



ISSUER'S PARTICULARS

End date of year of reference: [31/12/2020]

TIN: [A48766695]

Company name:

[**EUSKALTEL, S.A.**]

Registered address:

[PARQUE TECNOLÓGICO, EDIFICIO 809 (ZAMUDIO) VIZCAYA]

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

| Date of latest change | Share capital (€) | Number of shares | Number of voting rights |
|-----------------------|-------------------|------------------|-------------------------|
| 26/07/2017 | 535,936,080.00 | 178,645,360 | 178,645,360 |

State whether there are different classes of shares carrying different rights:

- Yes
 No

A.2. Provide details of the direct and indirect owners of significant shareholdings at the financial year end, excluding the directors:

| Name or company name of shareholder | % voting rights carried by the shares | | % voting rights through financial instruments | | % of total voting rights |
|--|---------------------------------------|----------|---|----------|--------------------------|
| | Direct | Indirect | Direct | Indirect | |
| NN GROUP N.V. | 0.00 | 6.94 | 0.00 | 0.00 | 6.94 |
| ZEGONA COMMUNICATIONS PLC | 2.05 | 19.26 | 0.00 | 0.00 | 21.32 |
| CAPITAL RESEARCH AND MANAGEMENT COMPANY | 0.00 | 5.27 | 0.00 | 0.00 | 5.27 |
| CIAM | 0.00 | 3.35 | 0.00 | 0.00 | 3.35 |
| CORPORACIÓN FINANCIERA ALBA, S.A. | 0.00 | 11.00 | 0.00 | 0.00 | 11.00 |
| ABANCA CORPORACIÓN BANCARIA, S.A. | 0.00 | 4.48 | 0.00 | 0.00 | 4.48 |
| BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA - BILBAO BIZKAIA KUTXA BANKU FUNDAZIOA | 0.00 | 19.88 | 0.00 | 0.00 | 19.88 |

Details of indirect shareholdings:

| Name or company name of indirect owner | Name or company name of direct owner | % voting rights carried by the shares | % voting rights through financial instruments | % of total voting rights |
|--|---|---------------------------------------|---|--------------------------|
| NN GROUP N.V. | NN INVESTMENT PARTNERS B.V. | 6.94 | 0.00 | 6.94 |
| ZEGONA COMMUNICATIONS PLC | ZEGONA LIMITED | 20.89 | 0.00 | 20.89 |
| CAPITAL RESEARCH AND MANAGEMENT COMPANY | CAPITAL INCOME BUILDER | 5.00 | 0.00 | 5.00 |
| CORPORACIÓN FINANCIERA ALBA, S.A. | ALBA EUROPE, S.A.R.L. | 11.00 | 0.00 | 11.00 |
| ABANCA CORPORACIÓN BANCARIA, S.A. | ABANCA CORPORACIÓN INDUSTRIAL Y EMPRESARIAL, S.L. | 4.48 | 0.00 | 4.48 |
| BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA - BILBAO BIZKAIA KUTXA BANKU FUNDAZIOA | KUTXABANK, S.A. | 19.88 | 0.00 | 19.88 |

State the most significant movements in the shareholder structure during the financial year:

Most significant movements

Artemis Investment Management LLP falls from 3.71% to 2.75% on 28 February 2020.

NN Group NV reaches 6.94% on 5 January 2021.

A.3. Complete the following tables on the members of the company's board of administration that hold voting rights on company shares:

| Director's name or company name | % voting rights carried by the shares | | % voting rights through financial instruments | | % of total voting rights | % voting rights that <u>may be transferred</u> through financial instruments | |
|---|---------------------------------------|----------|---|----------|--------------------------|--|----------|
| | Direct | Indirect | Direct | Indirect | | Direct | Indirect |
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 |
| IÑAKI ALZAGA ETXEITA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| XABIER ITURBE OTAEGUI | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BELÉN AMATRIAIN CORBI | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CORPORACIÓN FINANCIERA ALBA, S.A. | 0.00 | 11.00 | 0.00 | 0.00 | 11.00 | 0.00 | 0.00 |
| % of total voting rights held by the board of directors | | | | | | 11.02 | |

Details of indirect shareholdings:

| Director's name or company name | Direct owner's name or company name | % voting rights carried by the shares | % voting rights through financial instruments | % of total voting rights | % voting rights that <u>may be transferred</u> through financial instruments |
|-----------------------------------|-------------------------------------|---------------------------------------|---|--------------------------|--|
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | ACEBO INVESTMENTS, S.L. | 0.01 | 0.00 | 0.01 | 0.00 |
| CORPORACIÓN FINANCIERA ALBA, S.A. | ALBA EUROPE, S.A.R.L. | 11.00 | 0.00 | 11.00 | 0.00 |

A.4. State, if applicable, any family, commercial, contractual or corporate relationships among the owners of significant shareholdings, where they are known to the company, unless they are immaterial or derive from the ordinary course of business, save for those reported in section A.6:

| Name or company name of related parties | Type of relationship | Brief description |
|---|----------------------|-------------------|
| No data | | |

A.5. State, if applicable, any commercial, contractual or corporate relationships among the owners of significant shareholdings and the company and/or its group, unless they are immaterial or derive from the ordinary course of business:

| Name or company name of related parties | Type of relationship | Brief description |
|---|----------------------|---|
| KUTXABANK, S.A. | Contractual | <p>Financing agreement between Euskaltel, S.A. and a syndicate of banks, including Kutxabank, S.A., dated 5 October 2015, executed in a public deed on 27 November 2015.</p> <p>Agreement for the provision of telecommunications services between Euskaltel and Kutxabank, S.A. dated 3 December 2018. Agreement for the provision of telecommunications services between CajaSur Banco S.A.U. (subsidiary of Kutxabank, S.A.) and Euskaltel, S.A. dated 3 December 2018. Agreement for the provision of outsourcing and communications services between Euskaltel S.A. and Norbolsa Sociedad de Valores, S.A. (subsidiary of Kutxabank, S.A.) dated 1 June 2019.</p> <p>Agreement between Euskaltel and Norbolsa Sociedad de Valores, S.A. (subsidiary of Kutxabank, S.A.) dated 24 March 2020, whereby the latter company acted as the dealer for a Euro Commercial Paper Programme.</p> |
| ABANCA CORPORACIÓN BANCARIA, S.A. | Contractual | <p>Financing agreement between Euskaltel and a syndicate of banks, including Abanca Corporación Bancaria, S.A., dated 5 October 2015, executed in a public deed on 27 November 2015. Agreement for the provision of the integrated fixed corporate communication service between R Cable and Telecomunicaciones Galicia, S.A. and NCG Banco, S.A. (now</p> |

| Name or company name of related parties | Type of relationship | Brief description |
|---|----------------------|--|
| | | Abanca Corporación Bancaria, S.A.) dated 20 December 2011. |

A.6. Describe the relationships, unless they are immaterial to both parties, between shareholders that are significant or represented on the board and the directors, or their representatives in the case of legal-person directors.

Explain, if applicable, how the significant shareholders are represented. Specifically, state the directors that were appointed to represent significant shareholders, those whose appointments were promoted by significant shareholders, or those that are related to significant shareholders and/or their group companies, specifying the nature of such relationships. In particular, state the existence, identity and position of board members, or directors' representatives, of the listed company that are in turn members of the administrative body, or their representatives, in companies that hold significant shareholdings in the listed company, or in group companies of those significant shareholders:

| Name or company name of the related director or representative | Name or company name of shareholder significant shareholder | Company name of the significant shareholder's group company | Description of relationship/position |
|--|---|---|--------------------------------------|
| No data | | | |

A.7. State whether the company has been informed of any para-corporate agreements that may affect it, as laid down in Articles 530 and 531 of the Spanish Companies Act. If so, include a brief description and list the shareholders bound by the agreement:

Yes
 No

State whether the company is aware of the existence of any actions arranged between shareholders. If so, include a brief description:

Yes
 No

State any amendment to or breach of the said agreements, arrangements or actions:

[Not applicable.]

A.8. State whether any natural or legal person exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify the person:

Yes
 No

A.9. Complete the following table on the company's treasury shares:

At the year end:

| Number of direct shares | Number of indirect shares (*) | % of total share capital |
|-------------------------|-------------------------------|--------------------------|
| 173,596 | | 0.10 |

(*) Through:

| Name or company name of the direct owner of the shareholding | Number of direct shares |
|--|-------------------------|
| No data | |

A.10. Describe the conditions and deadline of the current mandate granted by the general shareholders' meeting to the board of directors to issue, repurchase or transfer treasury shares:

The Annual General Meeting of 27 June 2016 resolved to expressly authorise the Board of Directors, with express powers of substitution, pursuant to Articles 146 and 509 of the Spanish Companies Act, to acquire company shares on the following terms:

- (a) Acquisitions may be made directly by the company or indirectly through its subsidiaries under the terms of this resolution.
- (b) Acquisitions will be made by means of sale and purchase transactions, swaps or any other arrangement permitted by law.
- (c) Acquisitions may be made, at any given time, up to the maximum figure permitted by law.
- (d) Acquisitions may not be made at a price above 105% of the quoted market price at the time of acquisition, nor below the par value of the share.
- (e) This authorisation is granted for a five-year period as from the date of this resolution.
- (f) As a result of the acquisition of shares, including those that the company or the person acting in his or her own name but on behalf of the company may have acquired previously and are held in the portfolio, the resulting equity may not fall below the amount of share capital plus reserves restricted by law or the Bylaws, all in accordance with Article 146.1.b) of the Spanish Companies Act.

It is expressly stated that the shares to be acquired through this General Meeting authorisation may be subsequently sold or redeemed or may be used to remunerate company employees or directors, or for the development and execution of programmes encouraging participation in the company's shareholding structure, such as dividend reinvestment plans, incentive plans and plans to incentivise the purchase of shares or similar instruments, pursuant to Article 146.1.a) of the Spanish Companies Act.

The General Meeting authorisation also extends to the acquisition of own shares by Euskaltel in order to implement liquidity agreements already in place or that may be entered into in the future by the company on legally admissible terms.

A.11. Estimated free float:

| | % |
|----------------------|-------|
| Estimated free float | 27.77 |

A.12. State whether there is any restriction (Bylaw, legal or other) on the transfer of shares and/or on voting rights. In particular, describe any kind of restriction that may hinder the takeover of the company by acquiring shares in the market, as well as any prior authorisation or notification rules relating to acquisitions or transfers of the company's financial instruments that may be applicable under industry legislation.

Yes
 No

A.13. State whether the general meeting has resolved to adopt neutralisation measures against a takeover bid in accordance with Law 6/2007.

Yes
 No

If so, explain the measures approved and the terms in which the restrictions will be ineffective:

A.14. State whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes
 No

If so, indicate the different classes of shares and related rights and obligations in each case:

B. GENERAL MEETING

B.1. State and if applicable explain any differences with respect to the minimum quorum stipulated in the Spanish Companies Act (SCA) for the valid assembly of the general meeting:

Yes
 No

B.2. State and if applicable explain any differences with respect to the provisions of the Spanish Companies Act (SCA) for the adoption of corporate resolutions:

- Yes
 No

| | Qualified majority other than that stipulated in Article 201.2 SCA for the situations envisaged in Article 194.1 SCA | Other reinforced majority situations |
|---|--|--------------------------------------|
| % stipulated by the company for the adoption of resolutions | 75.00 | 75.00 |

In line with the provisions of Article 201 of the Spanish Companies Act, Article 17 of the General Meeting Regulations, by reference from Article 41 of the Bylaws, stipulates that when shareholders representing at least fifty percent (50%) of subscribed voting capital are in attendance, resolutions on the issuance of debentures, elimination or restriction of pre-emptive subscription rights to new shares, transformation, merger, spin-off or assignment of all assets and liabilities, dissolution and liquidation of the company, moving of the registered address abroad and, in general, any amendment to the Bylaws, and which do not relate to Relevant Decisions of the General Shareholders' Meeting, may only be validly adopted through the favourable vote of two thirds (2/3) of voting capital present or represented at the General Shareholders' Meeting.

Resolutions addressing any matter that is a Relevant Decision will be adopted, as stipulated in Article 37.2 of the Bylaws, through the favourable vote of shareholders representing at least seventy-five percent (75%) of voting capital present or represented.

For such purposes, and in accordance with Article 37.3 of the Bylaws, the following will be Relevant Decisions of the General Shareholders' Meeting:

- Amendment of the Bylaws affecting the registered address, company name, corporate objects and rules on the adoption of resolutions by the General Shareholders' Meeting and the Board of Directors (unless the purpose is to adapt them to prevailing legislation), including Relevant Decisions of the General Shareholders' Meeting and the Board of Directors, as well as the change of the "Euskalte!" brand for the performance of the company's activities in the Euskadi Region.
- Any resolution the purpose or effect of which were not to maintain the effective administration and management of the company in the Euskadi Region.
- Delegation to the Board of Directors of any of the aforementioned resolutions, where permitted by law.

B.3. State the rules applicable to the amendment of the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and any rules in place to protect shareholders' rights in Bylaw amendments.

Pursuant to Article 5 of the General Meeting Regulations, the General Meeting will be the body authorised to resolve upon the amendment of the Bylaws.

In order for the ordinary or extraordinary General Shareholders' Meeting to validly adopt any amendment to the Bylaws, according to Article 17.2 of the General Meeting Regulations, by reference to Article 41 of the Bylaws, shareholders representing at least 50% of subscribed voting capital must be present or represented on first call. On second call, 25% of subscribed voting capital will suffice.

When shareholders representing at least 50% of subscribed voting capital are in attendance, the relevant resolutions may only be validly adopted through the favourable vote of 2/3 of voting capital present or represented at the General Shareholders' Meeting (provided they do not relate to Relevant Decisions of the General Shareholders' Meeting, as defined in Article 37.3 of the Bylaws, referred to in section B.2.).

In addition, pursuant to Article 37.2 of the Bylaws, if the Bylaw amendment forms part of the General Meeting's Relevant Decisions, as described previously in section B.2, resolutions will be adopted through the favourable vote of shareholders representing at least 75% of voting capital present or represented.

B.4. State figures for attendance at the general meetings held during the reporting period and the previous two financial years:

| Date of general meeting | Attendance data | | | | Total |
|-------------------------|----------------------------|---------------|-----------------|-------|-------|
| | % physically in attendance | % represented | % distance vote | | |
| | | | Electronic vote | Other | |
| 01/06/2018 | 0.29 | 82.79 | 0.00 | 0.29 | 83.37 |
| Of which Free float | 0.29 | 32.20 | 0.00 | 0.29 | 32.78 |
| 01/04/2019 | 0.62 | 67.54 | 0.00 | 0.59 | 68.75 |
| Of which Free float | 0.62 | 32.18 | 0.00 | 0.59 | 33.39 |
| 10/07/2019 | 0.01 | 86.09 | 0.00 | 0.21 | 86.31 |
| Of which Free float | 0.01 | 29.89 | 0.00 | 0.21 | 30.11 |
| 02/06/2020 | 11.06 | 31.03 | 0.00 | 45.92 | 88.01 |
| Of which Free float | 0.00 | 31.03 | 0.00 | 0.24 | 31.27 |
| 29/09/2020 | 0.00 | 57.02 | 0.00 | 24.67 | 81.69 |
| Of which Free float | 0.00 | 24.58 | 0.00 | 0.31 | 24.89 |

B.5. State whether any agenda item was not approved by the shareholders for any reason at the general meetings held during the year:

Yes
 No

B.6. State whether there is any Bylaw restriction stipulating a minimum number of shares necessary to attend the general meeting or to cast a distance vote:

Yes
 No

B.7. State whether it has been established that certain decisions, other than those stipulated by law, entailing the acquisition or disposal of, or contribution to another company of, essential assets, or other similar corporate operations, must be submitted to the general shareholders' meeting for approval:

Yes
 No

B.8. State the address and method for accessing, in the company's website, information on corporate governance and other information on the general meetings that must be made available to shareholders through the website:

The company's website is www.euskaltel.com and includes information for shareholders and investors, as well as the documents required by law.

The corporate governance content is accessed by clicking on "Investors" at the top of the page and then on "Corporate Governance". The information on corporate governance and on the General Meetings is also available on the CNMV's website (www.cnmv.es).

C. COMPANY'S ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors stipulated in the Bylaws and the number established by the general meeting:

| | |
|--|----|
| Maximum number of directors | 15 |
| Minimum number of directors | 5 |
| Number of directors established by the general meeting | 10 |

C.1.2 Complete the following table with board members:

| Director's name or company name | Representative | Director's category | Position on the Board | Date of first appointment | Date of last appointment | Appointment procedure |
|-----------------------------------|-------------------------|---------------------|-------------------------|---------------------------|--------------------------|----------------------------|
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | | Executive | CHIEF EXECUTIVE OFFICER | 06/05/2019 | 10/07/2019 | GENERAL MEETING RESOLUTION |
| IÑAKI ALZAGA ETXEITA | | Independent | DIRECTOR | 31/03/2015 | 01/04/2019 | GENERAL MEETING RESOLUTION |
| XABIER ITURBE OTAEGUI | | Other external | CHAIR | 29/10/2019 | 02/06/2020 | GENERAL MEETING RESOLUTION |
| BELÉN AMATRIAIN CORBI | | Independent | DIRECTOR | 31/03/2015 | 01/04/2019 | GENERAL MEETING RESOLUTION |
| CORPORACIÓN FINANCIERA ALBA, S.A. | JAVIER FERNÁNDEZ ALONSO | Nominee | DIRECTOR | 27/02/2018 | 01/06/2018 | GENERAL MEETING RESOLUTION |
| KARTERA 1, S.L. | ALICIA VIVANCO GONZÁLEZ | Nominee | DIRECTOR | 27/06/2016 | 02/06/2020 | GENERAL MEETING RESOLUTION |

| Director's name or company name | Representative | Director's category | Position on the Board | Date of first appointment | Date of last appointment | Appointment procedure |
|---------------------------------|----------------|---------------------|-----------------------|---------------------------|--------------------------|----------------------------|
| ROBERT W. SAMUELSON | | Nominee | DIRECTOR | 10/07/2019 | 10/07/2019 | GENERAL MEETING RESOLUTION |
| EAMONN OHARE | | Nominee | DIRECTOR | 05/06/2019 | 10/07/2019 | GENERAL MEETING RESOLUTION |
| ANA GARCÍA FAU | | Independent | DIRECTOR | 29/09/2020 | 29/09/2020 | GENERAL MEETING RESOLUTION |
| BEATRIZ MATO OTERO | | Independent | DIRECTOR | 29/09/2020 | 29/09/2020 | GENERAL MEETING RESOLUTION |

| | |
|---------------------------|----|
| Total number of directors | 10 |
|---------------------------|----|

State any departures from the board of directors in the reporting period, whether due to resignation or by resolution of the general meeting:

| Director's name or company name | Director's category at the time of departure | Date last appointed | Date of departure | Specialised committees of which the director was a member | State whether the departure occurred before end of the director's period of office |
|---------------------------------|--|---------------------|-------------------|--|--|
| MIGUEL ÁNGEL LUJUA MURGA | Independent | 27/06/2016 | 29/09/2020 | Miguel Angel Lujua Murga was a member of the Appointments and Remuneration Committee | YES |
| JOSÉ ÁNGEL CORRES ABASOLO | Independent | 27/06/2016 | 29/09/2020 | José Angel Corres Abásolo was a member of the Audit and Control Committee | NO |

| | | | | | |
|------------------------------|---------|------------|------------|--|-----|
| LUIS RAMÓN ARRIETA DURANA | Nominee | 26/07/2017 | 02/06/2020 | Luis Ramón Arrieta Durana was a member of the | YES |
|------------------------------|---------|------------|------------|--|-----|

| Director's name or company name | Director's category at the time of departure | Date last appointed | Date of departure | Specialised committees of which the director was a member | State whether the departure occurred before end of the director's period of office |
|---------------------------------|--|---------------------|-------------------|--|--|
| | | | | Appointments and Remuneration Committee | |
| JONATHAN GLYN JAMES | Independent | 26/06/2017 | 02/06/2020 | Mr. Jonathan Glyn James was a member of the Audit and Control Committee | YES |
| ELISABETTA CASTIGLIONI | Independent | 27/06/2016 | 29/09/2020 | Belén Elisabetta Castiglioni was a member of the Audit and Control Committee | NO |

C.1.3 Complete the following tables on the Board members and their categories:

| EXECUTIVE DIRECTORS | | |
|---------------------------------|--|---------|
| Director's name or company name | Position in the company's organisation chart | Profile |
| | | |

| | | |
|---|--|--|
| <p>JOSÉ MIGUEL GARCÍA FERNÁNDEZ</p> | <p>CHIEF EXECUTIVE OFFICER</p> | <p>José Miguel García was appointed a director of Euskaltel in 2019. José Miguel García began his career as a telecommunications and technology consultant at Lincoln Scott International (Australia). In the last 30 years he has spent part of his career as a CEO in 16 different countries spanning Australia, Europe, Latin America and the United States. In 2018 he was successfully involved in the acquisition of SQRRL by Amazon and Briefcam by Canon. In 2016 and 2017 he was a board member and vice-chairperson for the Millicon Group and a strategy consultant at the Orange Group (having been hired directly by the deputy CEO) in the transformation of European business units to the fixed-mobile convergence offering. He was CEO of Jazztel, a Spanish telecommunications company, from 2006 to 2015. Before he joined Jazztel in 2006, Mr García worked mainly at Cable & Wireless, where his roles included: CEO of Spain and Portugal, executive vice-chairman in Europe, CEO in Panama and managing director in the UK and Ireland. Prior to these roles, he was executive chairman and CEO in Spain and Portugal of Case Technology, a company that he co-founded and subsequently managed through its acquisition by Cable & Wireless, Plc. in 2000. He has also been a Strategic Investor and Advisory Member of the Boards of several start-ups around the world over the past 25 year. He holds a degree in Electrical</p> |
|---|--|--|

| EXECUTIVE DIRECTORS | | |
|---------------------------------|--|--|
| Director's name or company name | Position in the company's organisation chart | Profile |
| | | and Electronic Engineering and a Master's in Digital Communications from Monash University in Melbourne. |

| | |
|---------------------------------------|-------|
| Total number of independent directors | 1 |
| % of total number of directors | 10.00 |

| NOMINEE DIRECTORS | | |
|-----------------------------------|--|--|
| Director's name or company name | Name or company name of the significant shareholder represented or proposing the appointment | Profile |
| CORPORACIÓN FINANCIERA ALBA, S.A. | ALBA EUROPE, S.A.R.L. | <p>Corporación Financiera Alba, S.A. was incorporated for an open-ended period under the name Cementos Alba, S.A. in a deed executed on 9 November 1953 before the Madrid notary Mr. Manuel Amorós Gozálbz, number 2920 of his record. The current name was subsequently taken in a deed dated 29 September 1986, authorised by the Madrid notary Mr. Rafael Ruiz Gallardón, number 2813 of his protocol. The company's Bylaws were adapted to the Spanish Companies Act in a deed executed before the Madrid notary Mr. Luis Coronel de Palma on 13 July 1990, number 3599 of his protocol, supplemented by a deed authorised by the same notary on 15 October 1990, number 3599 of his protocol, supplemented by a deed authorised by the same notary on 15 October 1990, number 4723 of this protocol, in which the revised text of the new Bylaws was transcribed. The company was entered in the Madrid Commercial Register, volume 417, folio 196, page M-8078, entry 261. The company was entered in the Madrid Commercial Register, volume 417, folio 196, page M-8078, entry 261. The company holds TIN A-28060903 and has its registered office at calle de Castelló, 77, planta 5ª 28006 Madrid. Javier Fernández Alonso, the natural person representing Corporación Financiera Alba, S.A., having been proposed by the company to sit on Euskaltel's Board of Directors, was born in Bilbao on 15 August 1977. He has a degree in business administration and management from Deusto University. He spent a part of his career as a merger and acquisitions advisor at Goldman Sachs International (London) and at ABN Amro Corporate Finance (Madrid), where he reached the post of Associate Director. He is currently the General Manager of Corporación Financiera Alba, S.A. He is also a Board member of other companies, including</p> |

| NOMINEE DIRECTORS | | |
|---------------------------------|--|---|
| Director's name or company name | Name or company name of the significant shareholder represented or proposing the appointment | Profile |
| | | Ebro Foods and Rioja Acquisition. In the past, he was a director of ACS, Acerinox, Dragados, Parques Reunidos and Clínica Baviera, among others. |
| KARTERA 1, S.L. | KUTXABANK, S.A. | Kartera 1, S.L. was incorporated as a public limited company under the name Kartera 1, S.A. on 30 July 1993 in a deed authorised by Mr. José Antonio Isusi Ezcurdia, a Bilbao notary, number 2943 of his protocol. The company was subsequently transformed into a private limited company on 23 March 1999 in a deed authorised by the same notary, Mr. Isusi Ezcurdia, number 826 of his protocol. The deed was entered in the Commercial Register of Bizkaia, volume BI-659, book 0, folio 25, page BI-5126-A, entry 9. It holds TIN B-48563506 and has its registered office at Gran Vía 30-32, 48009, Bilbao (Bizkaia). Belén Vivanco González, the natural person representing Kartera 1, S.L., having been proposed by the company to sit on Euskaltel's Board of Directors, was born in Valle de Trápaga -Trapagaran (Bizkaia) in 1960. She has a Degree in Economics from the University of the Basque Country. Belén Alicia Vivanco joined Euskaltel's Board of Directors in 2003 as the representative of Bilbao Bizkaia Kutxa, where she directed the Project Finance and Investees areas and was also a member of the Management Committee and the Executive Committee. In December 2009, she was appointed as BBK's General Manager. In 2012, she became General Manager of Kutxabank, S.A., where she was in charge of the group's Financial Projects and Investees Department. Since January 2016, she has been the General Manager of Kutxabank Sociedades Participadas. She is a Board director of a number of listed and unlisted companies, representing KUTXABANK: Ingeteam, Ibermática, Ekarpen Private Equity, S.A.S.A and NORBOLSA, where she is the Chair of the Board. Her previous professional experience was gained primarily at the financial institution BBK, which she joined in 1984, working in different departments: International Affairs, Portfolio Management and Capital Markets. She was appointed General Manager of BBK in 2009. |
| ROBERT W. SAMUELSON | ZEGONA COMMUNICATIONS PLC | Robert W. Samuelson was appointed a director of Euskaltel in 2017. He started his career in the field of industry and engineering with British Aerospace and Royal Ordnance. He subsequently worked as a consultant at Arthur D. Little Ltd. In 2000 he joined the Virgin Group where he held several posts. In January 2015, |

| NOMINEE DIRECTORS | | |
|---------------------------------|--|--|
| Director's name or company name | Name or company name of the significant shareholder represented or proposing the appointment | Profile |
| | | <p>he set up Zegona Communications PLC, where he was head of operations and executive director. Robert Samuelson is also a member of the Board of Directors at Virgin Mobile Canada, Virgin Mobile France and Virgin Mobile South Africa.</p> <p>In addition, he is also part of the Virgin Group's Strategy Committee, a body in charge of putting forward new investment and corporate transaction alternatives. He has a master's degree in natural sciences from the University of Cambridge and an MBA from the Cranfield School of Management.</p> |
| EAMONN OHARE | ZEGONA COMMUNICATIONS PLC | <p>Eamonn O'Hare holds a degree in Aerospace Engineering from Queen's University in Belfast and an MBA from the London Business School. He has held positions as a Board member and executive at some of the world's fastest-growing technology and consumer companies for over two decades. He is currently chairman and CEO of Zegona Communications, Plc, a telecommunications, media and technology (TMT) company listed on the London Stock Exchange. From 2009 to 2013, he served as Chief Financial Officer and member of the Board of Directors of Virgin Media, a leading UK entertainment and communications company. He also holds the position of non-executive director on the Board of Dialog Semiconductor, Plc, a leading consumer technology company that provides essential components for the world's most successful mobile device brands.</p> <p>He was chair of the audit committee at Dialog Semiconductor in 2014-2015. In addition, Eamon O'Hare was executive director on the Board of Directors and Audit Committee of Tele2, a major European telecommunications company in the Nordic and Baltic countries.</p> |

| | |
|-----------------------------------|-------|
| Total number of nominee directors | 4 |
| % of total number of directors | 40.00 |

| INDEPENDENT DIRECTORS | |
|---------------------------------|---|
| Director's name or company name | Profile |
| IÑAKI ALZAGA ETXEITA | Iñaki Alzaga was appointed a director of Euskaltel in March 2015. He was at the company from 1998 to 2005 in the positions of Director of Advanced Businesses and Director of Strategy and Business Development, as well as sitting on the Management Committee. He became the Chair of Grupo Noticias in 2005. In 2020, he was appointed Chair of Nortegas Energía Grupo, S.L. and Vice-Chair of Talde Gestión, SGEIC, S.A. Previous positions included General Manager of Editorial Iparraguirre, S.A. and a 12-year professional career at PricewaterhouseCoopers. |
| BELÉN AMATRIAIN CORBI | Belén Amatriain Corbi was appointed a director of Euskaltel in March 2015. She previously held the following positions at Telefónica: CEO of Telefónica España in 2008 and 2009, CEO of Telefónica Móviles España from 2005 to 2007, and Chair and CEO of Telefónica Publicidad e Información from 2000 to 2005. She is also an independent Board director at Lucta, S.A. and the following companies listed on the continuous market and on the Portuguese Stock Exchange's PSI 20 Index: Prim (Audit Committee member and Chair) and Faes Farma, S.A. (Board director). Belén Amatriain has a Law Degree (ICADE E-1) from Universidad Pontificia de Comillas in Spain. |
| ANA GARCÍA FAU | Ana García Fau is a recognised professional with an extensive career and experience in business management, as well as a board member of many leading companies in the industry, both listed and unlisted, on an international level. She has a degree in Law and Economic and Business Science from the Universidad Pontificia Comillas, ICADE (E-3, specialising in finance). She has an MBA from the MIT Sloan School of Management in Massachusetts. She is also a member, among other organisations, of the EMEA advisory board of the technology company Salesforce, of Pictet in Spain and of the lawyer association Mutualidad de la Abogacía. She has extensive experience in the telecommunications industry, having held various management positions in Telefónica Group, where she held executive roles at TPI-Páginas Amarillas (Yellow Pages), as Chief Financial Officer and Head of Corporate Development. At Yell/hibu she was CEO for Spain, Latin America and the US Spanish-speaking market, member of its International Executive Committee, as well as Head of Corporate Development and Global Strategy. Prior to her experience in this industry, she worked at McKinsey & Company and Goldman Sachs. Ana García Fau is an independent director of the listed companies Merlin Properties, S.A., Gestamp Automoción S.A. and Eutelsat, S.A. (Euronext Paris) and non-executive chair of Finerge, S.A. |
| BEATRIZ MATO OTERO | Beatriz Mato Otero has a degree in Industrial Engineering, with a specialism in Business Organisation, from the Bilbao College of Industrial Engineers and an MBA from the A Coruña University Business School. She also holds a certificate in Good Corporate Governance from the Spanish Institute of Directors. Beatriz Mato has worked professionally for 30 years in the private and public sectors, leading business projects in the technology and consultancy sector for SMEs and multi-nationals, and as a minister for the regional government in Galicia. She has an extensive consultancy background with particular expertise in introducing quality systems and innovation. She began her career as a systems technician at IBM Spain (1989-1991), moving on to become an IT services sales technician |

| INDEPENDENT DIRECTORS | |
|---------------------------------|--|
| Director's name or company name | Profile |
| | <p>at Rank Xerox (1991-1993) and then a quality engineer at the engineering firm Norcontrol, which is now Applus (1993-1995). She has broad experience in public management due to her role as minister for the regional government in Galicia, firstly as minister for work and welfare from 2009 to 2015 and subsequently as minister for the environment and territorial planning from 2015 to 2018, where she gained extensive knowledge of the business and social fabric in Galicia. From 2002 to 2005 she was provincial representative for the fisheries ministry. From 2009 to 2010 she was chair of Sogaserso S.A. and a member of the Boards of Directors of several public entities in Galicia, such as the A Coruña Port Authority, the Ferrol San Cibrao Port Authority and IGAPE (the Galician institute for economic development) from 2009 to 2018. Furthermore, as the head of innovation at IGAPE, from 1995 to 2002 she supported companies in Galicia with regard to IT and consultancy services, providing advice on economic and financial issues, internationalisation and support for enterprises. She has been the Director of Corporate Development and Sustainability at the renewable energies company Greenalia since February 2020.</p> |

| | |
|---------------------------------------|-------|
| Total number of independent directors | 4 |
| % of total number of directors | 40.00 |

Indicate whether any director classified as an independent director receives from the company or its group any amount or benefit other than director's remuneration, or has or has had during the last financial year a business relationship with the company or any group company, either on its own behalf or as a significant shareholder, director or executive of a company that maintains or has maintained such a relationship.

If appropriate, an explanation by the Board will be included concerning the reasons why they consider that the director is suitable to hold the position of independent director.

| Director's name or company name | Description of the relationship | Reasoned statement |
|---------------------------------|---------------------------------|--------------------|
| No data | | |

OTHER EXTERNAL DIRECTORS

Identify the other external directors and list the reasons why they cannot be considered nominee or independent directors and their relationships with the company, its executives or its shareholders:

| Director's name or company name | Reasons | Related company, executive or shareholder: | Profile |
|---------------------------------|---|--|---|
| XABIER ITURBE OTAEGUI | Before becoming Euskaltel's Chair, Xabier Iturbe Otaegui was Vice-Chair of Kutxabank, S.A., a significant shareholder of Euskaltel. | KUTXABANK, S.A. | Xabier Iturbe has a degree in Economics and Business Studies from Deusto University and an MBA specialising in finance from Stern School of Business, New York University. He has held management positions in leading companies in both the telecommunications and finance industries and for more than ten (10) years he has held top-level positions on the Board of Directors of different entities and institutions representing the Basque Country (Chairman, Vice-chairman, member, board director...), and different sectors (finance, technology, foundations...). All this has given him an excellent knowledge of the telecommunications industry in general and of Euskaltel in particular, and of the financial world, as well as experience in the coordination and management of complex Boards of Directors. He has in-depth knowledge of the Basque Country and its institutions. In addition, he has an international vision both because of his education in the United States and because of his professional relationships in financial institutions and within Euskaltel. He has regularly formed part of and coordinated work teams engaged in defining the strategic position |

| OTHER EXTERNAL DIRECTORS | | | |
|---|---------|--|---|
| Identify the other external directors and list the reasons why they cannot be considered nominee or independent directors and their relationships with the company, its executives or its shareholders: | | | |
| Director's name or company name | Reasons | Related company, executive or shareholder: | Profile |
| | | | of the companies where he has provided and provides his services. |

| | |
|---|-------|
| Total number of other independent directors | 1 |
| % of total number of directors | 10.00 |

Indicate any changes that have occurred in each director's category during this period:

| Director's name or company name | Date of change | Previous category | Current category |
|---------------------------------|----------------|-------------------|------------------|
| No data | | | |

C.1.4 Complete the following table with information on the year-end number of women directors in the past 4 years and the category of the directors:

| | Number of women directors | | | | % of total directors in each category | | | |
|----------------|---------------------------|------|------|------|---------------------------------------|-------|-------|-------|
| | 2020 | 2019 | 2018 | 2017 | 2020 | 2019 | 2018 | 2017 |
| Executive | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Nominee | 1 | 1 | 1 | 1 | 25.00 | 20.00 | 25.00 | 25.00 |
| Independent | 3 | 2 | 2 | 2 | 75.00 | 33.33 | 33.33 | 33.33 |
| Other external | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 4 | 3 | 3 | 3 | 40.00 | 23.08 | 25.00 | 25.00 |

C.1.5 State whether the company has Board diversity policies in place in relation to matters such as age, gender, disability or professional training and experience. According to the definition contained in the Audit Act, small- and medium-sized enterprises must at least report the gender diversity policy in place.

- Yes
 No
 Partial policies

If so, describe these diversity policies, objectives, measures, the way they have been applied and results for the year. Also state the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced, diverse Board.

If the company does not apply a diversity policy, explain the reasons.

Description of the policies, objectives, measures and form in which they have been applied, as well as the results

As regards the diversity policy referred to in Article 540.4.c).6 of the Spanish Companies Act, Euskaltel's Board of Directors specifies in the Director Selection Policy, amended on 15 December by the Board, that it has made a commitment to lay down the conditions to ensure that candidates included in selection processes have the necessary competencies, in line with the Code of Ethics and other internal legislation, so as to favour the diversity of knowledge, experience, age and gender on the company's board.

The Director Selection Policy was also amended to include measures encouraging the company and the group companies to have significant numbers of women executives so as to favour gender diversity. Among the measures taken by the company, the Equality Plan proposes positive actions to encourage the inclusion of women in categories and hierarchical levels where they are under-represented and, specifically, where appropriate, on governing bodies and in management categories.

As regards the diversity policy, the company approved an Equality Plan on 9 July 2020 that will run to 2022.

In accordance with Organic Law 3/2007 of 22 March, the main purpose of the Equality Plan for women and men at Euskaltel is to guarantee equal treatment and opportunities and assure a work environment free from discrimination, particularly by reason of gender.

In pursuit of this objective, the plan seeks to assure the absence of direct and indirect discrimination in procedures, tools and activities related to different management processes.

The following general aims are included:

DEPLOYMENT OF THE EQUALITY COMMITMENT

Implement the equality commitment through tangible components of a business culture reflecting equality for women and men that is capable of engaging all stakeholders.

ACCESS: RECRUITMENT, SELECTION AND HIRING

Undertake recruitment, selection and hiring processes focused on merits, skills and suitability for the position, assuring equal treatment and opportunities so as to favour the presence of women in areas of the organisation where they are under-represented.

TRAINING

Address the continuous training process from a gender perspective, ensuring fair treatment and opportunities as well as specific gender equality awareness actions and training.

PROMOTION AND MOBILITY

Undertake internal promotion and mobility processes focused on merits, skills and suitability for the position, assuring equal treatment and opportunities so as to favour the presence of women in areas of the organisation where they are under-represented.

REMUNERATION POLICY

Guarantee a transparent remuneration system reflecting the equality principles.

ORGANISATION OF WORK TIME AND WORK-LIFE BALANCE

Implement a work time organisation model and a co-responsible work-life balance model that meets people's needs without undermining career development and the service provided.

OCCUPATIONAL HEALTH

Assure a healthy work environment in which women and men are treated equally and free from sexual and gender harassment.

VIOLENCE AGAINST WOMEN

Implement a formal commitment to eradicate all violence against women while protecting and supporting any victim of gender violence in the workforce.

IMPACT ON SOCIETY

Launch social impact actions from a gender perspective, particularly to overcome stereotypes and prejudice.

- C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that selection procedures do not suffer from any implicit bias against women directors and that the company makes a conscious effort to include among potential candidates women who fit the desired professional profile so as to achieve a balance of women and men. Also state whether these measures include encouraging the company to have a significant number of female executives:

Explanation of measures

The Appointments Committee has competence to (i) submit to the Board of Directors proposals for the appointment of independent directors by co-option or for submission to a decision of the shareholders at a General Meeting of Shareholders, and proposals for the reappointment or removal of the directors by the General Meeting; and (ii) report on proposed appointments of the remaining board members for designation by co-option or for submission to the General Meeting, as well as proposals for their reappointment or removal by the general Meeting.

The Director Selection Policy provides public, specific and verifiable assurance that the proposals for appointing or reappointing members are based on a prior analysis of the Board of Directors' needs and that they also favour diversity of knowledge, experience and gender on the Board.

The only impediments laid down in the Director Selection Policy for candidates are set out in Article 9 of Euskaltel's Board of Directors Regulations.

In particular, candidates meet the requirements of respectability, suitability, expertise, competence, experience, qualifications, training, availability and commitment to their duties, their appointment favouring the diversity of knowledge, experience, origin and gender on Euskaltel's Board of Directors.

Moreover, when selecting candidates, attempts will be made to achieve a suitable balance on the Board of Directors that enriches decision-making processes and brings diverse perspectives to the issues within its scope of authority.

The selection process will be guided by corporate interests. Meritocracy will be the key selection criteria and the aim of the process will be to find the most qualified candidates.

Finally, the candidate selection process will, in any case, avoid any kind of implicit bias that could discriminate in any way, particularly those that may hinder the selection of female directors.

Finally, the Director Selection Policy endorses Recommendation 14 of the current Unified Good Governance Code of Listed Companies, the amendment approved by the Board of Directors on 15 December 2020 having brought in a provision encouraging the company and Group companies to have a significant number of female executives in order to favour gender diversity. Among the measures taken by the company, the Equality Plan proposes positive actions to encourage the inclusion of women in categories and hierarchical levels where they are under-represented and, specifically, where appropriate, on governing bodies and in management categories.

The amended Director Selection Policy also endorses Recommendation 15 of the current Unified Good Governance Code of Listed Companies by encouraging the fulfilment of the objective of maintaining at least 40% women on the Board of Directors by 2022.

As a faithful reflection of the company's declared objectives, the selection process undertaken to bring in two new directors at the end of the term of office of Company directors actively embraced the diversity aspects when selecting candidates, resulting in the selection of two women directors, in the interests of fulfilling Recommendation 15.

When, despite the measures taken, there are few or no women directors or senior managers, explain the reasons:

Explanation of reasons

Not applicable.

C.1.7 Explain the appointments committee's findings regarding compliance with the policy designed to favour a suitable balance on the board of directors.

The Director Selection Policy seeks diversity of knowledge, experience, origin and gender on the Board of Directors so as to achieve a suitable overall balance that enriches decision-making and brings diverse viewpoints to deliberations.

The Appointments Committee, following Recommendation 14 of the current Unified Good Governance Code of Listed Companies, also verifies compliance with the Director Selection Policy annually.

Euskaltel has made a commitment to lay down the conditions to ensure that candidates included in selection processes have the necessary competencies, in line with the Code of Ethics and other internal rules, so as to favour the diversity of knowledge, experience, age and gender on the company's board.

C.1.8 Explain, as appropriate, the reasons for the appointment of nominee directors at the request of shareholders whose shareholding is less than 3% of capital:

| Name or company name of shareholder | Explanation |
|-------------------------------------|-------------|
| No data | |

Indicate whether formal requests for a board position from shareholders whose equity interest is equal to or greater than that of others applying successfully for a nominee directorship have been rejected. If so, explain the reasons:

- Yes
 No

C.1.9 State, if applicable, any powers and authority delegated by the board of directors to directors or board committees:

| Name or company name of director or committee | Brief description |
|---|---|
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | Mr. José Miguel García has been delegated all the powers of the Board of Directors, other than those that cannot be delegated in accordance with the law or Bylaws, and except for the authority to give guarantees to third parties. |

C.1.10 Name any directors who are directors, representatives or executives of other companies that form part of the listed company's group:

| Director's name or company name | Company name of the Group company | Position | Executive duties? |
|---------------------------------|--|---|-------------------|
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | R CABLE Y TELECABLE TELECOMUNICACIONES, S.A.U. | Representative of the sole director (Euskaltel, S.A.) | YES |

C.1.11 Name, if applicable, the directors or legal-person directors' representatives of your company who are members of the board or legal-person directors' representatives of other companies listed on regulated markets, other than group companies, as reported to the company:

| Director's name or company name | Company name of the listed company | Position |
|-----------------------------------|------------------------------------|----------|
| BELÉN AMATRIAIN CORBI | PRIM, S.A. | DIRECTOR |
| BELÉN AMATRIAIN CORBI | FAES FARMA, S.A. | DIRECTOR |
| CORPORACIÓN FINANCIERA ALBA, S.A. | EBRO FOODS, S.A. | DIRECTOR |
| ANA GARCÍA FAU | GESTAMP AUTOMOCIÓN, S.A. | DIRECTOR |
| ANA GARCÍA FAU | MERLIN PROPERTIES, S.A. | DIRECTOR |
| ANA GARCÍA FAU | EUTELSAT COMMUNICATIONS, S.A. | DIRECTOR |

C.1.12 State and, if applicable, explain whether the company has laid down rules on the maximum number of company directorships their board members can hold, identifying where any such rules are set out.

Yes
 No

Explanation of the rules and identification of the document in question

Article 9 (ii) of Euskaltel's Board of Directors Regulations stipulates that natural or legal persons that, in addition to being a director of Euskaltel, hold directorships in more than five companies, of which a maximum of three may be listed on national or foreign stock exchanges, may not be appointed as directors or, if applicable, as representatives of legal-person directors.

For the purposes of this calculation, the following will not be taken into account: (i) holding companies of the director or related persons; (ii) holding companies that have no recurring business activity; or (iii) as regards nominee directors, boards on which they sit due to being proposed for appointment by the significant shareholder that proposed them as nominee directors of the company, or by one of the significant shareholder's group companies, provided that the nominee director has the material and/or personal means required to give sufficient dedication to the position of director of the company.

C.1.13 State the amounts of the following board of directors' overall remuneration items:

| | |
|--|-------|
| Remuneration of the Board of Directors during the year (thousand euro) | 2,945 |
| Vested pension rights of current directors (thousand euro) | |
| Vested pension rights of former directors (thousand euro) | |

C.1.14 Identify the members of senior management who are not also executive directors and indicate the total remuneration accruing to them during the year:

| Name or company name | Position(s) |
|--------------------------|---------------------------------|
| ERNESTO MARTINEZ VELASCO | SYSTEMS AND OPERATIONS DIRECTOR |

| Name or company name | Position(s) |
|------------------------------|--|
| NORBERTO OJINAGA GOITIA | TECHNOLOGY DIRECTOR |
| ALFREDO RAMOS GONZALEZ | MASS SALES DIRECTOR |
| ISIDRO FERNÁNDEZ DE LA CALLE | CORPORATE BUSINESS DIRECTOR |
| KOLDO UNANUE CARAZO | MARKETING DIRECTOR |
| JOSEBA SAN NICOLÁS EGAÑA | CORPORATE COMMUNICATION DIRECTOR |
| ANTONIO PEIRET SERVENT | LEGAL SERVICES AND REGULATION DIRECTOR |
| RUTH QUINTELA RODRIGUEZ | INTERNAL AUDIT DIRECTOR |
| JOSÉ LUIS FERNÁNDEZ GONZÁLEZ | NETWORK AND SYSTEMS MAINTENANCE DIRECTOR |
| ÁNGEL LUIS OLABUENAGA BURÓN | FINANCE DIRECTOR |
| BERTA ALVAREZ STUBER | HUMAN RESOURCES, ORGANISATION, QUALITY AND INTERNAL COMMUNICATION DIRECTOR |

| | |
|-------------------------------------|-------|
| Number of women senior managers | 2 |
| Percentage of total senior managers | 18.18 |

| | |
|--|-------|
| Total senior management remuneration (thousand euro) | 3,290 |
|--|-------|

C.1.15 State whether the board regulations were amended during the year:

- Yes
 No

Description of changes

The Company's Board of Directors, in the meeting held on 2 June 2020, resolved to amend certain articles of the Board Regulations so as to bring the content into line with the Bylaws by including two of the Bylaw amendments approved by Euskaltel's Annual General Meeting on 2 June 2020. The amendment to the Board Regulations includes splitting the Appointments and Remuneration Committee into two separate committees, as well as eliminating the reference to the Strategy Committee, which was agreed by the Board on 24 July 2019.

In addition, on 15 December 2020 the Board of Directors approved amendments to the Board Regulations to bring them into line with the revised recommendations of the Unified Good Governance Code of Listed Companies published by the Spanish National Securities Market Commission on 26 June 2020. The amendments brought into the Board Regulations entailed adapting to the changes made to Recommendations 4, 8, 22, 24 and 37:

- Minor changes were made to include the reference to the approval of the non-financial information that must be disclosed.
- Amendment to Article 43.3, included in Chapter IX. Policy on Board Relations and Information, specifically the Board's relationships with the auditors, so as to assure that the accounting principles and standards are applied correctly when preparing the annual accounts.
- Amendment to Article 39.2.c) on directors' duties of information in Chapter VIII of the Board of Directors Regulations on directors' duties, laying down the obligation to report circumstances that may harm the Company's credibility and reputation so that the Board must analyse the situation and take measures.

- Article 12 of the Board of Directors Regulations was amended, regulating the resignation, removal and departure of directors in Chapter III on the appointment and departure of directors, as regards the obligation to explain the reasons for resigning or, if applicable, for removing non-executive directors, as well as the company's disclosure obligations.

- Article 18.2 of the Board of Directors Regulations was amended to adapt the membership mix of the executive committee to the recommendation, where appropriate.

C.1.16 State the procedures for the selection, appointment, reappointment and removal of directors. Describe the competent bodies, formalities and criteria used in each procedure.

The directors will be designated or reappointed by the General Meeting pursuant to the Spanish Companies Act from among those who meet the requirements of respectability, suitability, expertise, competence, experience, qualifications, training, availability and commitment to their duties. To this end, proposals for the appointment and reappointment of directors submitted by the Board of Directors for the General Meeting's consideration must be preceded by (a) the corresponding proposal from the Appointments Committee, in the case of independent directors; or (b) a report from the Appointments Committee, in all other cases; specifically assessing their respectability, suitability, expertise, competence, experience, qualifications, training, availability and commitment to their duties.

There are also a number of objective incompatibilities which may exclude a potential candidate from being appointed director. These incompatibilities are set forth in Article 9 of the Board of Directors Regulations.

Proposals for the reappointment of directors that the Board of Directors decides to submit to the General Shareholders' Meeting must have undergone a preparation process that will necessarily include a proposal (in the case of independent directors) or a report (in all other cases) issued by the Appointments Committee assessing the quality of work and dedication of the proposed directors during the preceding term of office, as well as a specific reference to their respectability, suitability, expertise, competence, availability and commitment to their duties. To this end, directors sitting on the Appointments Committee will be evaluated by the committee itself, employing the internal and external means deemed fit. The director in question will leave the meeting during deliberations and voting.

The Appointments Committee must ensure that when there are new vacancies or when new directors are appointed, the selection procedures include no implicit bias that could entail discrimination of any kind and, in particular, that could hinder the selection of women directors, also defining a target for the number of women on the Board and issuing guidance on how to achieve it.

The directors must leave office at the end of the term for which they were appointed or when the relevant resolution is adopted by the General Shareholders' meeting. In any event, the directors must hand in their resignation in the circumstances referred to in Article 12, paragraphs 2, 3 and 6 of the Board of Directors Regulations.

The Board of Directors is authorised to propose the removal of an independent director before the end of his term of office only where there is just cause, as defined in Article 12.6 of the Board of Directors Regulations.

According to Article 39.2 c) of the Board Regulations, the directors must report any legal, administrative or other proceedings instigated against them that could have a serious adverse impact on the company's reputation in view of their significance or characteristics. Information will also be included in the Annual Corporate Governance Report, unless there are special circumstances justifying non-disclosure, which must be set forth in minutes, all without affecting the information that the company must disclose, if appropriate, when the relevant measures are implemented.

Directors subject to appointment, reappointment or removal proposals will refrain from participating in the deliberations and votes concerning their candidacy.

The Appointments Committee's functions include establishing and overseeing an annual programme for continuous evaluation and review of the qualifications, training, and, if applicable, independence of directors, as well as of ongoing compliance with the requirements of respectability, suitability, expertise, competence, availability and commitment to their duties that must be satisfied in order to serve as director and as a member of a particular committee, and proposing to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate to such end.

Finally, in accordance with the Director Selection Policy approved by the Board of Directors on 26 April 2016, the Board must analyse the needs of the company and the group, subject to advice and a report from the Appointments Committee, as a starting point for proposing the reappointment of directors or selection of new candidates.

Candidates for the position of company director must meet the requirements of respectability, suitability, expertise, competence, experience, qualifications, training, availability and commitment to their duties. Moreover, when selecting candidates, attempts will be made to achieve a suitable balance on the Board of Directors that enriches decision-making processes and brings diverse perspectives to the issues within its scope of authority.

The selection process will be guided by corporate interests. Meritocracy will be the key selection criteria and the aim of the process will be to find the most qualified candidates, in line with the principles set out in the Code of Ethics.

Euskaltel may use external advisors to select and validate director candidates.

C.1.17 Explain the extent to which the board's annual evaluation has led to major changes in its internal organisation and the procedures applicable to its activities:

Description of changes

In 2020, most of the improvement proposals and recommendations identified or defined in the previous year's evaluation process were implemented. The evaluation was carried out with the help of an external consultant in the following areas:

- Reporting to the Board.

- Committee meetings.

During 2020:

- The focus was on improving the sending of meeting documentation so it is made available as soon as possible. A platform was also implemented to facilitate access to the documents and follow-up during Board and committee meetings.
- Attention was also paid to the determination of the items on the agenda of Board Meetings so as to devote more time to deliberations on strategic matters.

Describe the evaluation process and the areas evaluated by the board of directors, assisted, if applicable, by an external advisor, as regards the functioning and composition of the board and committees, and any other area or aspect that may have been assessed.

Description of the evaluation process and areas evaluated

In line with Recommendation 36 of the current Unified Good Governance Code of Listed Companies, the Board of Directors self-evaluates its performance and functioning during 2020.

The procedure was agreed in the Board meeting of 27 January 2020 and includes the following parallel subprocesses:

1. Board self-evaluation in which each director fills in a specific questionnaire.
2. Evaluation of the Chief Executive Officer.
3. Audit and Control Committee self-evaluation in which the committee members fill in a questionnaire based on the Spanish National Security Market Commission's Technical Guide 3/2017 on Audit Committees of Public-Interest Entities.
4. Appointments Committee and Remuneration Committee self-evaluation in which the committee members fill in a questionnaire based on the Spanish National Security Market Commission's Technical Guide 1/2019 on Appointments and Remuneration Committees of Public-Interest Entities.

The self-evaluation findings were assessed by the Appointments Committee.

In addition to the composition and functioning of the Board and committees, their effectiveness and degree of fulfilment of the duties assigned by law and the Bylaws were assessed, as well as the extent to which they are aligned with the Spanish National Security Market Commission's recommendations as guiding principles.

A number of improvements are proposed in connection with the documentation for the Board and committees. They consist of a specific preparation and delivery protocol based on the type of information, improved duration of meetings through the Chair's involvement in the order of the agenda items and increased participation of executive team members in Board and committee meetings.

In February 2021, the Audit and Control Committee is evaluating the internal audit function to identify improvement areas within its remit and thus help to enhance the efficiency of the committee's own oversight tasks.

C.1.18 Disclose any business relationships that the consultant or any company of its group may have had with the company or any of the group companies in the years in which an external consultant assisted with the evaluation process.

Not applicable.

C.1.19 State the situations in which directors are required to resign.

Article 12.2 of the Board Regulations stipulates that directors must tender their resignation to the Board of Directors and the Board must accept in the following situations:

- (i) When unforeseen situations arise in which they are in breach of any of the incompatibilities or prohibitions laid down in legislation, the Bylaws or Board Regulations.
- (ii) When events or conduct attributable to the director have caused serious harm to the company's assets or reputation, or given rise to a risk of criminal liability for the company.
- (iii) When the respectability, suitability, expertise, competence, availability or commitment to their duties required in order to serve as a company director is undermined.

(iv) When their continuance on the Board of Directors may jeopardise, for any reason, directly, indirectly or through related persons (as defined in the Board Regulations), the loyal and diligent performance of their duties in the company's interests.

(v) When the reasons for appointing the director no longer apply and, in particular, in the case of nominee directors, when the shareholder(s) that proposed, required or determined the director's appointment sells or transfers all or part of their shares, thus losing the status of significant shareholder or holding insufficient shares to justify the appointment.

Moreover, Article 12.4 of the Board Regulations states that the directors must tender their resignation to the Board when they reach 70 years of age, resigning from office in the first Board meeting following the General Shareholders' Meeting that approves the annual accounts for the year in which they reach that age.

In addition, Article 12.6 of the Board Regulations states that the Board of Directors may only propose the removal of an independent director before the end of the term of office stipulated in the Bylaws when the Board considers there is just cause. In particular, just cause will be deemed to exist when the director has failed to observe the duties of office or in any of the *ex post facto* circumstances described in the definition of an independent director in applicable regulations or, failing this, in good corporate governance regulations applicable to the Company from time to time.

Finally, according to the directors' duties regulated by Article 39.2 c) of the Board Regulations, the directors must report any legal, administrative or other proceedings instigated against them that could have a serious adverse impact on the company's reputation in view of their significance or characteristics. In particular, directors must inform the Board of Directors of any criminal proceeding in which they are being investigated, as well as the procedural vicissitudes. In this case, the Board of Directors, having been informed or become aware of the case, will examine it as soon as possible and, based on the specific circumstances, after obtaining a report from the Appointments Committee, will decide whether or not to take any steps, such as initiating an internal investigation, requesting the director's resignation or proposing the removal of the director. Information will also be included in the Annual Corporate Governance Report, unless there are special circumstances justifying non-disclosure, which must be set forth in minutes, all without affecting the information that the company must disclose, if appropriate, when the relevant measures are implemented.

C.1.20 Are qualified majorities required, other than those legally stipulated, for any kind of decision?:

Yes
 No

If so, describe the differences.

Description of the differences

Articles 55 of the bylaws and 22 of the board regulations stipulate that a Board meeting will be validly assembled to make Relevant Decisions when attended by 4/5 of the members, in person or through representatives. Resolutions on a matter that is a Relevant Decision of the Board of Directors will be adopted through the favourable vote of at least 4/5 of members present or represented.

According to Articles 56 of the Bylaws and 23 of the Board Regulations, the following will be Relevant Decisions of the Board of Directors:

- a) Closure of any work centre the company may have at any time in the Euskadi region, unless such closure is duly documented based on reasons of business efficiency.
- b) Proposal to the General Shareholders' Meeting of any decision the purpose or effect of which is to not continue effectively administering and managing the company in the Euskadi region or in any other autonomous region in which a subsidiary or investee of the company is effectively administered or managed.
- c) Proposal to the General Meeting of a change of the "Euskaltel" brand for the company's activities in the Euskadi region.
- d) Decision regarding the direction of the company's vote in its capacity as partner or shareholder (and of its representatives in administrative bodies) in any of the subsidiaries or investees in relation to any resolution which, for the purposes of this section, may be deemed a Relevant Decision of the Board of Directors.
- e) Resolutions implementing actions delegated by the General Meeting in connection with the above-mentioned matters.

C.1.21 Explain whether there are any specific requirements other than those relating to the directors to be appointed chair of the board of directors.

- Yes
 No

C.1.22 Indicate whether the company's bylaws or board regulations establish an age limit for directors:

- Yes
 No

| | Age limit |
|-------------------------|-----------|
| Chair | N.A. |
| Chief Executive Officer | N.A. |
| Board member | N.A. |

Article 12.4 of the Board Regulations stipulates that the directors must tender their resignation to the Board when they reach 70 years of age, resigning from office in the first Board meeting following the General Shareholders' Meeting that approves the annual accounts for the year in which they reach that age.

C.1.23 Indicate whether the company's bylaws or board regulations establish a limit on the term of office or other additional requirements that are stricter than those imposed by law on independent directors, other than those stipulated by law:

- Yes
 No

C.1.24 State whether the bylaws or board regulations lay down specific rules governing the delegation of Board meeting votes in favour of other directors, the form of delegation and, in particular, the maximum number of proxies that may be held by a director, and also whether any limit has been imposed regarding the categories in which it is possible to delegate, beside the limits imposed by law. If applicable, briefly describe such rules.

Pursuant to Articles 57 of the Bylaws and 24 of the Board Regulations, all the directors may grant a proxy to another director in a letter addressed to the Board Chair. This written proxy must be specific to each meeting.

Article 25 of the Board Regulations states that the directors will take all possible steps to attend Board meetings and, when they cannot attend in person, will try to grant a proxy to another director, who must be given the pertinent instructions. Proxies may not be given in relation to matters in which there is a conflict of interest.

There is no maximum limit on the number of proxies per director nor the obligation to delegate to a director in the same category, beyond the provisions of law.

C.1.25 State the number of meetings held by the board of directors during the year. Also indicate the number of times, if any, the Board met without the chair being present. In the calculation, proxies granted with specific instructions will be deemed to be attendances:

| | |
|--------------------------|----|
| Number of board meetings | 12 |
|--------------------------|----|

| | |
|--|---|
| Number of board meetings not attended by the Chair | 0 |
|--|---|

State the number of meetings held by the coordinating director with the other directors that were not attended by any executive director:

| | |
|--------------------|---|
| Number of meetings | 0 |
|--------------------|---|

Indicate the number of board committee meetings held during the year:

| | |
|--|---|
| Number of AUDIT AND CONTROL COMMITTEE meetings | 6 |
| Number of APPOINTMENTS COMMITTEE meetings | 5 |
| Number of REMUNERATION COMMITTEE meetings | 3 |

As regards the Appointments and Remuneration Committee, by resolution of the Annual General Meeting of 2 June 2020 the committee was split into the Appointments Committee and the Remuneration Committee.

C.1.26 Indicate the number of meetings held by the board of directors during the year and attendance details:

| | |
|--|--------|
| Number of meetings attended in person by at least 80% of directors | 12 |
| % of personal attendances per votes cast during the year | 100.00 |
| Number of meetings attended in person by all the directors or by their representatives following specific instructions | |
| % of votes issued personally or through representatives following specific instructions with respect to total votes cast during the year | 100.00 |

C.1.27 Indicate whether the individual and consolidated annual accounts submitted for approval to the Board are previously certified:

Yes
 No

Identify, if applicable, the person(s) certifying the individual and consolidated annual accounts before submission to the board for approval:

| Name | Position |
|------------------------------|-------------------------|
| JOSÉ MIGUEL GARCÍA FERNÁNDEZ | CHIEF EXECUTIVE OFFICER |
| ÁNGEL LUIS OLABUENAGA BURÓN | FINANCE DIRECTOR |

C.1.28 Explain any mechanisms put in place by the board of directors to ensure that the annual accounts presented by the board to the general meeting are prepared in accordance with accounting legislation.

Article 43.3 of the Board Regulations states that the Board must ensure that the annual accounts are definitively drawn up in accordance with accounting legislation. In exceptional cases in which the auditor has included a qualification in the audit report, the Chair of the Audit and Control Committee should clearly explain to the General Meeting the committee's opinion on its content and scope, providing the shareholders, at the time the General Meeting is announced, with a summary of that opinion, together with the other proposals and reports of the Board.

In addition, Article 5 of the Audit and Control Committee Regulations states that, without prejudice to the tasks that may be assigned at any time by the Board of Directors and attributed thereto by the applicable standards, the committee will carry out the following basic functions, among others: oversee the effectiveness of the company's and the group's internal control and that of its financial and non-financial risk management systems, including those pertaining to operational, technological, legal, social, environmental, political, fiscal, reputational and corruption-related issues.

As regards preparation of the annual accounts and financial information, the Audit and Control Committee carries out the following functions:

a) Analyse with the external auditors any potentially significant weaknesses in the internal control system detected during the course of the audit.

b) Supervise the process of drawing up and reporting regulated financial and non-financial information.

c) Oversee the company's internal audit activity.

d) Establish an appropriate relationship with the external auditors to receive information on issues that may jeopardise their independence, for examination by the committee, and any other matters relating to the auditing procedures, as well as other reporting obligations set forth in auditing legislation and standards. In any event, the committee will receive from the external auditors annual confirmation of their independence with regard to the company or any directly or indirectly-related entities, as well as information on additional services of any kind rendered by the audit firm or persons or entities connected thereto, in accordance with auditing legislation.

In addition, the Audit and Control Committee reports on the company's financial information during the year, prior to approval by the Board of Directors and filing with the Spanish National Securities Market Commission (CNMV).

C.1.29 Is the Board secretary also a director?

Yes

No

If the secretary is not a director, complete the following table:

| Name or company name of the secretary | Representative |
|---------------------------------------|----------------|
| JOSÉ ORTIZ MARTÍNEZ | |

C.1.30 Indicate the specific mechanisms put in place by the company to preserve the independence of the external auditors and any mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including the way in which legal stipulations have been implemented in practice.

In accordance with Article 43 of the Board Regulations, the Audit and Control Committee is responsible for proposing to the Board for submission to the General Meeting the designation (stating the contractual terms and scope of professional mandate), renewal and revocation of the auditor of the company's annual accounts, as well as for overseeing compliance with the auditing services agreement.

To this end, the Audit and Control Committee will refrain from proposing to the Board of Directors, which will in turn refrain from submitting to the General Shareholders' Meeting, the appointment as the company's auditor of any audit firm that shows any incompatibility under audit legislation, as well as firms in respect of which the fees payable by the company for all items are above five percent (5%) of the firm's total revenue for the previous year.

In addition, Article 64.3 of the Bylaws states that, without prejudice to the tasks that may be assigned at any time by the Board of Directors, the Audit and Control Committee will carry out the following basic functions, among others:

- a) Report to the General Shareholders' Meeting on matters raised during the meeting by shareholders that come within its competence and, in particular, on the results of the audit, explaining how it has contributed towards the integrity of financial information and the Audit and Control Committee's function in this process.
- b) Oversee the efficiency of the company's and group's internal control, as well as risk management systems, including tax-related controls.
- c) Analyse, together with the auditors, any significant weaknesses in the internal control system detected during the audit, without undermining auditor independence. For these purposes, if appropriate, they may present recommendations or proposals to the Board of Directors and the monitoring period.
- d) Supervise the process for preparing and reporting regulated financial information and presenting recommendations or proposals to the Board of Directors aimed at safeguarding completeness.
- e) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, reappointment or replacement of the auditors, assuming responsibility for the selection process, in accordance with applicable standards, as well as the conditions of their contracting, and regularly gather from them information on the audit plan and its execution, in addition to preserving their independence.
- f) Oversee the company's internal audit activity.
- g) Build the relevant relationships with the auditors in order to receive information on those issues that may jeopardise their independence, for review by the Audit and Control Committee and any other issues related to the audit, and, where appropriate, authorisation for services other than those prohibited under applicable legislation, as well as any other notifications provided under auditing legislation and other auditing standards. In any event, the Committee will receive an annual independence confirmation from the auditors with respect to the Company or entities related directly or indirectly to it, as well as detailed, itemised information on additional services of any kind provided to these entities by the auditors or by persons or entities related to the auditors, pursuant to audit legislation.
- h) Issue an annual report, in advance of the auditor's report on the annual accounts, expressing an opinion on whether or not the independence of the auditors has been compromised. This report must include a reasoned appraisal of the provision of all the additional services referred to in the preceding paragraph, considered individually and as a whole, other than the statutory audit and in relation to the independence rules or audit regulations.
- i) Report, in advance, to the Board of Directors on any matters governed by law, the company's Bylaws and the Board of Directors Regulations, particularly with regard to: (i) the financial information that the company must disclose periodically; (ii) the creation or acquisition of shareholdings in special-purpose entities or entities domiciled in countries or territories classed as tax havens; and (iii) related-party transactions.

In addition, Article 5.3.(ii) of the Audit and Control Committee Regulations stipulates that the committee has the following duties in relation to the external auditor, among others:

- (a) Ensure that the external auditor's remuneration does not compromise quality or independence.
- (b) Assure the independence of the external auditor, to which end: (i) the Company informs the Spanish National Securities Market Commission of the change of auditor, accompanied by a statement on any discrepancies with the outgoing auditor, including the reasons, if applicable; (ii) assurance is obtained that the Company and the auditor observe applicable regulations on the provision of non-audit services and, in general, other regulations designed to assure auditors' independence; and (iii) the circumstances giving rise to the external auditor's resignation are examined.

C.1.31 Indicate whether the company has changed external auditor during the year. If applicable, identify the incoming and outgoing auditor:

Yes
 No

Explain the content of any discrepancies with the outgoing auditor:

Yes
 No

C.1.32 Indicate whether the audit firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage represented by such fees in relation to the total fees for audit work invoiced to the company and/or its group:

Yes
 No

| | Company | Group companies | Total |
|---|---------|-----------------|-------|
| Amount from non-audit work (thousand euros) | 62 | 4 | 66 |
| Amount from non-audit work / Amount from audit work (%) | 30.90 | 2.01 | 32.91 |

C.1.33 Indicate whether the audit report on the annual accounts for the previous year contained any qualifications. If so, indicate the reasons given to the general meeting by the chair of the audit committee to explain the scope and content of such qualifications.

Yes
 No

C.1.34 State how many consecutive years the current audit firm has been auditing the company's individual and/or consolidated annual accounts. Likewise, indicate how many years the current audit firm has been auditing the annual accounts as a percentage of the total number of years in which the annual accounts have been audited:

| | Individual | Consolidated |
|-----------------------------|------------|--------------|
| Number of consecutive years | 8 | 6 |

| | Individual | Consolidated |
|---|------------|--------------|
| No. of years audited by the current audit firm / No. of years the company or group has been audited (%) | 34.78 | 50.00 |

C.1.35 Indicate whether there are procedures for providing directors with the information they need to prepare for the meetings of governing bodies sufficiently in advance:

Yes
 No

Details of the procedure

Article 15 of the Board Regulations states that the Board Chair's duties include ensuring the directors receive sufficient information in advance to deliberate on the agenda items. Article 19 of the Board Regulations states that meetings will be called at least 10 business days in advance of the meeting date.

C.1.36 Indicate whether the company has any rules obliging directors to inform the board of any circumstance that may affect them, whether or not related to their activity in the company itself, which might harm the organisation's name or reputation, and tendering their resignation as the case may be:

Yes
 No

Explain the rules

The directors must tender their resignation to the Board and resign in the cases envisaged in Article 12.2 of the Board Regulations, the most relevant being:

- (i) When unforeseen situations arise in which they are in breach of any of the incompatibilities or prohibitions laid down in legislation, the Bylaws or Board Regulations.
- (ii) When events or conduct attributable to the director have caused serious harm to the company's assets or reputation, or given rise to a risk of criminal liability for the company.
- (iii) When the respectability, suitability, expertise, competence, availability or commitment to their duties required in order to serve as a company director is undermined.

In addition, according to the directors' duties regulated by Article 39.2 c) of the Board Regulations, the directors must report any legal, administrative or other proceedings instigated against them that could have a serious adverse impact on the company's reputation in view of their significance or characteristics. In particular, directors must inform the Board of Directors of any criminal proceeding in which they are being investigated, as well as the procedural vicissitudes. In this case, the Board of Directors, having been informed or become aware of the case, will examine it as soon as possible and, based on the specific circumstances, after obtaining a report from the Appointments Committee, will decide whether or not to take any steps, such as initiating an internal investigation, requesting the director's resignation or proposing the removal of the director. Information will also be included in the Annual Corporate Governance Report, unless there are special circumstances justifying non-disclosure, which must be set forth in minutes, all without affecting the information that the company must disclose, if appropriate, when the relevant measures are implemented.

C.1.37 Indicate, unless there are specific circumstances which have been explained in minutes, whether the board has been informed or otherwise become aware of any situation affecting a director, whether related or unrelated to his activities in the company, that could harm the company's credibility and reputation:

Yes
 No

C.1.38 Explain the significant agreements entered into by the company that will come into force, be amended or terminate in the event of a change in control of the company resulting from a takeover bid, and the effects thereof.

- The financing agreement between the company and a banking syndicate, for which Banco Bilbao Vizcaya Argentaria is the dealer, dated 5 October 2015 and executed in a public deed on 27 November following fulfilment of the conditions precedent stipulated in the agreement, contains an early repayment clause requiring the company to repay the loan and any amounts drawn in the event of a change of control. For the purposes of the agreement, a change of control is deemed to occur when any person or group of persons acting together acquires over 50% of Euskaltel's voting capital.

- The framework agreement outsourcing services for the construction, operation, maintenance and guarantee of Euskaltel's network service entered into on 16 October 2014 between the company and ZTE stipulates that, should Euskaltel's shareholder structure change (due to concentration, restructuring, reorganisation, sale or for any other reason) affecting over fifty percent (50%) of capital, Euskaltel may terminate the agreement, provided ZTE is given six (6) months' prior notice.

- The framework agreement outsourcing IT services entered into on 20 June 2014 between the GFI Norte Group and the company may be terminated by Euskaltel, once two (2) years have elapsed as from that date, should Euskaltel's shareholder structure change (due to concentration, restructuring, reorganisation, sale or for any other reason) affecting over fifty percent (50%) of capital.

- The agreement concluded on 2 July 2012 for the provision by Orange of services to Euskaltel in order for the latter company to provide full MVNO services stipulates that the companies may terminate the agreement if a competitor of the other party directly holds the majority of one party's share capital or voting rights. So if a competitor of Orange acquires the majority of Euskaltel's capital or voting rights, Orange will be entitled to terminate the agreement. Also, if a competitor of Euskaltel acquires the majority of Orange's capital or voting rights, Euskaltel will be entitled to terminate the agreement.

- The agreement whereby Orange makes available to Euskaltel FTTH network infrastructures and provides a fibre access service, entered into with Orange España Comunicaciones Fijas, S.L.U. on 26 July 2017. Subsequently, in an addendum to this agreement signed on 11 December 2019, a specific circumstance was added stipulating a maximum indemnity should Euskaltel terminate the agreement as a result of the acquisition, merger or takeover of the Group by a fixed infrastructure operator in Spain with a specified number of lines.

- The agreement for the provision of the NEBA FTTH wholesale service by Telefónica de España to Euskaltel, dated 1 July 2020, stipulates that a change of control entails the need to renegotiate the agreement.

- The Virgin brand licensing agreement dated 11 February 2020 stipulates that the agreement may be terminated in the event of a change of control of Euskaltel in favour of an Unsuitable Purchaser, which is understood to mean a party that is known to have abused third-party intellectual property, is involved in businesses that damage the brand or will not engage in the licenced activities.

- The mobile telephony traffic management service with Opencable dated 1 July 2020 states that the assignment of the agreement requires authorisation in the event of a consolidation transaction with a competitor of Opencable.

C.1.39 Identify, individually in the case of directors and in the aggregate in all other cases, and provide details of any agreements between the company and the administrators and executives or employees stipulating indemnities or golden parachutes should they resign or be dismissed unfairly or where the contractual relationship is terminated as a result of a takeover bid or other kind of transaction.

| Number of beneficiaries | 3 |
|-----------------------------------|--|
| Type of beneficiary | Description of the agreement |
| Executive director and executives | In accordance with the agreement for the provision of services dated 10 July 2019, the Chief Executive Officer will be entitled to receive an indemnity from the company in the event of the termination of his contract on the following grounds: a) unilateral termination by the CEO due to the company's serious infringement of the contractual obligations; b) unilateral termination by the CEO due to the substantial modification |

| Type of beneficiary | Description of the agreement |
|---------------------|--|
| | <p>of his functions, powers or service provision conditions not attributable to the CEO; c) change of control of the company in the meaning of Article 42 of the Code of Commerce; d) unilateral termination of the contract by the company at any time, where it is not due to (i) a serious, culpable infringement by the CEO of the duties of loyalty, diligence or good faith required of office; nor (ii) any other serious and culpable infringement of the contractual obligations. The indemnity that the CEO is entitled to receive in any of the above-mentioned circumstances will be equal to 24 months' annual remuneration at the contract termination date. The CEO is also required to observe a post-contractual no competition period of 12 months in exchange for compensation equivalent to the sum of the last twelve (12) months of his monthly fixed remuneration. This amount will be paid in a lump sum once the twelve (12)-month no competition period has ended. In addition, two executives have the following clauses in their contracts in case of termination by Euskaltel. The first has the following clause on "Termination of the contract by the employer": "If Euskaltel terminates this contract by unilateral withdrawal or dismissal of any kind, except for disciplinary dismissal declared lawful by a firm court ruling prior to 31 December 2023, the executive will be entitled to compensation equal to two years' pay, if the indemnity payable by law were less than the above-mentioned two years' pay. To calculate the indemnity, the executive's fixed salary assigned to him at 31 December and the variable component received in the year immediately prior to the dismissal date will be taken into consideration. If, however, this dismissal were to take place as from 1 January 2024, the parachute clause would lapse and the employment legislation applicable at the time of the dismissal would apply." The other executive has the following contractual clause in case of termination by Euskaltel: "Termination of the contract by the employer": "The company may terminate the employment relationship with the employee, always giving three months' prior notice, in which case the employee will be entitled to an indemnity of 60 days' gross salary per year of service subject to a minimum of one year's pay and a maximum of three and a half years' pay. This indemnity will be calculated taking account of the employee's fixed and variable remuneration at the date the employer notified the decision. As regards the variable remuneration,</p> |

| Type of beneficiary | Description of the agreement |
|---------------------|---|
| | 100% of the maximum amount stipulated for the year of termination in the annual business plan will be taken into account, but it may not be below 75% of the amount received in the immediately previous year." |

State whether, besides the situations laid down by law, these contracts must be reported to and/or approved by the governing bodies of the company or its group. If so, specify the procedures, circumstances and nature of the bodies responsible for approval or notification:

| | Board of Directors | General Meeting |
|------------------------------|--------------------|-----------------|
| Body authorising the clauses | √ | |

| | Yes | No |
|---|-----|----|
| Is the general meeting informed of the clauses? | | √ |

C.2. Board committees

C.2.1 Provide details of all the Board committees, committee members and the proportion of executive, nominee, independent and other external directors on the committees:

| AUDIT AND CONTROL COMMITTEE | | |
|-----------------------------|----------|-------------|
| Name | Position | Category |
| IÑAKI ALZAGA ETXEITA | MEMBER | Independent |
| KARTERA 1, S.L. | MEMBER | Nominee |
| ANA GARCÍA FAU | CHAIR | Independent |

| | |
|----------------------------|-------|
| % executive directors | 0.00 |
| % nominee directors | 33.33 |
| % independent directors | 66.67 |
| % other external directors | 0.00 |

Explain the functions including, if applicable, any functions not stipulated in applicable legislation, that are attributed to this committee and describe the procedures and rules applicable to the committee's organisation and functioning. For each function, indicate the most significant activities carried out during the year and how each of the functions was carried out in practice, whether stipulated by law, the bylaws or other corporate resolutions.

The Audit and Control Committee is formed by a minimum of three and a maximum of seven external directors. The majority of the committee members are independent directors. The committee elects a Chair from among the independent directors, who has the casting vote in the event of a tie. The committee also designates a secretary, who may be one of the committee members or the secretary or vice-secretary of the Board of Directors and, if applicable, a vice-secretary, who may be one of the committee members or the vice-secretary of the Board of Directors, who will substitute for the secretary in the case of a vacancy, absence, illness or inability to attend. The members of the Audit and Control Committee are appointed for a maximum of four years and may be reappointed one or more times for the same maximum period. The Chair's term of office is subject to a maximum of four years after which time he may not be reappointed until one year has elapsed, although he may remain on the committee. The committee secretary's term of office is subject to a maximum of four years, after which time the secretary may be reappointed for one

or more four-year periods. The Audit and Control Committee will meet at last two to four times per year. It will also meet whenever called by the Chair, who must do so whenever the Board of Directors or the Board Chair requests the issuance of a report or the presentation of proposals, or whenever requested by one third of the committee members. The Chair of the Audit and Control Committee may also call a meeting whenever deemed in the interests of the committee's activities. Pursuant to Article 5.(v).a) of the Audit and Control Committee Regulations, the committee periodically reviews the company's internal corporate governance regulations and submits to the Board of Directors, for approval or submission to the General Meeting, as applicable, any modifications and updates that will help to continuously develop and improve corporate governance.

Articles 64 of the Bylaws and 5 of the Audit and Control Committee Regulations attribute the following basic functions to the committee:

- (a) Report to the General Shareholders' Meeting on matters raised during the meeting by shareholders that come within its competence and, in particular, on the results of the audit.
- (b) Oversee the efficiency of the company's and group's internal control, as well as risk management systems, including tax-related controls.
- (c) Analyse, together with the auditors, any significant weaknesses in the internal control system detected during the audit, without undermining auditor independence. For these purposes, if appropriate, they may present recommendations or proposals to the Board of Directors and the monitoring period.
- (d) Supervise the process for preparing and reporting regulated financial information and presenting recommendations or proposals to the Board of Directors aimed at safeguarding completeness.
- (e) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment, reappointment or replacement of the auditors, assuming responsibility for the selection process, in accordance with applicable standards, as well as the conditions of their contracting, and regularly gather from them information on the audit plan and its execution, in addition to preserving their independence.
- (f) Oversee the company's internal audit activity.
- (g) Build the relevant relationships with the auditors in order to receive information on those issues that may jeopardise their independence, for review by the Audit Committee and any other issues related to the audit, and, where appropriate, authorisation for services other than those prohibited under applicable legislation, as well as any other notifications provided under auditing legislation and other auditing standards. In any event, the Committee will receive an annual independence confirmation from the auditors with respect to the Company or entities related directly or indirectly to it, as well as detailed, itemised information on additional services of any kind provided to these entities by the auditors or by persons or entities related to the auditors, pursuant to audit legislation.
- (h) Issue an annual report, in advance of the auditor's report on the annual accounts, expressing an opinion on whether or not the independence of the auditors has been compromised.
- (i) Report, in advance, to the Board of Directors on any matters governed by Law, the Bylaws and the Board of Directors Regulations, particularly with regard to: (i) the financial information that the company must disclose periodically; (ii) the creation or acquisition of shareholdings in special-purpose entities or entities domiciled in countries or territories classed as tax havens; and (iii) related-party transactions.

The Audit and Control Committee met five times during 2019. Among other activities, the committee reviewed the periodic financial information and the monthly management reports, related-party and intragroup transactions, the 2019 Internal Audit and Compliance Plan, ICFR implementation and corporate risks, as well as evaluating the services of the external auditor and the internal auditor.

Identify the directors who are members of the audit committee and were designated taking account of their knowledge and experience in accounting, auditing or both, indicating the date on which the committee chair was appointed.

| | |
|---------------------------------|---|
| Names of experienced directors | IÑAKI ALZAGA ETXEITA / KARTERA 1, S.L. / ANA GARCÍA FAU |
| Date of the Chair's appointment | 29/09/2020 |

| APPOINTMENTS COMMITTEE | | |
|------------------------|----------|-------------|
| Name | Position | Category |
| IÑAKI ALZAGA ETXEITA | CHAIR | Independent |
| EAMONN OHARE | MEMBER | Nominee |
| BELÉN AMATRIAIN CORBI | MEMBER | Independent |

| | |
|-------------------------|-------|
| % executive directors | 0.00 |
| % nominee directors | 33.33 |
| % independent directors | 66.67 |

| | |
|----------------------------|------|
| % other external directors | 0.00 |
|----------------------------|------|

On 2 June 2020, the Annual General Meeting resolved to amend the Bylaws so as to split the Appointments and Remuneration Committee into the Appointments Committee and the Remuneration Committee.
For this reason, the report refers to three committees, in addition to the Audit and Control Committee: the Appointments and Remuneration Committee, the Appointments Committee and the Remuneration Committee.

Explain the functions including, if applicable, any functions not stipulated in applicable legislation, that are attributed to this committee and describe the procedures and rules applicable to the committee's organisation and functioning. For each function, indicate the most significant activities carried out during the year and how each of the functions was carried out in practice, whether stipulated by law, the bylaws or other corporate resolutions.

Euskaltel's internal regulations stipulate that the Appointments Committee will be formed by a minimum of three and a maximum of seven external directors (nominee and independent). The majority of the committee members are independent directors. The committee elects a Chair from among the independent directors, who has the casting vote in the event of a tie. The committee also designates a secretary, who may be one of the committee members or the secretary or vice-secretary of the Board of Directors and, if applicable, a vice-secretary, who may be one of the committee members or the vice-secretary of the Board of Directors, who will substitute for the secretary in the case of a vacancy, absence, illness or inability to attend.

The members of the Appointments Committee are appointed for a maximum of four years and may be reappointed one or more times for the same maximum period. The Chair's term of office lasts for a maximum of four years and he may not be reappointed until one year has elapsed, without prejudice to remaining a member of the Appointments Committee. The committee secretary's term of office lasts for a maximum of four years and he may be reappointed for additional four-year periods.

The Appointments Committee meets two to four times per year for the ordinary review and evaluation of the status of the matters within its purview and whenever called by its Chair if appropriate for the proper performance of its duties. In all cases, the Chair also calls a meeting of the committee whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals, or whenever requested by one third of the members of the committee itself.

Articles 65 of the Bylaws and 5 of the Appointments Committee Regulations attribute the following basic functions to the committee, which are developed in more detail in Articles 6 to 10, both inclusive, of the committee regulations:

- (i) Assess the necessary competencies, knowledge and experience in the Board of Directors. It will define the functions and skills required of candidates to fill Board vacancies and assess the time and dedication required for the proper performance of their tasks.
 - (ii) Set a target for gender balance on the Board of Directors and draw up guidelines on how to reach this target.
 - (iii) Raise to the Board of Directors the proposed independent director appointments for designation by co-option or for submission to the General Meeting, as well as proposals for reappointment or dismissal of these directors by the General Meeting.
 - (iv) To inform the proposed appointment of the remaining board members for designation by co-option or for their submission to the General Shareholders' Meeting, as well as proposals for their re-election or dismissal by the General Shareholders' Meeting.
 - (v) Report on the proposed appointment or dismissal of senior executives and the basic conditions of their contracts.
- Examine and organise the succession of the Chair of the Board of Directors and the company's CEO and, if applicable, propose candidates for the Board of Directors in order that succession be conducted in an orderly, planned fashion.

On 2 June 2020, the Annual General Meeting resolved to amend the Bylaws so as to split the Appointments and Remuneration Committee, so a part of its activities are included in this section. The Appointments and Remuneration Committee met three times in 2020 and the Appointments Committee met five times. Among other activities, favourable reports were submitted to the Board of Directors on the following matters, among others: (i) proposals to renew a director and ratify the appointment of an external director; (ii) appointment of the new Internal Audit Director; (iii) appointment of the new vice-secretary; (iv) appointments of two new women directors; (v) appointment of a senior executive; (vi) amendment of the Director Selection Policy; and (vii) amendment of the committee regulations.

| REMUNERATION COMMITTEE | | |
|-----------------------------------|----------|-------------|
| Name | Position | Category |
| BELÉN AMATRIAIN CORBI | CHAIR | Independent |
| CORPORACIÓN FINANCIERA ALBA, S.A. | MEMBER | Nominee |
| BEATRIZ MATO OTERO | MEMBER | Independent |

| | |
|----------------------------|-------|
| % executive directors | 0.00 |
| % nominee directors | 33.33 |
| % independent directors | 66.67 |
| % other external directors | 0.00 |

On 2 June 2020, the Annual General Meeting resolved to amend the Bylaws so as to split the Appointments and Remuneration Committee into the Appointments Committee and the Remuneration Committee.
For this reason, the report refers to three committees, in addition to the Audit and Control Committee: the Appointments and Remuneration Committee, the Appointments Committee and the Remuneration Committee.

Explain the functions including, if applicable, any functions not stipulated in applicable legislation, that are attributed to this committee and describe the procedures and rules applicable to the committee's organisation and functioning. For each function, indicate the most significant activities carried out during the year and how each of the functions was carried out in practice, whether stipulated by law, the bylaws or other corporate resolutions.

Euskaltel's internal regulations stipulate that the Remuneration Committee will be formed by a minimum of three and a maximum of seven external directors (nominee and independent). The majority of the committee members are independent directors. The committee elects a Chair from among the independent directors sitting on the committee, with the Chair having the casting vote in the event of a tie. The committee also designates a secretary, who may be one of the committee members or the secretary or vice-secretary of the Board of Directors and, if applicable, a vice-secretary, who may be one of the committee members or the vice-secretary of the Board of Directors, who will substitute for the secretary in the case of a vacancy, absence, illness or inability to attend.
The members of the Remuneration Committee are appointed for a maximum of four years and may be reappointed one or more times for the same maximum period. The Chair's term of office lasts for a maximum of four years and he may not be reappointed until one year has elapsed, without prejudice to remaining a member of the Remuneration Committee. The committee secretary's term of office lasts for a maximum of four years and he may be reappointed for additional four-year periods.
The Remuneration Committee meets two to four times per year for the ordinary review and evaluation of the status of the matters within its purview and whenever called by its Chair if appropriate for the proper performance of its duties. In all cases, the Chair also calls a meeting of the committee whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals, or whenever requested by one third of the members of the committee itself.
Articles 65.(ii) of the Bylaws and 5 of the Remuneration Committee Regulations attribute the following basic functions to the committee, which are developed in more detail in Article 6 of the committee regulations:
(i) Propose to the Board of Directors the remuneration policy for directors and general management or senior management posts reporting directly to the Board, executive committee members or board members, as well as the individual remuneration and other contractual conditions of executive directors, ensuring their compliance.
(ii) Endeavour to ensure the transparency of remuneration and inclusion of information on the directors' remuneration in the Annual Report, Annual Corporate Governance Report and Directors Remuneration Report, submitting to the Board all the information required for this purpose.

On 2 June 2020, the Annual General Meeting resolved to amend the Bylaws so as to split the Appointments and Remuneration Committee, so a part of its activities are included in this section. The Appointments and Remuneration Committee met three times in 2020 and the Remuneration Committee met three times. Among other activities, favourable reports were submitted to the Board of Directors on the following matters, among others: (i) proposal on the settlement of the 2019 annual bonus; (ii) proposal of objectives for the 2020 annual bonus; (iii) proposal on the award of the Special Plan 2020-2022 to a group of executives; (iv) proposal to increase the remuneration of non-executive directors and amendment to the committee regulations; (v) report on fulfilment of Good Governance Code recommendations on remuneration.

C.2.2 Complete the following table with information concerning the number of women directors forming part of the Board committees at the end of the last four years:

| | Number of women directors | | | | | | | |
|-----------------------------|---------------------------|-------|--------|-------|--------|-------|--------|-------|
| | 2020 | | 2019 | | 2018 | | 2017 | |
| | Number | % | Number | % | Number | % | Number | % |
| AUDIT AND CONTROL COMMITTEE | 2 | 66.66 | 2 | 28.57 | 2 | 28.57 | 2 | 50.00 |
| APPOINTMENTS COMMITTEE | 1 | 33.33 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| REMUNERATION COMMITTEE | 2 | 66.66 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

C.2.3 Indicate, if applicable, any regulations governing the board committees, the place where they are available for consultation and any amendments to the same during the financial year. State whether any annual report has been drawn up voluntarily on the activities of each committee.

The rules governing the Audit and Control, Appointments and Remuneration Committees' organisation and functioning are set out in the respective regulations and in the Bylaws, which can be consulted on the Company's website (www.euskaltel.es).

The Audit and Control, Appointments and Remuneration Committees draw up annual reports on each committee's activities. The 2020 reports will be made available to shareholders when the Annual General Meeting is called.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, if applicable, the procedure and bodies having competence for the approval of related-party and intragroup transactions.

In accordance with Articles 64 of the Bylaws and 5 of the Audit and Control Committee Regulations, decisions regarding related-party transactions are taken by the Board of Directors, after receiving a report from the Audit and Control Committee.

D.2. Provide details of transactions which are significant due to their amount or relevant due to their substance carried out between the company or group companies and the company's significant shareholders:

| Name or company name of significant shareholder | Name or company name of company or group company | Nature of relationship | Transaction type | Amount (thousand euro) |
|---|--|------------------------|-----------------------------|------------------------|
| KUTXABANK, S.A. | EUSKALTEL, S.A. | Contractual | Financing agreements: loans | 3,278 |
| ABANCA CORPORACIÓN BANCARIA, S.A. | EUSKALTEL, S.A. | Contractual | Financing agreements: loans | 1,335 |
| ABANCA CORPORACIÓN BANCARIA, S.A. | R CABLE Y TELECOMUNICACIONES, S.A.U. | Contractual | Provision of services | 5,759 |
| KUTXABANK, S.A. | EUSKALTEL, S.A. | Contractual | Provision of services | 8,356 |

D.3. Provide details of transactions which are significant due to their amount or relevant due to their substance carried out between the company or group companies and the company's directors or executives:

| Name or company name of director or executive | Name or company name of company or group company | Relationship | Nature of transaction | Amount (thousand euro) |
|---|--|--------------|-----------------------|------------------------|
| No data | | | | N.A. |

- D.4.** Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the consolidated annual accounts and whose purpose or terms fall outside the company's ordinary course of business

In any event, information must be provided concerning any intragroup transactions carried out with entities established in countries or territories which are classed as tax havens:

| Company name of the Group company | Brief description of transaction | Amount (thousand euro) |
|-----------------------------------|----------------------------------|------------------------|
| No data | | N.A. |

- D.5.** Describe any significant transactions between the company or group companies and other related parties that have not been reported in the preceding sections.

| Company name of related party | Brief description of transaction | Amount (thousand euro) |
|-------------------------------|----------------------------------|------------------------|
| No data | | N.A. |

- D.6.** Provide details of the mechanisms established to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.

According to Article 33 of the Board Regulations, conflicts of interest will be governed by the following rules:

- (i) Notification: the director must notify the Board, through the Chair or secretary, of any conflict of interest applicable to the director.
- (ii) Abstention: the director must leave the meeting during deliberation and voting on matters in which he has a conflict of interest. The director in question must be discounted from the number of members in attendance for the purposes of the quorum and majorities.
- (iii) Transparency: the company will inform the shareholders of any conflict of interest affecting the directors during the year in question of which it becomes aware through the director's notification or by any other means.

A conflict of interest will be deemed to exist in situations in which the interests of the company or its group companies and the director's personal interests come into direct or indirect conflict. The director will have a personal interest when the matter affects the director or a related person or, in the case of a nominee director, the shareholder(s) that proposed or appointed the director or persons related directly or indirectly thereto. In cases in which the conflict of interest is or may reasonably appear to be such that there is a structural and permanent conflict between the director and the company or its group companies, the director will be deemed unsuitable or to have become unsuitable to hold office.

According to Article 38 of the Board Regulations, any transaction effected by the company or its group companies with the directors, with shareholders owning an interest that is equal to or above the interest regarded as significant under securities market legislation applicable at any given time, or that have proposed the appointment of any of the company's directors, or with the respective related persons, will be submitted to the Board of Directors for authorisation, once the Audit and Control Committee has issued a favourable report.

The Board of Directors and the Audit and Control Committee must ensure that transactions carried out between the company or group companies and the directors, the shareholders referred to in the previous section or respective related persons are carried out under market conditions and respecting the principle of equal treatment of shareholders who are in an identical situation.

Article 34 of the Board Regulations stipulates that directors may not make use of the company's assets, including confidential information, nor take advantage of their position to obtain a financial benefit unless they have paid suitable compensation for a standardised service.

The following article adds that directors must observe the rules of conduct established in prevailing securities markets legislation, particularly the rules laid down in the Company's Internal Code of Conduct in Securities Markets.

Article 13.2 of Euskaltel's Internal Code of Conduct sets out the general principles to be upheld by the persons it applies to that are subject to conflicts of interest, as follows:

- (a) Independence: Qualifying Persons must act with freedom of judgement showing loyalty to Euskaltel and its shareholders, irrespective of their own or other interests. They must refrain from placing their own interests over those of the company and from placing the interests of one shareholder over those of others.

(b) Abstention: Qualifying Persons must abstain from participating in or influencing decisions that may affect conflicted persons or entities and from obtaining insider information concerning the conflict in question.

(c) Communication: Qualifying Persons must inform the Compliance Officer of any conflicts of interest affecting them by reason of their activities outside the company, family relationships, personal assets or any other reason, with the company or any of the Euskaltel Group companies, significant suppliers or customers of the company or of Euskaltel Group companies, companies engaged in the same type of business as or that are competitors of the company or any of the company's subsidiaries.

Any doubts regarding the potential existence of a conflict of interest must be addressed to the Compliance Officer, the final decision being the responsibility of the Compliance Officer.

D.7. Indicate whether the company is controlled by another entity, in the meaning of Article 42 of the Code of Commerce, whether listed or not, or has business relationships, directly or through its subsidiaries, with that entity or with any of its subsidiaries (other than those of the listed company), or engages in activities relating to those of the said entities.

Yes
 No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Control and Management System, including tax risks:

The Euskaltel Group has a Risk Management System that allows the identification, evaluation, treatment and monitoring of the risks affecting the group. This system is promoted by the Board of Directors through the Audit and Control Committee and managed by senior management and the rest of the organisation.

In this respect, the Group has a Corporate Risk Management and Control Policy, approved by the Board of Directors, which is based on best practices and on the recommendations of the Good Governance Code for listed companies. The purpose of this policy is to lay down the guiding principles that must govern the Euskaltel Group's actions to control and manage all kinds of risks it faces or could face in the future and the key figures in charge of managing these risks.

The Risk Management System operates in an integrated and continuous manner and affects all the companies that make up the Euskaltel Group. The Group's Risk Management System is based on recognised international standards (COSO framework and ISO standards), involving an ongoing, iterative process with four key stages:

1. Continuous identification of risks
2. Analysis and assessment
3. Treatment
4. Monitoring and reviewing the system

All these phases are carried out in accordance with the general action principles set out in the Corporate Risk Control and Management Policy:

- Compliance with the law, internal regulations and contractual relations, expressly rejecting any dishonest or fraudulent behaviour and any acts against the confidentiality, integrity and availability of IT systems, telecommunications networks and computer data, as well as any abuse of such systems, networks and data.
- Effective and appropriate Group organisational structure in order to apply the Risk Management System and Internal Control, including the necessary policies and procedures, and ensuring that there is adequate separation of operational functions between risk takers and those responsible for their analysis, control and monitoring.
- Guarantee reliable information for all stakeholders on the Group's inherent risks and the systems developed to prevent and mitigate these risks.
- Risk management on a continuous basis over time, focused on preventive risk identification and the adoption of mitigating measures in their management.

The Group includes its main risks in a Corporate Risk Map, the end purpose of which is to enable the Governing Bodies to regularly reassess existing risks, monitor the measures adopted to manage them, including mitigating their impact should they materialise, and to set out and update, if appropriate, the tolerance level for each risk using the information provided by the members of the Group, in accordance with their roles and responsibilities. This Risk Map is re-evaluated at least annually, without prejudice to any update that might be necessary due to other circumstances

E.2. Identify the company bodies responsible for the development and implementation of the Risk Control and Management System, including tax risk:

In accordance with article 4.2 of its Regulations, the Board of Directors "reserves, in plenary session, the authority to approve the company's general policies and strategies and, in particular, (...) the risk control and management policy, including tax risks, as well as the regular monitoring of the internal information and control systems".

The Audit and Control Committee is responsible for "overseeing and assessing systems for controlling and managing financial and non-financial risks relating to the company and, if applicable, the Group (including operational, technological, legal, social, environmental, political and reputational risks, or those related to corruption), reviewing compliance with regulatory requirements" (Article 5.3. of its Regulations).

In addition, senior management ensures the smooth running of the Risk Management System, guaranteeing that all relevant risks impacting the Group are appropriately identified, managed, quantified and reported. It supervises and coordinates the risk managers' work in its area of responsibility, who define and execute the action plans, ensure the measures adopted are efficient and effective, and regularly report on their activities and identify possible events. Senior management also identifies events within their scope of responsibility, reports to the risk coordination and Internal Audit departments and validates, leads and monitors the action plans and work arising from the risk management process.

Finally, The Group's Internal Audit Department, under the supervision of the Audit and Control Committee, oversees the proper functioning of the internal information and control systems (Article 20 of the Audit and Control Committee Regulations).

E.3. Indicate the main risks, including tax risks and, to the extent they are significant, those arising from corruption (the latter understood within the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives:

For the purposes of the Risk Management System, an Event is an incident or occurrence, from sources inside or outside the Euskaltel Group, which affects or may affect the achievement of its objectives and which may have a positive or negative impact, or both at the same time, on the fulfilment of these objectives. Risk is defined as the likelihood that an Event may occur or adversely effect the achievement of the Group's objectives. The risk factors to which the Euskaltel Group is generally exposed are:

- Strategic Risks: those that affect the Group's strategic objectives. This heading covers risks arising from the competitive situation in the telecommunications market and the foreseeable evolution thereof, as well as the potential effects of the general economic slow-down resulting from Covid-19. The Euskaltel Group operates in a market with strong pressures on prices and continuous growth in the use of telecommunications services.

- Financial risks:

- Credit risk: this is the risk of financial loss to which we the Group is exposed in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation. This risk is mainly concentrated in receivables.

- Liquidity risk: this is the risk of the Group having difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

- Market risk: the risk that changes in prices could affect the Group's revenue or the value of its financial instruments.

- Operating or operational risks: risks that affect the efficiency and effectiveness of operating processes and the provision of services (excluding cyber risks) and customer satisfaction. Specifically, with regard to the Euskaltel Group, it is worth highlighting:

- risks arising from technological changes: in this respect, the Group has to respond to rapid technological changes, which necessarily involve adapting the organisation and the services it provides to these developments.

- risks arising from agreements with third parties: the Group has access agreements with third parties, as well as agreements for the provision by suppliers of services that are important for its business.

- Cyber risks: these risks are inherent to the telecommunications business and consist of risks arising from threats and vulnerabilities that may affect the Group's control, information and communication systems and the services offered to customers, as well as any other asset that is a part of its infrastructure.

- Regulatory risks: arising from requirements and limitations established by legislation and specific regulations that affect the Group's business practices. For the purposes of Group Risk Management, these risks are structured into criminal risks, data protection risks, tax risks, industry risks, public interest entity risks and other regulatory and compliance risks.

- Sustainability-related risks: risks linked to the Group's environmental, social, ethical and corporate governance objectives.

- Reputational risks: risks that may adversely impact on the company's value as a result of conduct by the Group that is below the expectations created in the different stakeholder groups, including conduct or behaviours linked to corruption.

- Information risks: risks linked to the objective of having and providing addresses with reliable, complete data and information, prepared in accordance with applicable legislation, if appropriate, which is fit for purpose and supports decision-making and the monitoring of Group activities and performance. These risks are broken down into Official Financial Information Risks, Official Non-Financial Information Risks and Operational Information Risks (unofficial).

E.4. Identify whether the entity has risk tolerance levels, including tax risk:

The Euskaltel Group's Risk Management System aims to achieve an average moderate risk profile through cautious risk management. The Group's risk tolerance level is decided using the value assigned to each risk identified in the Risk Map by applying probability, impact and speed of onset criteria. In any event, the standards of the Corporate Governance System and the procedures that govern the Group's activities must be complied with at all times. Behaviours that in any way contravene the values, principles and ethical behaviour laid down in the Ethics Code and its Instructions for Behaviour, under the zero tolerance principle applied to the committing of illegal acts and fraud, must be avoided.

E.5. Indicate which risks, including tax risks, have materialised during the year:

During the year, the only noteworthy risk was the COVID-19 pandemic, which prompted us to intervene in the areas in which we operate by adopting specific measures to mitigate the negative impact generated by the pandemic, extending services to our customers and working for their safety in stores, focusing on the health and safety of the Group's professionals, guaranteeing the continuity of services, publicly committing ourselves to connectivity and sustainable recovery and collaborating with public and social institutions to reduce the impact of the pandemic on the community.

The impact of this pandemic on the Group's financial statements has been insignificant, in terms of both revenue and costs and investments.

E.6. Explain the response and monitoring plans for the entity's main risks, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to new challenges that arise:

As indicated above, once the main risks affecting the Group have been identified and assessed in the Risk Map, they are regularly reassessed and the measures/action plans adopted to manage them are monitored, including mitigation of the impact should they materialise.

The following action plans have been designed for the main non-financial risks identified:

- Risks arising from the competitive situation and market growth: process of continuous improvement in the quality of service and customer care and adaptation of products and services to customer needs (including prices and content). National expansion project alongside the Virgin Telco brand.

- Risks arising from technological change: making the necessary adaptations in the network.

- Risks arising from agreements with third parties: actions to strengthen relations and negotiations with strategic suppliers, developing supply alternatives where feasible.

- Cyber-risks: the Group has a CISO, as well as a security master plan and a business continuity plan, which include measures aimed at mitigating the threats and vulnerabilities faced by the Group, including a user awareness plan. The Group also has a cyber insurance policy.

- Regulatory risks: permanent updating of the regulatory environment, assessing the impact that any modifications may have on the Group, analysing their impact and taking any necessary action in relation to regulatory bodies and other operators in the sector. Likewise, with regard to criminal risks, the Group has a Compliance Officer and is ISO 37001 and UNE 19601 certified. Concerning data protection risks, the Group has a DPO whose action plan, focused on the Group's risks, is approved by the Audit and Control Committee.

- Risks associated with Sustainability: in 2020, the Board of Directors approved a new Strategic Plan and a new Sustainability Policy.

In addition, the Euskaltel Group's activities are exposed to the following financial risks:

- Credit risk: risk of financial loss in the event that a customer or counterparty to a financial instrument should fail to meet their contractual obligations. This risk is mainly concentrated in receivables. The probability of customer credit risk materialising, despite Covid-19, has been mitigated by the application of different policies, and the high level of dispersion of receivables.

- Liquidity risk: the risk involved in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. In this respect, debt maturities are adjusted to the capacity to generate cash flows to settle them. In 2020 the A-2 tranche amounting to € 215,000 thousand was replaced by a new B-5 tranche of the same amount, with a single repayment at 31 December 2023.

Interest rate risk: it arises on variable-rate loans from financial institutions and related parties, which expose us to fluctuations in future cash flows. To mitigate the risk of the effect of a potential rise in interest rates, during 2017 the company finalised agreements with certain financial institutions to hedge against increases in the Euribor, over a nominal amount of Euros 825 million, equivalent to 50% of the nominal amount drawn down on loans with financial institutions.

A. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE DISCLOSURE OF FINANCIAL INFORMATION (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to the process for the disclosure of financial information in your entity.

A.1. The Company's control environment.

Describe, stating the main characteristics, at least, of the following:

A.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an appropriate and effective ICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors, in accordance with the Board Regulations, has full authority to approve the risk control and management policy, including tax risks, as well as the regular monitoring of the internal information and control systems.

The Board of Directors is thus responsible for the existence and maintenance of an adequate and effective ICFR.

The Audit and Control Committee, in accordance with the Board of Directors Regulations and the Regulations of the Audit and Control Committee, has the following functions, among others:

Monitor the preparation and the completeness of the financial information concerning the company and its group, as appropriate, checking for compliance with legal provisions, the adequate demarcation of the consolidation scope, and the correct application of accounting principles.

Analysing the annual accounts at the end of each year, examining the draft external auditor's opinion, discussing the contents of the annual accounts and auditor's report with the auditors and presenting recommendations to the Board of Directors regarding the preparation of the annual accounts.

-Reviewing internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.

-Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of the internal audit department; proposing the department's budget; receiving regular feedback on its activities; and verifying that senior management takes into account the findings and recommendations of its reports.

-Establishing and supervising a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the company, in particular financial or accounting irregularities.

The Finance Department is responsible for the design, implementation, maintenance and updating of ICFR. All areas and functions of the Group are relevant for the maintenance of an adequate internal control system; however, the Finance Department is responsible for the coordination and management of tasks and activities aimed at achieving effective ICFR.

In this respect, during 2020, once the ICFR had been incorporated into the corporate Risk Management tool, continuous evaluations of the controls have been carried out in accordance with the periodicity and frequency of each one, suitably monitored by the Group's professionals.

A.1.2 Whether the following exist, particularly in relation to the process for the preparation of financial information:

- The departments and/or mechanisms which are responsible for: (i) devising and reviewing the organizational structure; (ii) clearly defining lines of responsibility and authority and a suitable distribution of tasks and functions; and (iii) ensuring that there are sufficient procedures in place for this information to be correctly communicated within the company:

Pursuant to Article 4 of the Board Regulations, the Board of Directors is responsible for approving the definition and modification of the company's organisation chart, as well as the appointment and removal of senior executives, i.e. those reporting directly to the Board of Directors or to the chief executive (Executive Chairman, Chief Executive Officer or Managing Director, whether or not a Board Director), if any, the person in charge of internal audit and any other manager recognised as such by the Board of Directors.

The Human Resources, Organisation, Quality and Internal Communication Department, reporting directly to the Chief Executive Officer, is responsible for defining lines of responsibility and each Department's tasks and functions. This Department is also responsible for establishing the necessary internal and external communication arrangements in each organisational change.

Responsibility for the preparation of financial information lies with the Finance Department, which must maintain reliable economic, financial and operating information systems and models that subsequently serve as a basis for decision-making by the Board of Directors and its committees

- Code of conduct, approving body, degree of distribution and training, principles and values included (indicate whether there is any specific mention of the recognition of transactions and preparation of reporting information), body responsible for analysing breaches and proposing corrective actions and penalties:

In 2017, based on the pre-existing Codes of Ethics in the Euskaltel Group companies, the Board of Directors unified, updated and approved a new Code of Ethics applicable to the Euskaltel Group. This Code of Ethics is set out through instructions that establish the specific principles and guidelines with which the conduct of the Group's people and those who work on its behalf must comply in their daily performance, both internally and externally. It is also aimed at the Group's suppliers, with which Euskaltel shares its behavioural principles and guidelines.

Awareness of and training in the Code of Ethics is promoted by the Group's Compliance Officer. For the Group's Professionals, people who carry out their professional activity in the Euskaltel Group irrespective of their organisational responsibility, their geographical or functional location and the Euskaltel Group company for which they directly provide their services, in coordination with the Human Resources, Organisation, Quality and Internal Communication Department, and for suppliers with the Procurement and General Services Department. To this end the Group makes use of different communications media, particularly internal channels comprising both the corporate intranets

of Group companies and the Regulatory Compliance site enabled in Sharepoint as a "Site for communication, training and awareness in relation to regulatory compliance and ethical behaviour in the Euskaltel Group" and externally, via the corporate web sites where the Code of Ethics is publicly posted and accessible to all stakeholders

All of the Euskaltel Group's professionals, after the requisite training, have expressly declared that they understand and accept compliance with the Code of Ethics. Likewise, practically all professionals, after receiving the relevant training, have declared that they know and accept the Conduct Instructions that develop the Group's Code of Ethics and Corporate Anti-Corruption Policy.

In 2020, the Group's distributors and suppliers have agreed to and subscribed the Code of Ethics, the Conduct Instructions that develop it and the Euskaltel Group's Corporate Anti-Corruption Policy. The suppliers' knowledge and acceptance of all these regulations is included in the Supplier Approval Procedure. The Euskaltel Group also approved a Corporate Criminal Compliance Policy in July 2020. The suppliers' knowledge and acceptance of this Policy has also been included in this Procedure.

As provided in the Code of Ethics, the work of the Group's professionals must comply with certain basic values and principles. Due to their importance for our present purposes, we should highlight the value of honesty and the principle of "compliance with applicable financial regulations", which implies that the economic and financial information of the Euskaltel Group will accurately reflect its economic and financial reality in accordance with generally accepted accounting principles and international financial reporting standards when applicable.

For this purpose, the Euskaltel Group issues reliable financial reports in line with the applicable regulations, based on the principles of existence and occurrence of transactions, completeness of information, valuation, presentation, breakdown, comparability and reflection of rights and obligations, in accordance with current regulations and with the Corporate Tax Policy approved by the Group.

In 2019 the Euskaltel Group updated its Corporate Anti-Corruption Policy which expressly included, under the heading "Accounting records and official information", the reference to the text in the previous paragraph on the Code of Ethics. It also expressly stated that for financial reporting purposes, the Euskaltel Group maintains adequate internal accounting controls with the aim of ensuring that the transactions it performs are reported and reflected accurately and appropriately in the accounting records and official information. This ensures that the supporting documentation for financial information does not contain any false or misleading records or statements, and that no transactions are intentionally recorded in a misleading manner with respect to the accounting records, accounting periods or any other related matters.

Finally, the Corporate Anti-Corruption Policy also states in under this heading that the Euskaltel Group has sufficiently detailed documentation to support its transactions and that this documentation is kept for the legally stipulated period of time.

For its part, the Corporate Criminal Compliance Policy expressly states that in the Euskaltel Group "A suitable financial resource management arrangement is in place to ensure prevention of the committing of offences that need to be prevented."

The Company has a Compliance Officer who ensures the fulfilment of the Code of Ethics and other regulations applicable to the Group. In 2020, the Euskaltel Group's criminal and anti-bribery risk management system, which includes the Code of Ethics, the Conduct Instructions, the Corporate Policies referred to above and the Ethics Channel, obtained AENOR certification under ISO 37001 on Anti-bribery Management Systems and under UNE 19601 on Criminal Risk Management Systems.

Lastly, there is a Corporate Defence Committee which is ultimately responsible for deciding on the actions to be taken as a result of reports of possible breaches of the Euskaltel Group's regulations.

- Complaints channel that allows the communication to the audit committee of financial and accounting irregularities, as well as breaches of the code of conduct and malpractice within the organisation, reporting whether or not the matters concerned are confidential:

Also based on the channels already existing in the Group, in 2017 the Board of Directors updated, unified and approved a tool called the "Group Ethics Channel" for the purpose of requesting information, communicating doubts and/or reporting issues relating to the policies, codes and regulations applicable to the Group, particularly those of a financial and accounting nature, or irregularities that are noted and are considered to be significant. These communications may be made by the Group's professionals and by any third party, guaranteeing absolute confidentiality at all times.

The Ethics Channel may be accessed by the Group's professionals through each of the corporate intranets, sending the relevant notifications or complaints using the form provided on each intranet or directly using an e-mail address. For other stakeholders and/or third parties, the Ethics Channel provides an access procedure through the corporate websites of each Group company which is currently fully operational in each of these companies.

The Group's Ethics Channel is overseen by the Internal Audit Department. For its part, the Regulatory Compliance Committee studies the events reported, determines whether it is appropriate to continue with the process in view of the Internal Audit investigation, and reports to the Audit and Control Committee. In the event of potentially criminal acts, the Corporate Defence Committee will intervene to resolve them and determine the actions to be taken.

In December 2020 the Board of Directors of Euskaltel, following recommendation 42.C of the CNMV concerning the review in June 2020 of the Good Governance Code of Listed Companies revised in June 2020, approved the Euskaltel Group Ethics Channel allowing communications to be made anonymously, respecting the rights of the whistle-blower and the reported party. The Euskaltel Group is currently working on its implementation.

- Regular training and refresher courses for staff involved in the preparation and review of financial information, as well as in the evaluation of the ICFR, covering, at minimum, accounting standards, auditing, internal control and risk management:

The Human Resources, Organisation, Quality and Internal Communication Department is responsible for diagnosing training activities, drawing up the training plan and launching and coordinating training actions, providing the necessary assistance to each of the other Departments and centres in the task of detecting training needs and offering all Euskaltel Group employees the training they require at any time.

In particular, and notwithstanding other procedures, the Human Resources, Organisation, Quality and Internal Communication Department carries out the aforementioned tasks through meetings and interviews with the heads of each Department and decision-making centres, also using any other methods deemed appropriate to identify the training needs of the company's personnel, including, among others, the use of digital tools to promote the implementation of digital processes in the people management area. As a result of this work, the training needs detected, classified by training competences and by functions and functional managers, are brought together in a document called "Training Diagnosis", which is used as a basis for designing the Training Plan.

Apart from the above functions of the Human Resources, Organisation, Quality and Internal Communication Department, the managers in charge of the various Departments and decision-making centres are responsible for detecting the training needs of the personnel under their responsibility, as well as for assessing the effectiveness of the training once the training activities have been carried out.

In addition to these functions and procedures, the internal personnel involved in the preparation and review of financial information are constantly in contact with the external auditors, who report periodically on developments in accounting and tax matters. In addition, subscriptions to alerts from the major auditing firms and regulatory bodies on accounting and tax developments act as channels for obtaining information of this kind.

A.2. Assessment of financial information risks.

Report, at least, on:

A.2.1 The main features of the process for the identification of risks - including the risk of misstatement or fraud - with respect to:

- Whether the process exists and is documented:

The risk identification process is documented in the Group's ICFR plan, which establishes the methodology for the identification and analysis of risks associated with the achievement of financial information control objectives

- Whether the process covers all financial reporting objectives (existence and occurrence; completeness; assessment; presentation, breakdown and comparability; and rights and obligations), and whether it is updated, and with what frequency:

The following methodology has been defined for the identification and analysis of the risks related to the company's financial reporting process:

- Identification of major accounts based on the Group's financial information.
- Identification of critical processes associated with major accounts.
- Identification of financial risks associated with critical processes and definition of control objectives.

The processes identified above are analysed in order to identify the possible risks of error in the financial information, in relation to existence and occurrence, completeness, valuation, presentation, disclosure, comparability, and rights and obligations.

This identification process is carried out taking into account quantitative variables, based on parameters such as the volume of assets, and qualitative variables, such as the complexity of transactions, linkage to mass-market processes, complexity of calculations or degree of use of estimates and projections.

The Euskaltel Group ICFR model provides that the Audit and Control Committee should supervise and approve the risk identification process on an annual basis.

- The existence of a process of identifying the scope of consolidation, taking into account, among other issues, the possible existence of complex corporate structures, or special purpose entities:

The process for identifying the consolidation scope in the Euskaltel Group is handled by the Secretary of the Board and the Finance Department.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent they affect the annual accounts:

The Euskaltel Group has implemented a Risk Management System. The Risk Management Model is based on the COSO International Risk Management Framework. To the four risk types in the COSO Framework the Group has added a fifth, cyber risks, given the importance of this type of risk for the Group particularly in relation to its telecommunications networks and information systems.

The control activities envisaged in the Group's ICFR specifically include the report to the Finance Department on the results of its analysis of strategic, operational, compliance, information and cyber-risks, for the purpose of assessing impacts on the financial information.

- Which governing body in the entity oversees the process:

The process is supervised and approved by the Audit and Control Committee.

A.3. Control activities.

Describe, stating the main characteristics, whether the following are available:

- A.3.1 Review and authorisation procedures for the financial information and the description of the ICFR to be reported to the stock markets, indicating the persons responsible, and the documentation describing activity and control flows (including those relating to fraud risks) for the different types of transactions that may have a material impact on the financial statements, including the procedure used for the accounting close and the specific review of relevant judgments, estimates, valuations, and projections

The Board of Directors is responsible for approving the financial information which the company must regularly report as a listed company, and the Audit and Control Committee is responsible for supervising the process of preparing and reporting the regulated financial information. The financial information to be reported to the markets is therefore submitted to the Audit and Control Committee and/or the Board of Directors by the Finance Department.

The Euskaltel Group has identified processes with a risk of material impact on the preparation of financial information.

These processes are represented through a risk and control matrix. This matrix describes the control activities and how they respond to the risks associated with ensuring that financial information is reliable, including the risk of fraud. It also details who is responsible for implementing and supervising each control activity, and the frequency with which they are carried out.

The Head of ICFR at corporate level, reporting to the Economic-Financial Management, is responsible for updating and disseminating this matrix among the persons involved at corporate level and in the different components of the Group, and ensures its implementation prior to the presentation of the financial information for review by the Board of Directors.

To review the above-mentioned financial information, the Finance Department meets the external auditors prior to the presentation to the Audit and Control Committee and/or the Board of Directors. In addition, before preparing the annual accounts or interim financial statements, the Chief Financial Officer provides the members of the Board of Directors with a certificate stating that the annual accounts/interim financial statements provide, in all material respects, a true and fair view of the company's financial position, the results of its operations and changes in its financial position during the year (or relevant period) and contain the necessary and sufficient information for an adequate understanding thereof, in accordance with applicable regulations.

Prior to the presentation to the Audit and Control Committee, the Finance Department: i) identifies the transactions related to relevant estimates, projections, valuations and value judgments, ii) checks assumptions and judgments with the areas where they originate and which have greater knowledge of the transactions and iii) reviews consistency with other business and/or financial indicators.

- A.3.2 Internal control policies and procedures for information systems (including access security, control over changes, implementation of changes, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

The Euskaltel Group takes the approach that information is one of the organisation's principal assets and safeguarding information is essential to ensure the continuity and development of the business. Accordingly, the Euskaltel Group has created a specific organisational area for Systems and Network Security and the Information and Network Security Management Committee. The INSMC is an executive committee managing, approving and coordinating key aspects relating to information and network security at Euskaltel Group level. It is the most senior information and network security body in the Euskaltel Group.

The Euskaltel Group has established an Information Security Management System integrated into the organisation's processes and its global management structure.

Within the Management System framework, the Euskaltel Group has defined an Information Security and Information Security Risk Management Policy. Within this regulatory framework, the Euskaltel Group has a Systems and Network Security Department whose aim is to ensure the security of the Company's processes.

In this respect, some of the control measures included in the activities of this department fall into the following areas:

- Identity management.
- Network access.
- Security architecture: the IT infrastructure is redundant in several data processing centres and technologies that guarantee recovery aligned with the times laid down by the business.
- Operations (incident monitoring and management).
- IT backup copies and contingency controls.
- Change control.
- Development (cybersecurity training for end users, secure development procedures, regular internal and external audits).
- Physical access.

A.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts, which may have a material impact on the annual accounts.

The Euskaltel Group regularly reviews activities subcontracted to third parties in order to identify their participation in processes involving risk of material impacts on the preparation of financial information, as this does not preclude its responsibility for controlling such processes.

Once identified, the need for implementation of specific and/or complementary controls is reviewed.

Assessments, calculations or valuations entrusted to independent experts are analysed, where appropriate, at least by the Finance Department, assessing their qualifications and independence, and the methods and main assumptions used.

A.4. Information and communication.

Describe, stating the main characteristics, whether the following are available:

A.4.1 A specific function whose task is to define, maintain and update accounting policies (accounting policy area or department), as well as to resolve any queries or conflicts arising from their interpretation, ensuring that there is fluent communication with the persons in charge of operations within the organisation, and an accounting policy manual which is kept up to date and distributed among the units through which the entity operates.

The Finance Department is responsible for standardising and updating the Group's accounting policies, under the supervision of the Audit and Control Committee which reports to the Board of Directors.

In addition, continuous reporting from Group components to the corporate function enables seamless communication and the continuous resolution of doubts concerning the interpretation of the accounting policies adopted.

In particular, the Audit and Control Committee, with the support of the Internal Audit Department, will ensure the application of generally accepted accounting principles, as well as any significant accounting changes in relation thereto. The Audit and Control Committee must also ensure that half-yearly financial reports and interim management statements are drawn up using the same accounting criteria as the annual accounts

A.4.2 Mechanisms for gathering and preparing financial information using standard formats, which are applied and used by all the company or group units and which support the main annual accounts and the notes thereto, as well as the information on ICFR mentioned above.

The Administration and Tax Department is responsible for the consolidation and preparation of the Euskaltel Group's consolidated financial statements.

The consolidation process includes the completion of financial information reports on a consistent basis by the Group's components, which includes a previously reviewed mapping of accounts and which provides the corporate function with all the information necessary for the preparation of the Group's financial statements and related notes.

The Group also has a series of control activities in place to cover risks specific to the processes of obtaining and preparing consolidated information.

A.5. Supervision of system operation.

Describe, stating the main characteristics, at least, of the following:

A.5.1 The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function whose competences include supporting the committee in its supervision of the internal control system, including ICFR. In addition, information will be provided on the scope of the ICFR assessment performed in the period and the procedure whereby the person responsible for the assessment reports the results of the assessment, whether the entity has an action plan detailing any corrective measures, and whether their impact on financial reporting has been considered.

The Audit and Control Committee is regularly informed about the ICFR system implemented by the Finance Department, any changes that may occur during the year and any incidents arising in its implementation.

The defined ICFR also includes controls that must be complied with by the Governing Bodies, including those relating to the supervisory tasks of the Audit and Control Committee.

This supervisory work is supported by the Internal Audit Department which reports functionally to the Chairman of the Audit and Control Committee and organisationally to the Chairman of the Board of Directors, and which includes the supervision of the Group's ICFR in its Annual Internal Audit Plan. This Annual Internal Audit Plan is approved by the Audit and Control Committee and used as the basis for regularly reporting on Internal Audit activities.

The Audit and Control Committee also ensures the independence and efficiency of the Internal Audit function by monitoring the Standards on Professional Internal Audit Practices of the Institute of Internal Auditors and the recommendations of the Good Governance Code.

The Internal Audit functions include supporting the Audit and Control Committee in its internal control supervision activities, including ICFR.

Internal Audit has performed risk-based analyses of specific aspects of ICFR and financial reporting, coordinating with other assurance functions, including the external auditors.

The results of its analyses have been reported to the areas involved and to the Audit and Control Committee. Where appropriate, action plans are designed to implement the recommendations. These recommendations and the relevant action plans are monitored with the Audit and Control Committee and their status is summarised in the Annual Internal Audit Activity Report submitted to the Audit and Control Committee.

Where necessary, the impact of Internal Audit recommendations on the Group's financial information has been considered.

A.5.2 Whether there is a discussion process whereby the auditor (as established in the NTA), the internal audit function and other experts can inform senior management and the Audit Committee or the company's directors of significant internal control weaknesses detected during the processes for the review of the annual accounts, or any other processes entrusted to them. It also reports as to whether there is an action plan to correct or mitigate identified weaknesses.

As detailed in the Report on the Activities of the Audit and Control Committee for 2020 and in the Auditor's Independence Report, the auditor holds regular meetings with the Audit and Control Committee, the Board of Directors in plenary session and, less formally, with the Chairman of the Audit and Control Committee to regularly monitor the degree of implementation of the Audit Plan, in which issues related, among others, to internal control and any weaknesses observed are addressed.

The Internal Audit Department's Annual Plan includes any observations made by the External Auditor for follow-up and specific resolution, applying the same premises as for internal audit recommendations.

A.6. Other relevant information.

There is not other relevant information.

A.7. External auditor's report.

State:

A.7.1 Whether the ICFR information reported has been revised by the external auditor, in which case the corresponding report should be attached as an appendix. If it has not, the reasons for this should be indicated.

The ICFR information has not been subject to specific review by the external auditor, notwithstanding the fact that the auditor's procedures include the assessment of risk of material misstatement, taking into account the relevant internal control for the preparation of the company's annual accounts

B. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company is in compliance with the recommendations of the Good Governance Code for listed companies.

In the event that any recommendation is not followed or partially followed, give a detailed explanation of the reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the company's actions. General explanations will not be accepted.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant Explanation

2. When the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose the following:

- a) The respective areas of activity and any business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant Partially compliant Explanation Not applicable

3. During the ordinary general meeting, in addition to the distribution of the written annual corporate governance report, the Chairman of the Board of Directors shall report to shareholders, in sufficient detail, on the most important aspects of corporate governance within the company, in particular:

- a) Changes since the previous annual general meeting.
- b) Specific reasons why the company does not follow recommendations of the Corporate Governance Code and any alternative rules that may apply in this area.

Compliant Partially complaint Explanation

4. That the company defines and encourages a policy on relating to communication and contact with shareholders, and institutional investors and within the framework of their involvement in the company, as well as with the proxy advisors, which complies in full with the market abuse regulations and treats shareholders in an identical situation equally. The company should publicise said policy through its website, including information on how it is being implemented and identifying the persons responsible for carrying it out.

And that, notwithstanding legal obligations regarding the disclosure of inside and other regulated information, the company must also have a general communication policy for economic, financial and corporate information available on appropriate channels (media, social networks or other) that helps maximise the diffusion and quality of the information available to the market, investors and other stakeholders.

Compliant [X] Partially complaint [] Explanation []

5. The Board of Directors shall not present to the general meeting any proposal to delegate powers to issue shares or convertible securities, excluding preferential subscription rights, for an amount exceeding 20% of capital at the time of the delegation.

When the Board of Directors approves any issuance of shares or convertible securities, excluding preferential subscription rights, the company shall immediately post the reports on said exclusion referred to in mercantile law on its website.

Compliant [X] Partially complaint [] Explanation []

6. Listed companies that draw up the reports mentioned below, whether preceptively or voluntarily, shall post them on their websites sufficiently well in advance of the holding of the annual general meeting even if such disclosure is not mandatory:
- a) Report on auditor independence.
 - b) Reports on the operation of the audit committee and the appointments and remuneration committee.
 - c) Report by the audit committee on related-party transactions.

Compliant [X] Partially complaint [] Explanation []

7. The company streams the general shareholders' meeting live on its website.

And that the company has mechanisms in place to enable voting and proxy voting to be exercised using on-line means and, in the case of large-cap companies, and to the extent that this is proportionate, to allow for attendance and active participation at General Meetings.

Compliant [X] Partially complaint [] Explanation []

8. The audit committee should ensure that that the annual accounts which the board of directors submits to the general shareholders' meeting are drawn up in accordance with accounting legislation. And in cases in which the auditor has included any qualification in the audit report, the chair of the audit committee should clearly explain the opinion of the audit committee on the content and scope thereof to the general meeting, providing the shareholders, at the time the meeting is announced, with a summary of that opinion, together with the other proposals and reports of the Board.

Compliant Partially complaint Explanation

9. The company must publicly and permanently disclose on its website the requirements and procedures that it will accept to evidence ownership of shares, the right to attend the General Shareholders' Meeting and the exercising or delegation of voting rights.

Said requirements and procedures shall facilitate attendance and the exercising of shareholders' rights, and shall be applied in a non-discriminatory manner.

Compliant Partially complaint Explanation

10. When an eligible shareholder exercises his right to complete the agenda or present new proposals for resolutions before the General Meeting is held, the company shall:

- a) Immediately provide notice of said complementary items and resolution proposals.
- b) Publicise the model attendance card or proxy form or postal voting form with the changes required so that the new items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Submit all these items or alternative proposals to a vote and apply to them the same voting rules as those proposed by the Board of Directors, specifically including presumptions or deductions concerning the nature of the vote.
- d) Provide a breakdown of votes on such complementary items or alternative proposals after the General Meeting.

Compliant Partially compliant Explanation Not applicable

11. If the company intends to pay attendance fees for persons attending the General Shareholders' Meeting, a general policy on such fees shall be established beforehand and said policy shall be consistent.

Compliant Partially compliant Explanation Not applicable

12. The Board of Directors shall carry out its duties with a single purpose and an independent approach, and shall provide all shareholder that are in the same position with the same treatment; it shall act in accordance with the company's interests, this being understood as the achievement of a profitable and sustainable business, ensuring its continuity and maximising its economic value.

When supporting the company's interests, as well as complying with laws and regulations, and acting in good faith, ethically and respecting commonly accepted standards and good practice, it shall seek to reconcile the company's interests with, as applicable, the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, and the impact of the company's activities on the community as a whole and on the environment.

Compliant [X] Partially complaint [] Explanation []

13. In the interests of maximum effectiveness and participation, the Board of Directors should comprise no fewer than five and no more than fifteen members.

Compliant [X] Explanation []

14. The board of directors must approve a director selection policy aimed at encouraging an appropriate membership mix on the board of directors and which:

- a) Is specific and verifiable.
- b) ensures that proposals for appointment or reappointment are based on a preliminary analysis of the competences of the board of directors; and
- c) encourages diversity of knowledge, experience and gender. To this end, measures that encourage the company to have significant numbers of female executives are considered to favour gender diversity.

The result of the above analysis of the competences required by the board of directors shall be included in the explanatory report by the appointments committee to be published when convening the general meeting at which the appointment or re-election of each director is ratified.

The appointments committee shall verify annually compliance with this policy and report on this subject in the annual corporate governance report.

Compliant [X] Partially complaint [] Explanation []

15. That proprietary and independent directors make up a large majority of the board of directors and that the number of executive directors be as low as required, taking into account the corporate group's complexity and the percentage of ownership of executive directors in the company's share capital.

And that the number of female directors represents, at least, 40% of the board of directors before the end of 2022 and beyond. Up until this date the figure must not be below 30%.

Compliant Partially compliant Explanation

16. The percentage of nominee directors as per the total number of non-executive directors shall not exceed the proportion between the company's capital represented by such nominee directors and the remainder of the company's capital.

This criterion may be relaxed:

- a) In large capitalisation companies in which there are few shareholdings that are legally considered significant.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Compliant Explanation

17. The number of independent directors should represent at least half of all Board members.

However, when the company is not a large capitalisation company or when, being a large cap company, there is one or more shareholders acting jointly that control more than 30% of share capital, the number of independent directors shall represent at least one third of all Board members.

Compliant Explanation

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional and biographical profile.
- b) Other Boards of Directors of listed or unlisted companies he or she sits on and any remunerated activities they perform of any kind.
- c) An indication of the director's executive category; in the case of nominee directors, stating the shareholder they represent or have links with.
- d) Date of first appointment as a company director and subsequent re-election.
- e) Shares and stock options held in the company.

Compliant Partially compliant Explanation

19. The annual corporate governance report, after being verified by the appointments committee, shall disclose the reasons for the appointment of nominee directors at the proposal of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board position from shareholders whose equity interest is equal to or greater than that of others at whose proposal nominee directors have been appointed.

Compliant [] Partially compliant [] Explanation [] Not applicable []

20. Nominee directors should submit their resignation when the shareholder they represent sells all its shares in the company. When such shareholder sells only part of its shares requiring a decrease in the number of nominee directors, a number of nominee directors proportional to that decrease should also submit their resignation.

Compliant [] Partially compliant [] Explanation [] Not applicable []

21. The Board of Directors should refrain from removing an independent director before their term of office under the By-laws has expired, except when justification exists, as seen by the Board, subject to a report from the Appointments Committee. In particular, there will be just cause when a director is appointed to new posts or incurs new obligations that prevent him or her from devoting the necessary time to the directorship, fails to comply with the duties of office or is subject to the circumstances that compromise independence described in applicable legislation.

The removal of directors can also be proposed as a result of takeover bids, mergers and other similar corporate operations entailing a change in the structure of the company's capital when such changes in the Board's structure are fostered under the proportionality criterion as per Recommendation 16.

Compliant [] Explanation []

22. Companies should establish rules obliging directors to inform the board of directors of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

And that, having been informed or otherwise made aware of any of the situations mentioned in the previous paragraph, the Board should examine the case as soon as possible and, taking into account the specific circumstances, should decide, following a report by the appointments and remunerations committee, whether or not to adopt any measures, such as starting an internal investigation, requesting the resignation of the director or proposing his/her removal. And that a report thereon is included in the annual corporate governance report, unless there are special circumstances to justify not doing this, which must be recorded in the minutes. This should be done without prejudice to the information the company must disclose, if appropriate, when the relevant measures are taken.

Compliant Partially complaint Explanation

23. All directors shall express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independent and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the Board takes material or reiterated decisions about which a director has expressed serious reservations, he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation should also apply to the secretary of the Board, whether a director or otherwise.

Compliant Partially compliant Explanation Not applicable

24. Directors who give up their place before their tenure expires, through resignation or by resolution of the general meeting, should sufficiently explain the reasons for their resignation or, in the case of non-executive directors, their opinion on the reasons for dismissal by the general meeting, in a letter to be sent to all members of the board of directors.

In addition, notwithstanding an account thereof in the annual corporate governance report to the extent that it is relevant for investors, the company should announce the removal as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Compliant Partially compliant Explanation Not applicable

25. The appointments committee shall ensure that non-executive directors have sufficient time available for the proper performance of their duties.

The Board Regulations shall determine the maximum number of directorships its board members can hold.

Compliant Partially compliant Explanation

26. The Board of Directors should meet as frequently as possible to efficiently perform its functions and at least eight times a year, following the scheduled dates and matters established at the beginning of the year. Each director is allowed to propose other agenda items not initially included.

Compliant Partially compliant Explanation

27. Non-attendance at Board meetings should be limited to strictly unavoidable circumstances and should be quantified in the annual corporate governance report. Whenever proxies are required, they should be granted with instructions.

Compliant Partially compliant Explanation

28. When directors or the secretary express their concerns on any proposal or, with regards to the directors, on the company's affairs, and such concerns are not resolved by the Board of Directors, such concerns should be recorded in the minutes at the request of those expressing them.

Compliant Partially compliant Explanation Not applicable

29. The Company should set up suitable channels for directors to obtain the advice necessary to carry out their duties including, if required in the circumstances, external advice at the company's expense.

Compliant Partially compliant Explanation

30. Irrespective of the knowledge that directors are required to have in order to fulfil their duties, the companies also offer directors refresher programmes when circumstances so warrant.

Compliant Explanation Not applicable

31. The meeting agendas must clearly indicate those items on which the Board shall take a decision or resolution so that the directors may study or seek, in advance, the information required for their adoption.

When, exceptionally and for reasons of urgency, the Chairman wishes to submit for the approval of the Board decisions or resolutions that are not contained in the agenda, the express prior consent of the majority of the directors present shall be required, and this shall be duly recorded in the minutes.

Compliant Partially compliant Explanation

32. Directors shall be regularly informed of the movements among shareholders and the opinion of significant shareholders, investors and rating agencies about the company and its group.

Compliant Partially compliant Explanation

33. The Chairperson, as the party responsible for the Board of Directors' proper functioning, besides carrying out the functions attributed by the Law and the Bylaws, shall prepare and submit to the Board of Directors a schedule of dates and items for discussion; organise and coordinate the regular evaluation of the Board and, as appropriate, of the company's chief executive; be responsible for directing the Board and ensuring that it functions effectively; ensure that sufficient time is devoted to discussing strategic issues; and agree on and revise refresher courses for each director, where advisable in the circumstances.

Compliant Partially compliant Explanation

34. When there is a coordinating director, the By-laws or Board Regulations, in addition to the powers legally bestowed on that director, should attribute the following powers to the coordinating director: chair Board meetings in the absence of the Chairman and Vice-Chairmen, if applicable; voice the concerns of non-executive directors; maintain contact with investors and shareholders to ascertain their views in order to form an opinion on their concerns, particularly in relation to corporate governance; and coordinate the Chairman's succession plan.

Compliant Partially compliant Explanation Not applicable

35. The Board secretary should take care to ensure that the Board's actions and decisions take into account the recommendations on good governance contained in this Unified Code, where applicable to the company.

Compliant Explanation

36. The Board, in a plenary meeting, should evaluate the following points on a yearly basis and implement an action plan to correct any weaknesses detected:
- Quality and efficiency of the Board's functioning.
 - Functioning and composition of the Board committees.
 - Diversity in the composition and powers of the Board of Directors.
 - Performance of the Board's Chairman and the company's Chief Executive.
 - The performance and contribution of each director, paying particular attention to those responsible for the various Board committees.

The evaluation of the committees shall be based on the reports they submit to the Board of Directors, while the evaluation of the Board shall be based on the report by the appointments committee.

Every three years, the Board of Directors shall be given assistance in carrying out the evaluation by an external consultant, whose independence shall be verified by the appointments committee.

Any business relations between said consultant or any company in its group and the company or any company in its group shall be explained in the Annual Corporate Governance Report.

The process and the evaluated areas shall be described in the annual corporate governance report.

Compliant Partially compliant Explanation

37. When there is an executive committee, there are at least two non-executive directors, with at least one of them being independent; and the secretary is the same person as for the board of directors.

Compliant Partially compliant Explanation Not applicable

38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee's minutes.

Compliant Partially compliant Explanation Not applicable

39. The members of the audit committee, and particularly its chairperson, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

Compliant Partially compliant Explanation

40. Under the oversight of the Audit Committee, there should be a unit that takes on the internal audit function, assuring the proper functioning of the information and internal control systems and reporting to the Non-Executive Chair of the Board or of the Audit Committee.

Compliant [X] Partially complaint [] Explanation []

41. The person responsible for the unit that performs the internal audit functions should submit to the Audit Committee, for approval by the committee or by the Board, its annual work plan, report directly to the committee on plan implementation, including any possible incidents and scope limitations that may arise, results and follow-up of recommendations, and submit an activity report to the committee at each year end.

Compliant [X] Partially compliant [] Explanation [] Not applicable []

42. The Audit Committee should have the following functions, in addition to those stipulated by law:
1. Having regard to information and internal control systems:
 - a) Oversee and assess the preparation and completeness of financial and non-financial information, as well as the systems for controlling and managing financial and non-financial risks relating to the company and, if applicable, the group, —including operational, technological, legal, social, environmental, political and reputational risks, or those related to corruption— reviewing compliance with regulatory requirements, the proper definition of the consolidation scope and correct application of accounting policies.
 - b) Assure the independence of the unit that performs the internal audit function; propose the selection, appointment, and removal of the person responsible for the internal audit service; propose the budget for that service; approve or propose the approval to the Board of the guidance and annual work plan of the internal audit department, assuring that the activity is focused mainly on relevant risks (including reputational risks); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations set out in its reports.
 - c) Establish and oversee a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially important irregularities, including financial and accounting, or any other matters, related to the company, that may be observed in the company or its group. This mechanism must guarantee confidentiality and, in any event, foresee situations in which communications may be anonymous, respecting the rights of the reporting and reported persons.
 - d) In general, ensure that the internal control policies and systems in place are effectively applied in practice.
 2. With respect to the external auditor:
 - a) In the event of the withdrawal of the external auditor, examine the circumstances originating it.
 - b) Ensure that the external auditor's remuneration does not compromise quality or independence.
 - c) Verify that the company notifies any change of auditor to the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons.
 - d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to report on the work performed and the company's accounting and risk situation.
 - e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other rules on auditor independence.

Compliant [X]

Partially complaint []

Explanation []

43. The Audit Committee should be entitled to meet with any of the company's employees or senior managers, and to summon them without the presence of another senior manager.

Compliant Partially complaint Explanation

44. The audit committee shall be informed of any structural and corporate changes that the company intends to carry out to be analysed and reported to the Board of Directors with respect to the economic conditions and accounting impact and, in particular, where appropriate, to the proposed exchange ratio.

Compliant Partially compliant Explanation Not applicable

45. Control and risk management policy should specify at least:

- a) The different types of financial and non-financial risks (including operating, technological, legal, social, environmental, political and reputational risks, including those related to corruption) to which the company is exposed; financial or economic risks will include contingent liabilities and other off-balance-sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee where required by industry-specific regulations or should the company deem fit.
- c) The risk level the company regards as acceptable.
- d) Measures in place to mitigate the impact of identified risks should they occur.
- e) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant Partially complaint Explanation

46. Under the direct supervision of the audit committee or, where appropriate, a specialised committee of the Board of Directors, an internal control and risk management function should exist, performed by an internal unit or department of the company that has expressly been allocated the following functions:

- a) Ensuring the proper functioning of the control and risk management systems and in particular, adequately identify, manage and quantify all important risks affecting the company.
- b) Actively participate in the development of the risk strategy and major decisions about risk management.
- c) Ensuring that the control and risk management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.

Compliant Partially complaint Explanation

47. The members of the Appointments and Remuneration Committee (or the Appointments Committee and the Remuneration Committee, if they are separate) should be appointed ensuring that they have the knowledge, skills and experience required for the functions they are to fulfil and that the majority are independent directors.

Compliant Partially complaint Explanation

48. Large capitalisation companies shall have a separate appointments committee and remuneration committee.

Compliant Explanation Not applicable

49. The Appointments Committee should consult with the company's Chairman and Chief Executive, especially on matters regarding executive officers.

Any board member may suggest directorship candidates to the appointments committee for its consideration and assessment of their suitability.

Compliant Partially complaint Explanation

50. The remuneration committee shall fulfil its functions independently and, in addition to the functions assigned to it by law, shall have the following:

- a) Propose the standard terms and conditions for senior manager employment contracts to the Board of Directors.
- b) Oversee compliance with the company's remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior executives, including share-based remuneration systems and their implementation, and ensure that their individual remuneration is proportionate to that paid to the company's other directors and senior executives.
- d) Ensure that any conflicts of interest do not impair the independence of external advice provided to the committee.
- e) Verify information on the remuneration of directors and senior executives contained in corporate documents, including the annual report on directors' remuneration.

Compliant Partially complaint Explanation

51. The Remuneration Committee should consult with the Chairman and the Chief Executive of the company, especially on matters regarding executive officers and senior managers.

Compliant Partially complaint Explanation

52. The rules governing the composition and functioning of the supervision and control committees shall be set out in the Board of Directors Regulations and shall be consistent with those applicable to the mandatory commitments in accordance with the above recommendations, including:
- a) They should comprise exclusively non-executive directors, with a majority of independent directors.
 - b) They should be chaired by an independent director.
 - c) The Board of Directors shall appoint the members of such committees having regard to the knowledge, skills and experience of the directors and the duties of each committee; discuss their proposals and reports; and give an account on their activity at the first plenary Board meeting following their meetings, taking responsibility for the work performed.
 - d) The committees may engage external advisors when they feel this is necessary for the discharge of their duties.
 - e) Minutes of their meetings shall be kept, which shall be made available to all directors.

Compliant [X] Partially compliant [] Explanation [] Not applicable []

53. The supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be attributed to one or more board committees, which may be the audit committee, the appointments committee, a committee specialising in sustainability or corporate social responsibility, or another specialised committee that the board of directors, in the exercising of its powers of self-organisation, has decided to set up. And such committee will be formed only by non-executive directors, the majority being independent directors, and will be specifically attributed the minimum functions: indicated in the following recommendation.

Compliant [X] Partially compliant [] Explanation []

54. The minimum functions referred to in the previous recommendation are as follows:

- a) Oversight of compliance with the internal codes of conduct and corporate governance regulations of the company, ensuring that the corporate culture is aligned with its purpose and values.
- b) Oversight of the application of the general policy relating to the reporting of financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the company communicates with and relates to small- and medium-sized shareholders will also be monitored.
- c) Regular assessment and review of the company's corporate governance system and environmental and social policy, so as to ensure that they fulfil their mission of promoting the company's interests and take into account the legitimate interests of the other stakeholders, as applicable.
- d) The company's environmental and social practices are aligned with the relevant strategy and policy.
- e) Monitoring and assessment of processes associated with different stakeholders.

Compliant [X] Partially complaint [] Explanation []

55. Sustainability policies pertaining to environmental and social issues shall identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, customers, suppliers, social, environmental, diversity and tax duty issues, respect for human rights and the prevention of corruption and other illegal behaviour.
- b) Methods and systems for monitoring policy compliance, the associated risks and management.
- c) Supervisory mechanisms for non-financial risk, including ethical aspects and business conduct.
- d) Channels for communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that prevent information manipulation and protect the integrity and honour of the parties involved.

Compliant [X] Partially complaint [] Explanation []

56. Directors' remuneration should be sufficient to attract and retain the desired profiles and to reward their time, qualifications and the responsibility required by their office; it should not, however, be so high as to jeopardise the independence of non-executive directors.

Compliant [X] Explanation []

57. Variable remuneration linked to the company's performance and to personal performance, and remuneration in the form of shares, stock options or rights, or instruments indexed to share values and long-term savings schemes such as pension plans, retirement schemes or other pension arrangements should be limited to the executive directors.

Payments in shares may be envisaged as remuneration for non-executive directors provided the directors are obliged to keep them during their term in office. This shall not apply to shares that directors need to sell, if necessary, to meet the costs related to their acquisition.

Compliant [] Partially compliant [] Explanation [X]

The company's Non-Executive Chairman will be entitled to take part in the Incentive Plan operated by the Company at any time.

58. With regard to variable remuneration, remuneration policies should include precise technical limits and precautions to ensure that the remuneration is related to the professional performance of the beneficiaries and is not merely the result of the general evolution of markets or of the company's business sector, or other similar circumstances.

And in particular, the variable remuneration components:

- a) Should be linked to performance criteria that are predetermined and measurable, and the criteria should take into account the risk incurred to obtain a result.
- b) Will encourage the company's sustainability and include non-financial criteria that are suitable for creating long-term value, such as compliance with the company's internal rules and procedures and its control and risk management policies.
- c) Shall be set on the basis of a balance between fulfilling short-, medium- and long-term objectives, which allow the remuneration of continuous performance over a sufficient period of time to appreciate its contribution to sustainable value creation, such that the measurement criteria for said performance do not solely depend on specific, occasional or extraordinary events.

Compliant [X] Partially compliant [] Explanation [] Not applicable []

59. Payment of the variable remuneration components is subject to sufficient checks to ensure that the performance terms or other conditions previously established have been effectively met. Entities shall include in the annual directors' remuneration report the criteria in terms of time required and methods used to perform this check, based on the nature and characteristics of each variable element.

In addition, entities shall assess the application of a reduction (malus) clause, based on deferring payment of a part of the variable components for a sufficient period of time, implying the total or partial loss of the payment, if an event that makes it inadvisable occurs before payment.

Compliant [] Partially compliant [] Explanation [] Not applicable []

The payment of the annual variable remuneration components is deferred for a sufficient period and is expected to be expressly included in the Remuneration Policy for the following application period 2022-2024.

However, the 2020-2022 Special Plan for variable remuneration based on the delivery of shares does not expressly provide for a deferral period, although it does provide for mechanisms that imply the forfeiture of the right to receive it in the event of the failure to fulfil a director's duties or a "bad leaver" situation.

With respect to plans of this kind, it is proposed that the 2022-2024 Director Remuneration Policy should include a reference to a minimum time period for the following incentive plan approved by the company, if appropriate.

60. Remuneration linked to the company's performance must be taken into account any qualifications included in the external auditor's report that might reduce the company's profits.

Compliant [] Partially compliant [] Explanation [] Not applicable []

61. A relevant percentage of executive directors' variable remuneration shall be linked to the delivery of shares or financial instruments indexed to their value.

Compliant [] Partially compliant [] Explanation [] Not applicable []

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, executive directors may not transfer ownership thereof or exercise them until a period of at least three years has elapsed.

An exception will be made in the event that a director maintains, at the time of the transfer or exercise, a net economic exposure to changes in the price of shares for a market value equivalent to an amount of at least two times the annual fixed remuneration through the ownership of shares, options or other financial instruments.

The above will not apply to the shares the director needs to dispose of, where applicable, to meet the costs relating to their acquisition or, following a favourable assessment by the appointments and remuneration committee, to meet the costs relating to extraordinary situations that may arise.

Compliant [] Partially compliant [] Explanation [] Not applicable []

In relation to the variable remuneration scheme based on the delivery of shares, the limitation on the transferability of shares is governed by the Special Plan Regulations, which stipulate a limitation of 12 months from the accrual date (31 December 2022) and an additional 12 months on 75% of the shares. In this second period, the Board of Directors shall set out the procedure to enable the transfer of the other 25%.

In addition, the Protocol approved by the Board of Directors on 24 May 2017 to adapt recommendation 62 sets out the transfer limit, which is calculated using a non-transferable amount up until their termination as director, and which, a priori, seems to be more restrictive than the time limit.

It has been proposed that the 3-year limitation on transferability should be included in the Remuneration Policy to be approved for the following period 2022-2024 for its application to the following incentive plan approved by the company, as the case may be.

63. The contractual agreements shall include a clause allowing the company to demand the reimbursement of variable remuneration components when payment has not been in line with the performance conditions or when they have been paid on the basis of data which is subsequently shown to be inaccurate.

Compliant Partially compliant Explanation Not applicable

64. That payments as a result of the resolution or termination of a contract do not exceed the amount set out equivalent to two years of total annual remuneration and that they will not be paid until the company has been able to check that the director has met the criteria performance criteria or terms set out for payment thereof.

For the purposes of this recommendation, payments due to the resolution or termination of a contract shall include any payments whose accrual or obligation to pay arises as a result of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously consolidated in long-term savings schemes and amounts paid under post-contractual non-compete agreements.

Compliant Partially compliant Explanation Not applicable

The contract signed by the Chief Executive Officer prior to the amendment of this recommendation provides for compensation of two years' fixed remuneration and, in addition, 12 months' post-contractual non-competition payments for a period of 12 months after termination.

It is important to note that the recommendation refers to total annual remuneration. It is understood that this includes both fixed and variable remuneration, meaning that fulfilment of the maximum limit, if applicable, would depend on the relevant annual variable component at the time the termination takes place. Taking into account the current amounts relating to above-mentioned items, the recommendation is complied with.

C. OTHER INFORMATION OF INTEREST

1. Briefly describe any relevant corporate governance issue in the company or the Group companies which is not dealt with in this report but which should be included to provide complete and detailed information on the company or group's governance structure and practices.
2. This section may include any other relevant information, clarification or detail related to previous sections of the report.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include any mandatory disclosures that are different from those required for this report.

3. The company may also indicate whether it adheres voluntarily to any other codes of ethics or good practice, whether international, sectorial or in any other area. If so, identify the code in question and the date of adherence. In particular, it will mention whether it has adhered to the Code of Good Tax Practices of 20 July 2010:

[There are no relevant issues]

This annual Corporate Governance Report was approved by the company's Board of Directors at a meeting held on:

[25/02/2021]

State whether any director voted against, or abstained from voting in relation to, the present report.

[] Yes
[] No