

REGULATIONS OF THE AUDIT AND CONTROL COMMITTEE OF EUSKALTEL, S.A.



PRELIMINARY CHAPTER

Article 1. Nature of the Committee

The Audit and Control Committee (the "**Committee**" or the "**Audit and Control Committee**") established by the Board of Directors of Euskaltel, S.A. (the "**Company**") in accordance with the provisions of article 65 of the Articles of Association of the Company, is an informational and consultation body without executive functions, with information, advisory and proposal powers within its scope of action, which will be governed by the provisions of the Articles of Association, in the Regulations of the Board of Directors and in these Regulations of the Audit and Control Committee (the "**Regulations**").

Article 2. Purpose of the Regulations

These Regulation aim to determine the principles of the Committee's action, as well as the basic rules of its organization and operation.

Article 3. Approval and modification

1. The Regulations must be approved by agreement of an absolute majority of the members of the Board of Directors on its own initiative, its Chairperson, or one third (1/3) of the directors. The Regulations shall enter into force on the date of their adoption.
2. Any modifications must be approved by agreement of an absolute majority of the members of the Committee on its own initiative, its Chairperson or one third (1/3) of its members, and must be endorsed later on, where appropriate, by the Board of Directors. Amendments shall enter into force on the date of their endorsement.

CHAPTER I. SCOPE AND FUNCTIONS

Article 4. Area of competence

The functions of the Committee shall be exercised both with respect to the Company and to the subsidiary companies in its group.

Without prejudice to the provisions of article 5 below, the basic competences of the Committee are based on the following areas:

- (i) internal and external auditing;
- (ii) information and risk management systems; and
- (iii) compliance and good governance.

Article 5. Functions of the Committee

1. The main task of the Committee is to assist, inform and make proposals to the Board of Directors on matters that are assigned at every moment by the Articles of Association, the Regulations of the Board of Directors and these Regulations.
2. Without prejudice to any other tasks that may be assigned at any time by the Board of Directors and that attributed to it by the legislation, the Committee shall exercise, as a minimum, the following basic functions:

- (i) Inform the General Meeting of Shareholders on issues that have been raised by the shareholders in matters within its competence.
- (ii) Monitor the effectiveness of the internal control of company and his group, as well as their systems of risk management, including the fiscal ones.
- (iii) Analyse with the external auditors possible significant weaknesses in the internal control system detected in the course of the audit.
- (iv) Supervise the process of preparation and submission of regulated financial information.
- (v) Propose to the Board of Directors for its submission to the General Meeting of Shareholders the appointment, re-election or replacement of the external auditors in accordance with the applicable legislation, as well as the conditions of their contract and regularly collect the information about the audit plan and its implementation, in addition to preserving its independence in the exercise of its functions.
- (vi) Monitor the internal audit activity of the Company.
- (vii) Establish appropriate relations with the external accounts auditors to receive information on those issues that can jeopardize their independence, for consideration by the Committee, and any others related to the audit process, as well as other public communications provided for in account auditor legislation and the auditing standards.

In any case, it must receive annually from the external auditors the written confirmation of their independence from the entity or entities linked to it directly or indirectly, as well as information of any additional services provided to these entities by the aforementioned auditors or companies, or by persons or entities linked to these in accordance with the provisions of the account auditing legislation.
- (viii) Issue annually, prior to the issuance of the audit report, a report which expresses an opinion on the independence of the external auditors and summarizing the activities of the Committee. This report shall, in any case, deal with the provision of additional services referred to in the previous section individually considered and as a whole, other than the statutory audit and in relation to the regime of independence or with the rules governing audit.
- (ix) Report in advance to the Board of Directors on all matters provided for by the law, the Company Articles of Association and the Regulation of the Board of Directors and, in particular, on: (i) the financial information that the Company should periodically publish; (ii) the creation or acquisition of shareholdings in entities of purpose special or domiciled in countries or territories which are considered tax havens; (iii) transactions with related parties and (iv) on the economic conditions and the accounting impact of the corporate and structural changes operations that the Company plans and, in particular, for the swap equation of the proposal.

3. In particular, and without prejudice to the general nature of the preceding paragraph, the Audit and Control Committee shall have the following functions:

- (i) In relation to the internal control and information systems:
 - a) Supervise the preparation process and the integrity of financial information relating to the Company and, where appropriate, the group, checking compliance with regulatory requirements, the proper delimitation of the scope of consolidation, and the correct application of the accounting criteria.
 - b) Analyze the accounts after the end of each financial year, examine the draft of the opinion from the external auditors, discuss with them the contents of the annual accounts and the audit report, and present recommendations to the Board of Directors with a view to the formulation of the annual accounts.
 - c) Periodically review the internal control and risk management systems, so that the main risks are identified, managed and make known adequately.
 - d) Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal audit department; propose the department's budget; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - e) Establish and supervise a mechanism that allows employees to communicate, confidentially and, if considered appropriate, anonymously irregularities of potential significance, especially financial and accounting, which they notice in the Company.
- (ii) In relation to the external auditor:
 - a) Raise to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the conditions of their contract.
 - b) Ensure that the remuneration of the external auditor for their work does compromise their quality and independence.
 - c) Ensure that the external auditor annually holds a meeting with the full Board of Directors to inform it about the work done and the evolution of the Company's accounting situation and risks.
 - d) Regularly receive information about the audit plan and the results of its execution from the external auditor, and verify that senior management takes into account their recommendations.
 - e) Ensure the independence of the external auditor and, to that end: (i) that the Company communicates the change of auditor as a relevant event to the National Stock Market Commission, together with a declaration on the possible existence of disagreements with the outgoing auditor and, if any, of its content; (ii) to ensure that Company and the auditor respect the regulations on provision of services other than audit and, in general, the other standards established to ensure the independence of the auditors; and (iii) that, in the event of resignation of the external auditor, examine the circumstances that had led to it.
 - f) Encourage that the auditor of the consolidated Group assumes the responsibility of the audits of the companies within it.

- (iii) In relation to the risk policy and management:
 - a) Identify the different types of risk (operational, technological, financial, legal, reputational) facing the company, including, among the financial or economic, contingent liabilities and other risks off balance.
 - b) Identify the fixing of the level of risk deemed acceptable by the Company.
 - c) Identify measures to mitigate the impact of the identified risks, should they materialize.
 - d) Identify the internal control and information systems that will be used to control and manage these risks, including contingent liabilities or off-balance sheet risks.
- (iv) In relation to the obligations of listed companies:

Report to the Board of Directors, before it takes the corresponding decisions on:

- a) The financial information that the Company must periodically publish as a listed company. The Audit Committee shall ensure that the half-yearly financial reports and intermediate management statements are formulated with the same accounting principles as the annual accounts and, for that purpose, consider the appropriateness of a limited review of half-yearly financial reports by the external auditor.
 - b) The creation or acquisition of shareholdings in entities of purpose special or domiciled in countries or territories which are considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could undermine the transparency of the group.
 - c) The related-party transactions as they are defined by the legislation which applies in this respect at all times.
 - d) Economic conditions and the accounting impact of the corporate and structural changes operations that are planned by the Company and, in particular, for the swap equation of the proposal.
- (v) In relation to the Company's corporate governance obligations:
 - a) Periodically review the internal rules of corporate governance of the Company and propose to the Board of Directors, for approval or to be brought before the General Meeting of shareholders, as appropriate, the modifications and updates that contribute to their development and continuous improvement.
 - b) To promote the Company's corporate governance strategy. Monitoring compliance with the legal requirements, the internal codes of conduct and the internal rules of corporate governance of the Company.
 - c) Periodically assess the adequacy of the Company's corporate governance system, so that it meets its mission of promoting the company interest and takes into account, as appropriate, the legitimate interests of other stakeholders.
 - d) Know, promote, guide and monitor the performance of the company in the field of corporate social responsibility and sustainability, ensuring that it is oriented to the

creation of value, and report on this to the Board of Directors or, where appropriate, to the Executive Committee.

- e) Monitor the corporate social responsibility strategy and practices and assess their degree of compliance.
- f) Know, promote, guide and monitor the performance of the company in the field of corporate reputation and report on this to the Board of Directors or, where appropriate, to the Executive Committee.
- g) Oversee the strategy of communication and relationship with shareholders and investors, including small and medium-sized shareholders.
- h) Monitor and evaluate processes of relationship with the different stakeholders.
- i) Assess all matters relating to the non-financial risks of the company, including the operational, technological, legal, social, environmental, political and reputational.
- j) Coordinate the reporting process of non-financial information and on diversity, in accordance with the applicable regulations and international reference standards.
- k) Report, prior to its approval, the Company's Annual Corporate Government Report, gathering reports from the Appointments and Remuneration Committee in relation to the sections of said report within its competences.

CHAPTER II. COMPOSITION AND FUNCTIONING

Article 6. Composition

1. The Committee shall be formed by a minimum of three (3) and a maximum of seven (7) external directors (i.e., independent and proprietary). The majority of the members of the Committee shall be independent directors.
2. Within these limits, the Committee may raise to the Board of Directors, through the Appointments and Remuneration Committee, a proposal to modify the number of its members so that it is more appropriate for its effective operation.

Article 7. Designation

1. The members of the Committee shall be appointed by the Board of Directors from among the external directors on the proposal of the Appointments and Remuneration Committee.
2. The Board of Directors shall ensure that the members of the Committee and, in particular, its Chairperson, have knowledge and experience in the field of accounting, auditing or risk management.

Article 8. Distribution of offices

1. The Committee shall elect a Chairperson from among the independent directors that are part of the Committee.
2. The Committee shall also appoint a Secretary, who may be one of its members or the Secretary or Deputy Secretary of the Board of Directors, and, if appropriate, a non-director Deputy Secretary, who may be one of its members or the Deputy Secretary of the Board of Directors, who shall replace the secretary in the event of vacancy, absence, illness or incapacity.

Article 9. Functions of the Secretary

The Secretary shall be responsible for:

1. Keeping the documentation of the Committee, reflecting in the minutes books the development of the sessions of the Committee, attesting to the agreements which it adopts, and ensuring the formal and material legality of the actions of the Committee.
2. Certifying the minutes and agreements adopted by the Committee. The certificates will be issued and signed by the Secretary of the Committee or, failing that, by the youngest member of the Committee, with the approval of the Chairperson, or failing that, the oldest member of the Committee.
3. Channelling and coordinating, following the instructions of the Chairperson of the Committee, the relations of the Committee with other bodies, managements or third parties referred to in these Regulations.
4. The other functions assigned in these Regulations, as well as those regulated in the Articles of Association and the Regulations of the Board of Directors, if necessary.

Article 10. Duration

1. The members of the Committee shall be appointed for a maximum period of four (4) years, and may be re-elected one or more times for periods of equal duration.
2. The post of Chairperson of the Committee shall be exercised for a maximum period of four (4) years, after which the director who has held the office cannot be re-elected as Chairperson until one (1) year after their cessation, without prejudice to its continuity as a member of the Committee.
3. The post of Secretary of the Committee shall be exercised for a maximum period of four (4) years, and they may be re-elected one or more times for periods of equal duration.

Article 11. Cessation

The members of the Committee shall be terminated in office:

- (i) When they lose their status as directors of the company.
- (ii) When they lose their status as external directors.
- (iii) By agreement of the Board of Directors.
- (iv) By the director renouncing their membership of the Committee.

The Secretary of the Committee, if they are the non-director Secretary or Vice-Secretary of the Board of Directors, shall cease in office when they cease to be Secretary or Vice-Secretary of the Board of Directors.

Article 12. Sessions

1. The Committee will meet two (2) to four (4) times a year to review and assess the state of the matters that are within its competence, and whenever called by its Chairperson as this is advisable for the proper conduct of their duties.

2. The Chairperson shall in any event call the Committee whenever the Board of Directors or the Chairperson, requests the issuance of a report or the adoption of proposals, or when requested to do so by one-third of the members of the Committee.

Article 13. Call

1. The call for the Committee shall be made by letter, fax, telegram or email by the Chairperson or the Secretary on the order of the Chairperson.
2. The call, except in case of urgent sessions, will be a minimum five (5) business days in advance. The call will always include the agenda of the meeting and shall be accompanied by the relevant information properly summarized and prepared.
3. The Committee does not need to be called when all its members are present and they unanimously accept to hold the meeting.
4. The provisions of the Articles of Association and the Regulations of the Board of Directors shall apply to the meetings of the Committee in regard to the possibility of calling extraordinary sessions and voting in writing and without session.

Article 14. Constitution

1. The Committee shall meet at the registered office or at the place indicated in the call.
2. The Committee shall be validly constituted when attending the meeting, present or represented, are more than half of its components. Absences that occur once the Committee has been constituted shall not affect the validity of the session.
3. Meetings of the Committee may also be held by video conference or conference call, where the session of the Committee shall be considered held in place stated in the call.

In the absence of this indication, the meeting will be considered held in the place of director chairing the meeting.

4. Any member of the Committee may confer in writing their representation to another member especially for each meeting, communicating this, by any of the means described in paragraph one of the previous article, to the Chairperson or the Secretary of the Committee.
5. The Chairperson will lead the discussion, will give the floor and close the interventions when he/she considers that a subject is sufficiently debated. Voting shall be done by a count of hands.
6. In the event of a vacancy, illness or impossibility of the Chairperson, the session will be chaired by the member with the longest length of service and, in the event that there is a tie, by the oldest. In the event of vacancy, illness or impossibility of the Secretary, the one with the least length of service will act as the Secretary and, in the event of a tie, by the youngest.

Article 15. Agreements

1. Agreements shall be adopted by an absolute majority of the members attending the meeting. In the event of a tie, the Chairperson shall have the casting vote.
2. The discussions and agreements of the Committee shall be recorded in minutes that will be signed by the Chairperson and the Secretary, or those who stand in for them. The minutes

shall be approved by the Committee at the end of the meeting or at the beginning of the next.

Article 16. Conflict of interest

When subjects to be addressed in the meetings of the Committee directly affect any of its members or persons related to them and, in general, when said member incurs in a situation of conflict of interest, they shall leave the meeting until the decision is adopted, and will be discounted from the number of members of the Committee, for the purposes of the calculation of quorum and majorities in relation to the matter at hand.

Article 17. Assistance

1. At the request of the Chairperson or any two (2) Committee members any member of the Board of Directors, manager or employee of the company or of the group can attend the meetings of the same, as well as any member of the bodies of administration of the investee companies whose appointment has been proposed by the Company, provided that there is no legal impediment to this.
2. The Committee may require the presence at its meetings of the external auditor at any time, or if applicable any external consultant.

CHAPTER III. RELATIONS OF THE AUDIT AND CONTROL COMMITTEE

Article 18. Relations to the General Meeting of Shareholders:

1. It is obligation of the Committee to report at the General Meeting of shareholders issues arising therein from shareholders about matters within its competence.
2. Further to the provisions of the previous paragraph, the Committee shall draw up an annual report on the activities of the Committee, which will be available to shareholders, following its approval by the Board of Directors on the occasion of the call of the ordinary General Meeting of Shareholders.

Article 19. Relations with the Board of Directors

The Chairperson of the Committee shall report to the Board of Directors about its activities in the first session that takes place after each of the meetings of the Committee.

Article 20. Relationships with the internal audit of the company

1. The company shall have an internal audit department which, under the supervision of the Audit and Control Committee, ensures the proper functioning of the internal control and information systems. The Board of Directors will propose, where appropriate, to the Committee the selection, appointment, re-election or dismissal of the Director of internal audit.
2. The Committee, if appropriate, accepts the proposal and, following a report from the Audit and Control Committee, will raise the proposal to the Board of Directors for approval.
3. The Company Director of internal audit has as their main function to inform, advise and report directly to the Committee in relation to the following topics:

- (i) Application of generally accepted accounting principles, as well as of any significant accounting changes in relation to them.
 - (ii) Risks associated with the balance and functional activity areas of the Company with identification, measurement and control existing over them.
 - (iii) Transactions of the company with third parties, when they imply a conflict of interest or are operations with shareholders of significant shareholdings (as legally defined at each time).
 - (iv) Information of a financial nature that the Committee submits regularly or periodically both to the investors and market agents and to the bodies that require it.
 - (v) Activities of the Committee itself.
4. The Director of internal audit shall submit to the Audit and Control Committee their annual work plan. In addition, he/shall shall inform the Committee of any incidents that occur during the development of the internal audit function and shall submit to the Committee, at the end of each fiscal year, a report of activities. The internal audit unit functionally depends on the Chairperson of the Board of Directors or, if executive, the Chairperson of the Audit Committee.
 5. The Director of internal audit will be the normal organ of communication between the Committee and the rest of the Company's organization, being responsible for preparing the information required in the sessions, and attending them if the Committee deems appropriate.

Article 21. Relationship with the external auditor

1. The Committee will propose to the Board of Directors, for its submission to the General Meeting of shareholders, the appointment of the external auditor.
2. The Committee will not propose to the Board of Directors, and this in turn will not submit to the General Meeting of shareholders, the appointment of those auditing firms in relation to which it has a record that (i) they are affected by a case of incompatibility under the current legislation on audit, or (ii) the fees which are expected to pay them, for all concepts, are greater than five percent (5%) of the total revenue during the last financial year.
3. The Committee shall ensure that the external auditor appears before it at least two (2) times a year, one during the preliminary stage of its work and the other close to the completion, in order to report on the development of its work and present its conclusions. In addition, the Committee may require attendance at its meetings of the auditor at any time.
4. In accordance with the provisions of article 5.3 (ii) of these Regulations, the Committee will require from the external auditor annual confirmation in writing of its independence from the Company and the companies in its group, both of the audit firm as a whole, and the individual members of the team.
5. For the provision by the external auditor of other services for the Company, or any company of its group, other than the audit of accounts, it will require authorization from the Committee, upon confirmation from said external auditor that the work to be done respects the regulations and provision on non-audit services. In this sense, the external auditor shall

inform the Committee on an annual basis about additional services of any kind that it has rendered to the group.

6. The Committee will receive information about personnel incorporations into the Company or the group companies from the auditing firm, as well as staff from the group which joins the auditing firm.

Article 22. Relations with the management of the Company and its group

1. The Committee, through its Chairperson, may gather information and require the collaboration from any manager or employee of the Company and its group. Therefore, the managers or employees of the Company will be required to attend the sessions of the Committee and to lend their collaboration and access to information that is available to them when they are required to do so.
2. In any case, the Chairperson of the Committee shall inform the Chairperson of the Board of Directors and the chief executive, if any, about any requests for assistance which may be made.

CHAPTER IV. POWERS OF THE COMMITTEE, ADVICE AND DUTIES OF ITS MEMBERS

Article 23. Powers

The Committee may freely access, through the Secretary of the Board of Directors, any information or documentation available to the Company on the issues that are the responsibility of the Committee and which it considers necessary for the performance of its duties.

Article 24. Advice

1. In order to be aided in the performance of its duties, the Committee may request the contracting charged to the Company of legal, accounting, financial or other advisors.
2. The assignment will necessarily focus on specific problems of certain significance and complexity that arise in the performance of the office.
3. The request for assistance shall be made to the Chairperson of the Board of Directors, which may oppose it if it considers:
 - (i) is not necessary for the full performance of the functions entrusted to the Committee;
 - (ii) that its cost is not reasonable in view of the importance of the problem and of the assets and income of the company;
 - (iii) that the technical assistance that is obtained may be adequately provided by experts and technicians from Company; or
 - (iv) that it may pose a risk to the confidentiality of the information that must be handled.

Article 25. Duties of the members of the Committee

1. The members of the Committee must act with independence of criteria and action with respect to the rest of the organization and perform their work with maximum diligence and professional competence.

2. The members of the Committee will be subject, as such, to all the duties of director referred to in the Regulations of the Board of Directors, insofar as they are applicable to the functions carried out by the Committee.

CHAPTER V. COMPLIANCE, DISSEMINATION AND INTERPRETATION

Article 26. Compliance and dissemination

1. The members of the Committee, as well as the other members of the Board of Directors which are affected, have an obligation to know and comply with these Regulations.
2. The Secretary of the Board of Directors shall provide a copy of these Regulations to all of the directors.
3. In addition, the Committee will have the obligation to ensure compliance with the Regulations and to adopt appropriate measures so that it reaches the required dissemination throughout the rest of the organization.

Article 27. Interpretation

1. The Regulations shall be construed in accordance with the current legal standards in force at each time, the provisions contained in the Articles of Association and the Regulations of the Board of Directors that are applicable and the principles and recommendations of good governance made at the request of regulators.
2. Any doubt or discrepancy in relation to the interpretation of these Regulations will be resolved by majority in the Committee itself and, failing that, by its Chairperson, assisted by the persons that the Board of Directors appoints for such purpose, as applicable. The interpretation and resolution of doubts or discrepancies that have arisen must be reported to the Board of Directors.
3. In the absence of specific legislation, to be applied to the Committee, insofar as this is not incompatible with its nature, are the provisions of the Regulations of the Board of Directors relating to its operation and, in particular, in relation to the meetings, delegation of the representation in favour of another director, constitution, uncalled session, holding and regime or the adoption of agreements, voting in writing and without session and approval of the minutes of the meetings.
4. The Act, the Articles of Association of the Company and the Regulations of the Board of Directors shall prevail in the event of contradiction with the provisions of these Regulations.

Article 28. Calculation of time limits

For the purposes of these Regulation, all of the days of the calendar year shall be counted as working days except for Saturdays, Sundays and any public holiday in the city of Bilbao.