

DIRECTOR REMUNERATION POLICY OF EUSKALTEL, S.A.

1. Introduction

The Board of Directors of Euskaltel, S.A. ("**Euskaltel**" or the "**Company**"), within the scope of its powers, seeks at all times to meet corporate interests, which involves not only the achievement of a profitable and sustainable business over the long term, one which promotes its continuity and the maximisation of the economic value of the company, but also the reconciliation of this corporate interest with the legitimate interests of its shareholders, employees, customers, suppliers and, in general, the community as a whole and the environment.

Pursuant to the provisions of sections 529 *septdecies*, 529 *octodecies* and 529 *novodecies* of the consolidated text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010 of 2 July (the "LSC"), introduced by Law 31/2014 of 3 December, amending the Spanish Companies Act for the improvement of corporate governance ("**Law 31/2014**"), listed companies must have a director remuneration policy.

Therefore, as the period for which the Director Remuneration Policy (2016, 2017 and 2018) has expired, following a report from the Appointments and Remuneration Committee and in the exercise of the powers vested therein, Euskaltel's Board of Directors has prepared this policy on the remuneration of Euskaltel directors for 2019, 2020 and 2021 for approval by the Company's General Meeting of Shareholders (the "**Remuneration Policy**"), taking into account not only applicable law and case law trends in this area but also the recommendations of the Good Governance Code of Listed Companies approved by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) on 18 February 2015 (the "**Good Governance Code**") and the Company's internal regulations (particularly articles 62 of the Bylaws and 27 of the Board of Directors Regulations).

As a key measure of the new Remuneration Policy, following an analysis of the current legal context and case law, the Board of Directors resolved to propose to the General Meeting of Shareholders an amendment to article 62 of the Bylaws regarding director remuneration.

Although the text of the Bylaws complied with applicable legislation and case law to date, the Company sought for the proposed amendment to reduce potential commercial and tax risks that might occur in the future with respect to such remuneration if there is a change in legal precedent, as has occurred with respect to non-listed companies.

The Board of Directors also resolved to propose to the General Meeting of Shareholders a new amendment to article 62 of the Bylaws, a statutory amendment that only affects the system for remunerating directors who are not entrusted with executive duties.

Taking into account both amendments, the text of article 62 of Euskaltel's Bylaws now reads as follows:

1. *The directors shall be entitled to receive remuneration for the performance of the duties corresponding thereto by virtue of their membership of the Board of Directors as a collective decision-making body of the Company.*
2. *The shareholders acting at a General Meeting shall determine and approve the maximum amount to be received as remuneration by all the directors for all the items and for any duties that they perform, both executive and non-executive. The maximum amount set by the shareholders at the General Meeting shall remain in effect until an amendment thereof is approved.*
3. *The remuneration of directors who are not entrusted with executive duties shall be based on the following components:*
 - a) *A fixed annual amount;*
 - b) *Potential commitments of the Company to pay amounts to directors as insurance premiums;*
and

- c) *Civil liability insurance obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.*
- d) *In addition to the above components, if the Chair of the Board of Directors is not entrusted with executive duties, said Chair may receive long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives, and shall be entitled to remuneration in kind consisting of the availability of a company vehicle.*

If indexed to Company shares or to financial instruments linked to the quoted price thereof, said variable long-term remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

Except as provided in the last paragraph of letter d) above regarding variable long-term remuneration based on the delivery of Company shares or financial instruments linked to the listing price thereof, the specific amount corresponding to the above items for each of the directors who are not entrusted with executive duties shall be determined by the Board of Directors in accordance with the director remuneration policy. For such purpose, it may take into account, amongst other issues, the positions held by each director within the board itself, their membership of and attendance at the various committees, and the classification of the director as independent or proprietary.

- 4. *Directors who are entrusted with executive duties shall be entitled to receive the remuneration provided for in the contract signed to that end between the director and the Company, for the following items:*

- a) *Fixed annual remuneration.*
- b) *Variable annual remuneration calculated based on benchmark qualitative or quantitative indicators or parameters linked to the level of achievement of their objectives (approved by the Board of Directors, upon a proposal by the Remuneration Committee).*
- c) *Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.*

If indexed to Company shares or to financial instruments linked to the quoted price thereof, said remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

- d) *The following remuneration: (i) availability of company vehicle; (ii) life and accident insurance; (iii) special health insurance; and (iv) the ability to enjoy all those benefits that the Company might make available to management personnel.*
- e) *Civil liability insurance obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.*
- f) *Potential severance payment for cessation in office or termination of contractual relationship with the Company.*

These contracts must be approved in advance by the Board of Directors upon a proposal by the Remuneration Committee, in compliance with the requirements of applicable law.

Furthermore, the text of these contracts shall conform to the director remuneration policy to be approved by the shareholders at the General Meeting of Shareholders.

5. *The director remuneration policy shall conform as appropriate to the remuneration system provided for in the Company's Bylaws, shall have the scope provided by law, and shall be submitted by the Board of Directors for approval by the shareholders acting at a General Meeting of Shareholders with the frequency provided by law.*

In any event, the overall sum of all amounts to be received by all of the directors for any items during the financial year shall never exceed the maximum amount approved by the shareholders at the General Meeting.

The new Remuneration Policy, consistent with the approval for the preceding three-year period, intends to comply with the principles of good corporate governance, providing greater transparency and control over director remuneration by setting out in the Bylaws the items of remuneration of all directors for the performance of both executive and non-executive duties.

2. Regulatory framework of the Remuneration Policy

Euskaltel has prepared this Remuneration Policy as a result of the new interpretation of the concept of directors in their "capacity as such" (Supreme Court judgement 98/2018 of 26 February) pursuant to articles 23.e), 217 and 529 *novodecies* of the LSC.

Although the aforementioned judgement does not apply to listed companies because the legal arguments expressly excluded these types of companies, Euskaltel has decided to plan ahead for a potential extrapolation of the arguments to listed companies, by amending the affected article of the Bylaws regarding director remuneration.

Based on the Supreme Court's interpretation, the following consequences arise under article 217 of the LSC:

- (i) Shareholders acting at a General Meeting must determine the maximum amount of remuneration of all directors for all duties they perform, i.e. for the performance of both executive and non-executive duties.
- (ii) The remuneration system (not the quantum) for directors performing non-executive duties must appear in the Bylaws.
- (iii) The remuneration system, i.e. the items of remuneration received for the performance of executive duties, must appear in the Bylaws.

3. Key principles of the Remuneration Policy and specific characteristics of director remuneration

3.1. Purpose and general principles of the Remuneration Policy

Pursuant to article 27 of the Company's Board of Directors Regulations, and within the limits set out in the Company's Bylaws, the Board of Directors shall endeavour to ensure that director remuneration is reasonably commensurate with the prominence of the Company, the financial situation thereof at any particular time and the market standards used at companies of a similar size or activity, and takes into account their dedication to the Company. The remuneration system established should be focused on promoting the long-term profitability and sustainability of the Company and include the safeguards required to avoid the excessive assumption of risk or rewarding unfavourable results.

The Board of Directors shall also ensure that the amount of external directors' remuneration is such that it provides incentives to their dedication but does not compromise their independence.

In light of the foregoing, Euskaltel's Board of Directors, in defining the Remuneration Policy, has found that it should be based on the following principles in order to be consistent with the previous Remuneration Policy:

- Moderation: remuneration should be reasonably proportional to the Company, the economic situation thereof at any particular time and market standards for comparable companies.
- Suitability: the Remuneration Policy shall be focused on attracting, motivating and retaining valuable human capital, as well as on rewarding professional merit, responsibility assumed and dedication in the case of external non-executive directors.
- Balance: the Remuneration Policy shall establish a suitable balance between fixed and variable components, such that fixed remuneration is a sufficiently high percentage of total remuneration that it allows the introduction of flexibility measures for directors entrusted with executive duties.
- Profitability and sustainability: the remuneration of directors entrusted with executive duties shall incentivise performance and reward the creation of long-term value.
- Link to results: the remuneration of directors entrusted with executive duties shall include the required link to the Company's results over an appropriate time period, aligning with the Company's interests, values and strategy.
- Fairness and external competitiveness: the external competitive environment and the principles of internal fairness shall be taken into account when establishing director remuneration.
- Remuneration policy transparency: the Remuneration Policy shall be established, determined and applied in accordance with applicable law, the Company's internal regulations and best corporate practice, ensuring transparency and adherence to the Good Governance Code. In particular, the Company shall make available to the shareholders on occasion of the call to the Annual General Meeting, the Annual Director Remuneration Report, which shall be submitted to a consultative vote as a separate item on the agenda.

Based on these principles, Euskaltel's Board of Directors has defined a Remuneration Policy considering not only compliance with legal requirements, the Good Governance Code and internal regulations, but also alignment with best market practice, having included elements intended to align director remuneration with the long-term goals, values and interests of the Company.

For all of the foregoing reasons, this Remuneration Policy essentially differentiates between those directors who are not entrusted with executive duties from those others who are entrusted with executive duties at the Company, as described below.

3.2. Specific characteristics of the remuneration of directors who are not entrusted with executive duties

The application of the principles set forth in section 3.1 above to the remuneration system for Euskaltel directors who are not entrusted with executive duties has the following characteristics:

- It is transparent regarding the information on director remuneration.
- It is incentivising, rewarding their dedication, qualification and responsibility, without being a hindrance to their duty of loyalty.
- It is made up of a fixed amount that is paid entirely in cash and rewards membership of the Board of Directors and of any of its various Committees, without distinguishing duties or positions held, unless the Board of Directors otherwise provides, including any particular provision on remuneration, for the lead independent director.

Along these lines, the Board of Directors may make additional allocations to the lead independent director for the performance of duties inherent to such position. The amount of this additional allocation, if any, shall be determined by the Board of Directors on an annual basis, and may not,

considered individually, exceed 25% of the annual fixed remuneration corresponding to the director for membership of the Board of Directors.

- If the Chair of the Board of Directors does not have executive duties, it also contemplates remuneration in kind consisting of the availability of a company vehicle, as well as long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.

If indexed to Company shares or to financial instruments linked to the quoted price thereof, said remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

As regards the standards to be followed to determine the various components of the remuneration package of directors who are not entrusted with executive duties, the goal is to reward them in accordance with their professional value, dedication to the position and responsibility assumed thereby, without the remuneration received affecting their objectivity in the defence of company interests.

As regards directors who are not entrusted with executive duties, the Remuneration Policy does not contemplate the payment of attendance fees, variable items or items linked to results or payments in shares, share options or instruments based on shares unless the Chair of the Board of Directors does not have executive duties, in which case there is provision for long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.

Directors who are not entrusted with executive duties shall not receive severance payments or payments for termination of their duties as such or participate in savings or benefits schemes.

Furthermore, the remuneration of directors who are not entrusted with executive duties is supplemented with (i) the possibility of Euskaltel making individual annual contributions to insurance policies, and (ii) the existing civil liability insurance policy at the Company.

Finally, it should be noted that the foregoing items of remuneration are received only by directors who are not entrusted with executive duties, including proprietary directors, but excluding directors who are entrusted with executive duties, who only receive the remuneration established in their respective contracts within the items of remuneration set forth in the bylaws, as described in sections 3.3 and 6.

3.3. Specific characteristics of the remuneration of directors who are entrusted with executive duties

Executive directors are entitled to receive remuneration for the duties of this nature that they perform following the standards generally applicable to senior management and that are intended to establish a remuneration package that allows for the recruitment, motivation and retention of valuable human capital.

The characteristics of such remuneration package are the following:

- Remuneration is assigned for the performance of executive duties as set forth in the respective contracts within the items of remuneration established in the bylaws.
- Items of remuneration set forth in the contracts and in the bylaws conform to the provisions of this Remuneration Policy.
- There is a balanced and efficient relationship between the fixed and variable remuneration components.

- The remuneration system is compatible with proper and effective risk management and the long-term business strategy, values and interests of the Company, without the variable remuneration threatening the ability of the Company to maintain its solvency and financial position.
- Remuneration takes into account market trends and is positioned at the lead thereof in accordance with the Company's strategic planning as well as the size, nature and scope of its activities, and is effective to recruit and retain the best professionals.

The remuneration of the directors performing executive duties is therefore focused on generating value for the Company, seeking alignment with the interests of the shareholders, the prudent management of risk and strict compliance with applicable legal provisions regarding the remuneration of directors of listed companies.

The remuneration system for executive directors is therefore made up of:

- Fixed annual remuneration.
- Variable annual remuneration calculated based on benchmark qualitative or quantitative indicators or parameters linked to the level of achievement of their objectives (approved by the Board of Directors, upon a proposal by the Remuneration Committee).
- Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.

If indexed to Company shares or to financial instruments linked to the quoted price thereof, said remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

- The following remuneration: (i) availability of company vehicle; (ii) life and accident insurance; (iii) special health insurance; and (iv) the ability to enjoy all those benefits that the Company might make available to management personnel.
- Civil liability insurance obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.
- Potential severance payment for cessation in office or termination of contractual relationship with the Company.

Set forth below is a description of the remuneration system for directors based on the principles, foundations and characteristics described above.

4. Maximum amount of annual remuneration to be paid to the directors as a whole

Pursuant to the Company's Bylaws, the shareholders acting at a General Meeting of Shareholders must determine the maximum remuneration to be received by the directors for all of the duties that they perform, both executive and non-executive.

Pursuant to the foregoing and the principles governing this Remuneration Policy, the maximum amount of annual remuneration for all directors as a whole is Euros 4,500,000.

This maximum amount shall remain in effect until an amendment thereto is approved.

The purpose of the shareholders determining the maximum remuneration to be received by the directors for all of the duties they perform, both executive and non-executive, is only to avoid the occurrence of a potential tax risk consisting of the inability to deduct as an expense the amounts to be paid to the members of the Board of Directors.

5. Remuneration system currently applicable to directors who are not entrusted with executive duties

Pursuant to the Company's Bylaws, the Board of Directors shall determine the specific amount corresponding to each of the directors who are not entrusted with executive duties for the bylaw-mandated items of remuneration. Therefore, the Board of Directors may take into account, amongst other issues, the positions held by each director within the board itself.

Taking into account the foregoing, and within the remunerative framework described above, the Board of Directors has approved the following amounts for the external Proprietary and Independent Directors:

- A fixed annual amount for membership of the Board of Directors in accordance with market standards.

The fixed amount for this item in 2021 is Euros 80,000.

- A fixed annual amount for membership of each Board Committee based on market standards.

The fixed amount for this item in 2021 is Euros 20,000.

- Remuneration in kind consisting of the payment by Euskaltel of insurance premiums, which must be approved by the Board of Directors. The maximum amount of this coverage for 2020 is Euros 4,500.
- Civil liability insurance upon customary terms and proportional to the circumstances of the Company. The maximum amount of this coverage for 2021 is Euros 25,000,000.

As regards the Non-Executive Chair, the Board of Directors has resolved to approve the following remuneration, always within the maximum amount approved by the shareholders at the Company's General Meeting of Shareholders:

- Fixed remuneration: Euros 350,000 in 2021.
- Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or remuneration linked to the price thereof: the Non-Executive Chair is entitled to participate in long-term incentive plans linked to strategic conditions and objectives that are payable in cash or in shares established by the Company for its senior officers. Within the remunerative framework defined above, the shareholders acting at the Annual General Meeting of Shareholders approved a 2020-2022 Incentive Plan for, among others, the CEO and the Non-Executive Chair, allowing the beneficiaries thereof to receive after a certain period of time an extraordinary incentive payable in Euskaltel shares (allowing for the ability to deliver a portion of the incentive in cash), provided that certain objectives linked to an increase in the share price and progress of the business and certain requirements set forth in the Regulations are met.
- Remuneration in kind: availability of a company vehicle, payment by the Company of insurance premiums for a policy against permanent disability and death, with a maximum compensation limit of Euros 900,000, civil liability insurance and health insurance.

This remuneration system, as well as the description of remuneration, is broken down on an annual basis in the corresponding Annual Director Remuneration Report.

6. Remuneration system currently applicable to executive directors

6.1. Fixed annual remuneration

The fixed remuneration is intended to reward the performance of executive duties.

Fixed remuneration (i) shall be mainly based on a market focus and consider the size, nature and scope of the activities of the Company; and (ii) shall be duly aligned with the remuneration at comparable companies in the industry at the domestic and international level.

The CEO's fixed remuneration shall be updated annually by the Board of Directors following a proposal by the Remuneration Committee.

The Company shall report regularly on the current system and levels of remuneration of executive directors through the corresponding Annual Director Remuneration Report.

In this regard, the CEO's fixed annual remuneration in 2021 is Euros 481,000.

6.2. Variable annual remuneration

As indicated above, variable annual remuneration only applies to the executive directors as a percentage of their fixed remuneration. Such variable remuneration is based on objective standards that seek to assess their contribution to the Company's business objectives in the performance of their executive duties.

The variable annual remuneration of executive directors generally ranges between 0% and 75% of fixed salary as a maximum in the case of the CEO, accounting for 50% of fixed salary if 100% of objectives are met.

The setting of objectives, as well as the achievement scales and performance assessment, are within the purview of the Board of Directors, which will subsequently determine the level of achievement of the business goals used as a reference and the level of achievement of annual variable remuneration (including instances of under-performance and over-performance, as applicable).

Generally speaking, the parameters to be taken into account for determining compliance with the variable annual remuneration objectives, as well as the respective weighting thereof, will be determined annually by the Board of Directors, following a proposal by the Remuneration Committee, based on indicators correlated to Company variables relating to the performance of the business and any other items of a qualitative or quantitative nature including, but not limited to, medium- and long-term sustainability, meeting strategic objectives or objectives relating to corporate social responsibility.

The aforementioned goals and parameters will also take account of the risk assumed to obtain a result and will pursue a balance amongst the Company's short-, medium- and long-term objectives, not revolving solely around one-off, occasional or extraordinary facts or data.

In all cases, executive directors shall be subject to the application of the objectives, parameters and weightings approved by the Board of Directors for the Company's management team generally.

The Board of Directors, following a proposal by the Remuneration Committee, may adjust said weightings or include other objectives that have priority for the short-term development of the business.

The variable annual remuneration system shall be updated regularly by the Remuneration Committee, which shall determine whether it is sufficient to measure the contribution to the results of Euskaltel.

The variable annual remuneration parameters applicable in 2021 are as follows: Mass market customers, mass market churn, total revenue and Ebidta, all with an equal weighting, in accordance with the Budget criteria.

For each financial year, the objectives and metrics shall represent a proper balance between financial and operational aspects of the Company.

Should the Company's auditors make qualifications in their audit report affecting one or more of the objectives and parameters that are to be taken into account in setting the annual variable

remuneration of executive directors, said qualifications shall be taken into account by the Board of Directors in setting the variable remuneration to be received by the executive directors.

The Company may also demand reimbursement of all or part of the variable remuneration, as applicable, if (i) payment of the variable remuneration did not match the conditions for performance of the Company; or (ii) variable remuneration was paid in light of data subsequently proven to be incorrect (e.g. if there was a correction to the annual accounts on which the variable remuneration was based).

6.3. Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof

The executive directors may participate in long-term incentive plans linked to strategic conditions and objectives that are payable in cash or in shares established by the Company for its senior officers.

Within the remunerative framework defined above, the shareholders acting at the Annual General Meeting of Shareholders approved a 2020-2022 Incentive Plan for, among others, the CEO and the Non-Executive Chair, allowing the beneficiaries thereof to receive after a certain period of time an extraordinary incentive payable in Euskaltel shares (allowing for the ability to deliver a portion of the incentive in cash), provided that certain objectives linked to an increase in the share price and progress of the business and certain requirements set forth in the Regulations are met.

6.4. Other remuneration

Executive directors may receive certain remuneration in kind, including the availability of a company vehicle, life and accident insurance, a special health insurance policy, and the ability to enjoy all those benefits that the Company might make available to management personnel.

6.5. Benefits

Except as already stated in sections 5 and 6 of this Remuneration Policy, there are no commitments with respect to pensions, life insurance or otherwise for the directors of the Company.

6.6. Key terms and conditions of the contracts of executive directors with the Company

The contracts that executive directors sign with the Company are based on the following basic terms and conditions:

a) Term:

The contracts of executive directors shall remain in force for as long as they hold office.

b) Severance pay:

The contracts with executive directors may contemplate severance payment to them in the event of termination.

c) Exclusivity and post-contractual non-competition clause:

The contracts may establish an obligation of exclusivity and full dedication to the Company and of post-contractual non-competition for a maximum period of two (2) years from the termination of the contract.

If a post-contractual non-competition clause is established, the contract must provide compensation for this commitment.

7. Application of the Remuneration Policy

Without prejudice to the provisions of the LSC regarding director remuneration policies, the Remuneration Committee (i) shall endeavour to ensure compliance with this Remuneration Policy and the regular update hereof, and (ii) shall propose the amendment and update thereof to the Board of Directors, for submission to the shareholders at a General Meeting, all pursuant to the provisions of the Regulations of the Remuneration Committee.

8. Remuneration Policy Term

This Remuneration Policy shall apply to the remuneration of Euskaltel directors for the years 2019, 2020 and 2021, pursuant to the provisions of section 529 *novodecies* of the LSC.

Derio, 28 April 2021.

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