

ANNUAL ACTIVITIES REPORT OF THE REMUNERATIONS COMMITTEE OF EUSKALTEL, S.A. FOR 2020

1. Introduction

At its meeting on 2 June 2020, the Company's Board of Directors unanimously adopted the resolution to amend certain articles of the Board of Directors Regulations to bring the content thereof into line with the content of the Articles of Association. In doing so, the amendment of the Articles of Association referring to the existence of two committees – the Remunerations Committee and the Appointments Committee – and the approval and entry into force of the regulations of these two committees has been incorporated into the wording of the Board of Directors Regulations.

The Remunerations Committee of Euskaltel, S.A. is an informative and consultative body, without executive powers, which is authorised to inform, advise and propose certain actions within its remit.

For the purposes of this report, the actions taken by the Remunerations Committee from the aforementioned date to 31 December 2020 are set out hereon.

This scope of application applies both to the parent company and the subsidiaries comprising the Euskaltel Group.

The main task of the Committee is to assist, inform and prepare proposals for the Board of Directors on matters assigned thereto at any given time, both by virtue of the Company's Articles of Association and the Board of Directors Regulations and those of the Remunerations Committee.

In accordance with Articles 4 and 26 of the Company's Board of Directors Regulations, the Board will perform annual assessments, using the external and internal means it deems necessary in each case, on the performance of its committees based on the reporting they issue.

On the one hand, Article 19 of the Regulations of the Remunerations Committee establishes that it is this Committee's obligation to report at the General Shareholders' Meeting on those issues raised thereat by shareholders regarding matters within its purview. It shall prepare an annual report on its activities, which shall be made available to the shareholders, following the approval thereof by the Board of Directors on occasion of the call to the Annual General Shareholders' Meeting.

This Annual Activities Report of the Euskaltel Remunerations Committee for 2020 has been prepared as part of the aforementioned assessment process and is intended for the perusal of the Company's shareholders. It includes the significant events occurring between the date it was established and 31 December 2020.

2. Regulatory framework

The Remunerations Committee is currently governed by the following:

- Article 529n of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July.

- Articles 63 and 65 of the Articles of Association.
- Article 18 of the Board of Directors Regulations.
- Regulations of the Remunerations Committee
- Technical Guide 1/2019 of the National Securities Market Commission on Appointments and Remunerations Committees

3. Main functions and competencies

Pursuant to article 5 of its Regulations, the Remunerations Committee performs the following basic duties with respect to the Company itself as well as the subsidiaries of the Group:

- (i) Propose to the Board of Directors the remunerations 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.

The specific functions of the Remunerations Committee are the following (article 6 of the Regulations of the Remuneration Committee):

Powers regarding the composition of the Board of Directors and of the committees thereof and regarding the process of appointments to internal posts within the Board of Directors and of senior executives

- a) Investigate and report, when appropriate, to the Board of Directors on the remuneration of directors and senior executives of the Company and its group.
For the purposes of these regulations, the term "senior executives" is understood to mean those executives who report directly to the Company's Board of Directors or CEO, if there is one, and, in any event, the Company's Head of Internal Audit.
- b) Periodically review the remuneration policy applied to directors and senior executives, including share-based remuneration systems and the application thereof, as well as guaranteeing that the individual remuneration thereof is proportionate to that paid to the other directors and senior executives of the Company.
- c) Propose to the Board of Directors amendments and updates to the remuneration policy applied to senior executives.

- d) Propose to the Board of Directors amendments and updates to the remuneration policy applied to directors, for submission to the shareholders at a General Shareholders' Meeting, as well as the amount of their annual remuneration.
- e) Propose for approval by the Board of Directors the individual remuneration of the executive directors and the other basic terms and conditions of their contracts, including any compensation that may be set for early termination of office and the amounts to be paid by the Company for insurance premiums or savings plan contributions, in all cases in compliance with the internal rules of the Company, and particularly in accordance with the remuneration policy approved by the shareholders at the General Shareholders' Meeting.
- f) Report on and submit to the Board of Directors the proposals of the Chair of the Board of Directors or the CEO regarding the structure of the remuneration payable to senior executives and the basic terms and conditions of their contracts, including any compensation or severance pay provided in the event of removal.
- g) Report on and formulate incentive plans and pension supplements for the Group's entire workforce.
- h) Conduct a periodic review of the general remuneration programmes for the Group's workforce, evaluating the suitability and results thereof, and formulate proposals for amendment or update.
- i) Endeavour to ensure compliance with the Company's remuneration programmes and report on the documents to be approved by the Board of Directors for general disclosure regarding remuneration-related information, including the Annual Director Remuneration Report and the applicable sections of the Company's Annual Corporate Governance Report.
- j) Endeavour to ensure that potential conflicts of interest do not prejudice the independence of the outside advice provided to the Committee.
- k) Verify the information on director and senior executive remuneration contained in the various corporate documents, including the Annual Director Remuneration Report.

Committee members

The Remunerations Committee is currently composed of the following three external Directors (two independent and one proprietary):

Name	Post on the Committee	Information on their function as director		
		Type	Date of first appointment	Date of last appointment
Ms Belén Amatriain Corbi	Chair	Independent	31/03/2015	01/04/2019
Corporación Financiera Alba, S.A., represented by Mr Javier	Member	Proprietary	01/06/2018	01/06/2018

Fernández Alonso				
Ms Beatriz Mato Otero	Member	Independent	29/09/2020	29/09/2020

From the date it was established until the Extraordinary Shareholders' Meeting on 29 September 2020, the composition of the Remunerations Committee was as follows:

Name	Post on the Committee	Information on their function as director		
		Type	Date of first appointment	Date of last appointment
Mr José Ángel Corres Abasolo	Member	Independent	08/03/2013	27/06/2016
Mr Miguel Ángel Lujua Murga	Chair	Independent	27/06/2016	27/06/2016
Ms Belén Amatriain Corbi	Member	Independent	31/03/2015	01/04/2019

The Chair, Ms Belén Amatriain Corbi, was appointed at the meeting of the Company's Board of Directors on 29 September 2020.

The Non-Executive Secretary of the Committee continues to be the Non-Executive Secretary of the Board of Directors, Mr. José Ortiz Martínez.

In addition, on 25 February 2020, a new Non-Executive Deputy Secretary was appointed to the Board of Directors, Ms. Cristina Sustacha Duñabeitia, holding the post of Deputy-Secretary of the Committee, replacing Mr. Gonzalo Silveiro Regulez.

l) Meetings held, reports analysed and appearances

Article 13 of the Regulations of the Remunerations Committee provides that the Committee must meet from 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 shall also call 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.

The Remunerations Committee formally met on three occasions during 2020.

Due to lockdown restrictions caused by the Covid-19 outbreak, in accordance with Royal Decree 463/2020 of 14 March, which declared the state of alarm and personal health risk situation, the Committee meetings were held via conference call. A total of three meetings were held, with all members of the Committee attending all sessions.

All sessions were held in the presence of the Chair, Secretary and Deputy-Secretary of the Committee.

The meeting dates and matters addressed are detailed below:

Date	Matters addressed
23/07/2020	<ul style="list-style-type: none"> ● Approval, if appropriate, of the presentation on the Company's organisational structure to be taken to the Board of Directors. ● Approval, if appropriate, of the allocation of the 2020-2022 Special Plan to a group of executives to be presented to the Board. ● Report by the Head of Human Resources on workforce developments, salary reviews, standardisation of sales bonuses, and a pre-Covid-19 status report.
27/10/2020	<ul style="list-style-type: none"> ● Approval, if appropriate, of the proposal to the Board of Directors to assign a group of executives as beneficiaries of the 2020-2022 Special Plan. ● Report by the Head of Human Resources on the key indicators within her remit.
09/12/2020	<ul style="list-style-type: none"> ● Approval, if appropriate, of the proposal to the Board of Directors for the remuneration of non-executive directors. ● Report on the accounting and tax impact of the 2020-2022 Special Plan. ● Report on compliance with the recommendations of the Good Governance Code with regards remuneration. ● Report by HR Management on workforce developments and an update on collective bargaining information.

In view of the various matters dealt with throughout 2020, the Remunerations Committee reported favourably to the Board of Directors on the following matters:

Regarding remuneration

- Proposal to allocate the 2020-2022 Long-term Incentive Plan to a number of directors.
- Proposed pay increase for non-executive directors.