



DIRECTOR SELECTION POLICY FOR EUSKALTEL, S.A.

The Board of Directors at Euskaltel, S.A. acknowledges the need for the Company to have an internal regulation in line with the legislation in force at any given time and with the good governance guidelines applicable to its status as a public company.

Furthermore, the Board of Directors, within its scope of responsibility, constantly pursues corporate interests, which involve not only achieving a profitable and sustainable business in the long-term, fostering continuity and maximising the company's economic value, but also the balancing of corporate interests with the legitimate interests of shareholders, employees, clients, suppliers and, generally speaking, the community as a whole and the environment.

In line with the above, the Board of Directors has identified transparency in all its actions, including the director selection process, as one of the key elements in its corporate governance strategy.

For this reason, at the meeting held on the 26 April 2016, and with a favourable report from the Appointments and Remunerations Committee, the Company's Board of Directors ratified this director selection policy, guaranteeing in a public, specific and verifiable manner that the proposals for appointing or re-appointing members are based on a prior analysis of the Board of Directors' needs and that they also favour diversity of expertise, experience and gender on the Board (the "Director Selection Policy").

1. Scope of application

This Director Selection Policy is applicable to the selection of individual candidates for the position of director at Euskaltel.

In terms of candidates for the position of Company director who are legal entities, this Director Selection Policy will apply to those individuals who will represent the legal entity. Notwithstanding the above, attempts will be made for director candidates to be individuals.

2. Candidate selection objectives

Using the advice of and report from the Appointments and Remunerations Committee, the Board of Directors will analyse the needs of the Company and the group and this analysis will form the basis of the proposals for the re-appointment of directors or the selection of new candidates.

The aforementioned report by the Appointments and Remunerations Committee will be published at the same time as the call for the General Shareholders' Meeting at which voting will take place for the appointment, re-appointment or ratification of each director or director candidate.

The Board of Directors will look for individuals (i) who meet the requirements contained in the following section 4; and (ii) whose appointment promotes diversity in terms of expertise, experience, origin and gender at the heart of the Company's Board of Directors.



In addition, the Director Selection Policy aims for the number of female directors on the Board in 2020 to continue to represent at least thirty percent of the total number of board members.

3. Selection process. External advisors

The candidate selection process will, in any case, avoid any kind of implicit bias that could discriminate in any way, particularly any bias that might prevent the selection of female directors.

Similarly, the selection process will be guided by corporate interests. Meritocracy will be the key selection criteria and the aim of the process is to look for the most qualified candidates.

The Appointments and Remunerations Committee is authorised to (i) bring before the Board of Directors the appointment proposals for independent directors for co-opted appointment or for submission for the approval of the General Shareholders' Meeting and also proposals for the re-appointment or dismissal of such directors by the General Shareholders' Meeting; and (ii) to report on the appointment proposals for the remaining directors for co-opted appointment or for submission for the approval of the General Shareholders' Meeting and also proposals for their re-appointment or dismissal by the General Shareholders' Meeting.

Furthermore, any director may suggest candidates for the position of director, provided that the procedures and requirements set out in this Director Selection Policy are followed.

Lastly, the Company may use external advisors to select and validate director candidates.

4. Candidate requirements

In line with internal regulations, candidates for the position of Company director must be honourable, suitable, and with the appropriately high reputation, skills, experience, qualifications, training, availability and commitment required by the role.

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.

5. Impediments to being a candidate for director

In accordance with internal regulations, the following cannot be considered as candidates for the position of director or, where applicable, individual representatives for a director who is a legal entity:

- (i) National or foreign companies from the telecommunications or other sectors who are competitors of the Company (“**Rival Companies**”), or their shareholders, directors or senior executives and individuals who, if applicable, were put forward by Rival Companies in their capacity as shareholders of the Company.
- (ii) Individuals or legal entities who hold the position of director in more than five (5) companies, of which a maximum of three (3) may be public companies.



For the purposes of this calculation, the following will not be taken into account: (i) property holding companies of the director or related persons; (ii) holding companies that are merely intended to hold shares, company shareholdings or assets, but have no ongoing business activity; (iii) in terms of proprietary members, those directors who are members through the appointment of the significant shareholder who proposed them as proprietary member of the Company or through any group company, provided that the proprietary member has the material and/or personal means required to give sufficient dedication to the position of director of the Company.

- (iii) People who, in the two (2) years prior to their possible appointment, have held senior positions in government that were incompatible with the simultaneous performance of the functions of a director of a private company, in accordance with state or regional legislation.
- (iv) Individuals or legal entities who have any other kind of conflict of interest or are banned in accordance with general regulations, including those who in any way have interests that oppose those of the Company or its group.

The Appointments and Remunerations Committee shall carry out the necessary procedures to verify that the candidate does not fall into any of the above categories that would impede them from potentially being appointed as a director.

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