



GRUPO EUSKALTEL S.A.

Corporate Social Responsibility Policy Report

24 May 2017



Corporate Responsibility of the Euskaltel Group

In May 2016, Euskaltel, the leading telecommunications group in northern Spain, approved the Social Responsibility Policy of the Group (Euskaltel and R) in order to create value for all of its stakeholders, while at the same time maintaining the commitments and values set out in its mission and vision statement and its firm commitment to local communities, transparency, excellence in management, Good Corporate Governance, respect for Human Rights, equality of gender and opportunity for people, alignment of suppliers with CSR policies, and responsible contribution into the tax system.

2016 was an historic milestone for the company. Three challenges were met in a little more than three years: the listing on the Stock Exchange, the creation of the leading Telecommunications Group in northern Spain with the integration of R (the leading operator in Galicia), and the distribution of a dividend to shareholders.

This milestone and the activities deriving therefrom clearly reflect compliance with our commitments to the shareholders, strengthen the goal of generating value for investors, the offering of advanced products and services to customers, and the generation of wealth and economic and technological development for the respective communities in Galicia (through R) and in the Basque Country (through Euskaltel).

2016 was a key year in the evolution and consolidation of the Euskaltel Group's strategy, complying with our mission to generate value in our local environment and our vision of being a leading company in northern Spain in the provision of services in both the Basque Country and in Galicia.

The merger of Euskaltel and R has strengthened the growth of the Group in terms of turnover, customers and results. We are leaders in our market. And this leadership reaffirms our commitment to maintaining a consistent strategy, which has allowed us to meet the expectations of our stakeholders in 2016 and will allow us to continue doing so in the future.

We are executing an ambitious and austere plan, with both discipline and precision, thanks to which we optimise interconnection costs and the efficiency of our resources, using the assets of both companies and renegotiating with suppliers.



Furthermore, in 2016 we approved the 2016-18 CSR Plan, the objective is to create value for all stakeholders through various lines of work, as well as to strengthen the transparency of the company. This Plan is also a response to our commitment to the UN Global Compact, which we have subscribed, and which entails following the principles established in the compact and supporting the Sustainable Development Goals through the lines of our CSR Plan.

We are also aware that our leadership and the sustainability of our successes must be based on a customer-focused management model that puts the Euskaltel Group's personnel at the head of this strategy.

This foothold in the market is key to meeting these commitments and the expectations of the stakeholders.

One of its great strengths is knowing and adapting to the concerns and needs of the market and of society in general. Channels of dialogue have been implemented for this purpose, because understanding and interpreting these expectations is deemed to be a priority in the CSR strategic plans. One of the great achievements of the Group in its respective territories, the Basque Country and Galicia, has been to generate a continuous, fluid and bi-directional dialogue.

In 2016, together with the goals established in the Master Plan itself, we have also engaged in the following materiality analysis projects allowing us to discern compliance trends, the reasons for them, best practices, and desired CSR goals.

There has been an analysis of the company's strategic lines, current law, the GRI4 reporting standard, issues deemed significant at similar companies, the principles of the Global Compact (which we have subscribed to since 2014), global CSR trends, the latest news in the media regarding this issue, and finally, the opinions of proxy advisors and analysts.

In 2017, we committed to continue contributing to the economic and social development of our communities, sharing the corporate values and culture that differentiate us from other telecommunications operators, and to continue generating value for our shareholders. We will continue to be focused on exceeding the targets communicated to the market and to drive the corporate integration, with a focus on Culture, People and the Organisation. We will continue contributing to the economic and social development of our communities, sharing the corporate values and culture (which is the differentiating aspect of the Euskaltel Group compared to competing operators), and continue to generate value for the shareholders.



We have proposed to engage in a series of activities with these goals in mind, some of which already began in 2016.

They are the following:

- To stress the dissemination and generation of a corporate culture that is aware of and puts into practice the Good Governance recommendations applicable to the Group.
- To define the Succession Plan and generational replacement, to know the expectations of the People, to develop a Career Plan, and to evolve towards a healthy company in which all people making up the workforce, as well as external talent, want and aspire to work with us.
- To identify opportunities for expansion within groups at risk of digital exclusion, to activate a Customer Experience project that continuously measures and manages customer satisfaction throughout the process of interaction with the Group.
- To start campaigns for the responsible use of technology and work with government administrations and on agreements with agents identifying opportunities for digital expansion.
- To continue analysing the life cycle of products and services, implementing an energy efficiency plan and developing activities allowing for the offset or reduction of CO2 emissions.
- To identify social projects in which technology becomes a competitive advantage, care for suppliers by reviewing homologation procedures, and evaluate the supply chain according to its adherence to environmental and human rights policies.
- To maintain a Social Commitment to the territories through participation in entrepreneurship, social technology, sponsorships, associations, training events and outreach activities.
- And finally, we have submitted to the Euskaltel Group's Board of Directors a Tax Policy that binds us to good tax practices and actions. We thus comply with a recommendation of the Good Governance Code. One step more towards transparency and tax responsibility based on the principles of good faith, loyalty and trustworthiness of the Group and the government administrations.

A demanding Master CSR Plan in which we have progressed by identifying and improving internal expectations and which entails maintaining and developing profound internal reflection in order to work towards becoming a Responsible Company in the Basque Country and in Galicia.