "**Policy**") was included in the annual report on the remuneration of directors corresponding to 2013-2014 fiscal year ("**ARRD 2013-2014**"), which was approved in a consultative vote by the general shareholders' meeting of the Company (the "**General Shareholders' Meeting**", or the "**General Meeting**") held on February 17, 2015.

Accordingly, the approval of the remuneration policy contained in the ARRD 2013-2014 constitutes the current Directors' Remuneration Policy of the Company which will be applied until 2017-2018 fiscal year.

The Policy indicates that the fixed Remuneration for the Chairman of the Board of Directors includes the fixed Remuneration established for the President of the Appointment and Remuneration Committee, being both positions covered by the same person.

However, the Appointments and Remuneration Committee believes that the roles and responsibilities of these two positions are different, and require a specific focus so, therefore, they must be paid in the amount established by the Board of Directors for both positions, regardless that the two positions be held by the same person.

In consequence, and according to the provisions of article 18 2 b) of the Regulations of the Board of Directors, dated 26 January 2016, and article 529 novodecies of the CCL, the Appointments and Remuneration Committee, with the abstention of Mr.

Marañón, personally affected by this decision, agrees to propose to the Board of Directors the submission to the next General Shareholders Meeting, as a separate item of the Agenda, the amendment to the Directors' Remuneration Policy, in accordance with the following

Resolution Proposal

"To amend the Directors' Remuneration Policy, approved by the General Meeting of Shareholders of February 17, 2015, in accordance to transitional provision of Law 31/2014, of December 3rd, in order to establish the compatibility of the receipt of the fixed remuneration of the Chairman of the Board and that of the Chairman of the Appointments and Remunerations Committee, although both positions are held by the same person."

The preceding Report-Proposal was unanimously approved by the Appointments and Remuneration Committee of the Company, in the session held on 24 January 2017.

Leganés, on 24 January 2017.

The Secretary of the Appointment and Remuneration Committee,

Rafael de Juan López

Proposal from the Board of Directors to the General Shareholders Meeting of amendment to the Directors' Remuneration Policy (Compatibility of the receipt of the fixed remuneration of the Chairman of the Board and that of the Chairman of the Appointments and Remuneration Committee, although both positions are held by the same person)

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Board of Directors

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In consequence, and according to the provisions of article 18 2 b) of the Regulations of the Board of Directors, dated 26 January 2016, and article 529 novodecies of the CCL, the Board of Directors, at the Appointments and Remuneration Committee, with

the abstention of Mr. Marañón, personally affected by this decision, agrees to submit to the next General Shareholders Meeting, as a separate item of the Agenda, the amendment to the Directors' Remuneration Policy, in accordance with the following

Resolution Proposal

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The preceding Proposal was unanimously approved by the Board of Directors of the Company, in the session held on 24 January 2017.

Leganés, on 24 January 2017.

The Secretary Director,

Rafael de Juan López