

**REGULATIONS OF THE  
APPOINTMENTS AND  
REMUNERATION  
COMMITTEE OF  
EUSKALTEL, S.A.**



## PRELIMINARY CHAPTER

### Article 1. Nature of the Committee

The Appointments and Remuneration Committee (the "**Committee**" or the "**Appointments and Remuneration Committee**") established by the Board of Directors of Euskaltel, S.A. (the "**Company**") in accordance with the provisions of article 65 of the Company Articles of Association, is an information and consultation body without executive functions, with information, advisory and proposal powers within its scope, 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 Appointments and Remuneration Committee (the "**Regulations**").

### Article 2. Purpose of the Regulations

These Regulations aims 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. These 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 as well as the subsidiary companies in its group.

### Article 5. Functions of the Committee

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.

Without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Appointments and Remuneration Committee shall exercise the following basic functions:

- (i) Evaluate the competences, knowledge and experience necessary on the Board of Directors. For these purposes it will define the functions and skills necessary in the candidates to cover each vacancy and will assess the time and devotion required so that they can effectively carry out their duties.
- (ii) Establish a representation goal for the gender least represented on the Board of Directors and to prepare guidelines about how to achieve this goal.

- (iii) Bring before the Board of Directors the appointment proposals for independent directors for their designation or co-optation or to be submitted to the approval of General Meeting of Shareholders, as well as the proposals for the re-election or dismissal of said directors by the General Meeting of Shareholders.
- (iv) Report on the appointment proposals for the other directors for their for their designation or co-optation or to be submitted to the approval of General Meeting of Shareholders, as well as the proposals for the re-election or dismissal of said directors by the General Meeting of Shareholders.
- (v) Report on the appointment and dismissal proposals for the senior management and the basic conditions of their contracts.
- (vi) Examine and organise the succession of the chairperson of the Board of Directors and the chief executive of the Company and, if applicable, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.
- (vii) Propose to the Board of Directors the remuneration of the directors and of the general managers and those performing senior management duties reporting directly to the Board, the executive committees or chief executives, as well as the individual remuneration and other contractual conditions of the executive directors, ensuring that they are followed.

**Article 6. Competences related to the composition of the Board of Directors and its committees and to the process to designate internal positions on the Board of Directors and senior managers**

The main functions of the Committee in this regard will be:

- (i) Advise the Board of Directors on the most suitable configuration of the Board of Directors and its committees in terms of size and balance between different classes of Directors existing at all times. For this purpose, the Committee shall periodically review the structure of the Board of Directors and its committees, especially when vacancies occur in such organs.
- (ii) Report on the proposal of the individual representative of the legal entity director.
- (iii) Inform and revise the criteria to be followed for the composition of the Board of Directors and the selection of candidates, defining their functions and skills, as well as evaluating the time and dedication necessary in order to properly perform their mission; ensuring that, when there are new openings or new directors to be appointed, the selection procedures do not suffer from implicit biases that can involve discrimination and, in particular, that may hamper the selection of female directors, also establishing a goal of representation on the Board and preparing guidelines on how to achieve it.
- (iv) Ensure that those who are to access the position of director by any procedure meet the requirements of good repute, fitness, solvency, competence, experience, qualification, training, availability and commitment to their duties and are not directly or indirectly affected by any of the grounds for incompatibility, prohibition, conflict or opposition of interests the company interest laid down in general provisions.

- (v) Report or formulate proposals on appointment or separation of the members that should be part of each of the Committees, checking and endorsing the knowledge and experience necessary in relation to the competences of the Committee in question and, in particular, with regard to the Audit and Control Committee.
- (vi) Report or formulate proposals on appointment or separation of the Chairperson of the Board of Directors and, where appropriate, the Chief Executive of the Company.
- (vii) Examine or organize the succession of the Chairperson of the Board of Directors and the Chief Executive of the Company and, where appropriate, make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner.
- (viii) Report or make proposals to the Chairperson of the Board of Directors concerning the appointment or separation of the Vice-Chairperson of the Board of Directors.
- (ix) Raise to the Board of Directors the proposal for appointment of a specially empowered independent director in the case that the Chairperson of the Board of Directors exercises executive functions, and inform the proposals for their dismissal.
- (x) Report the proposals of the Chairperson of the Board of Directors, or formulate proposals on the appointment or dismissal of the Secretary and the Vice-Secretary of the Board.
- (xi) Make sure that the non-executive directors have sufficient time available for the proper performance of their functions.
- (xii) Report proposals relating to the appointment, promotion or dismissal of senior managers, as well as those proposals for revision and modification of the organizational structure and the distribution of responsibilities in the Company.
- (xiii) Annually verify the implementation of the directors' selection policy, which will be reported in the annual corporate governance report.
- (xiv) Find out and inform, where appropriate, to the Board of Directors on the selection, appointment and remuneration of the directors and senior management of the Company and its group.  
  
For the purposes of this regulation, "senior management" is understood as those managers who have direct dependence on the Board of directors or Chief Executive of the Company, if any, and, in any case, the head of internal audit of the Company.
- (xv) Issue reports and to develop actions which, in its area of competence, are requested by the Board of directors or its Chairperson.

#### **Article 7. Competences related to the selection of candidates for directors**

- (i) Select possible candidates to be, if appropriate, appointed directors of the Company and present its proposals or reports, as appropriate, to the Board of Directors through its Chairperson.
- (ii) Raise to the Board of Directors proposals for appointment (for their appointment by co-optation or to be submitted to the decision of the General Meeting of shareholders) of the independent directors.

- (iii) Check the fulfilment of the specific requirements for the independent directors in the law and the internal rules of the Company and gather adequate information about their personal qualities, experience and knowledge and their effective availability.
- (iv) Report, at the request of the Chairperson of the Board of directors or any other Member of the Board of Directors, proposals for appointment (for their appointment by co-optation or to be submitted to the decision of the General Meeting of shareholders) of the remaining directors.

#### **Article 8. Competences related to the evaluation and re-election of Directors**

The main functions of the Committee in this regard will be:

- (i) Establishing and overseeing an annual continuous evaluation and review program of the qualification, training and, where appropriate, independence, as well as the maintenance of the conditions of honorability, fitness, solvency, competition, availability and commitment to its function, necessary for the exercise of the office of director and member of a certain Committee, and propose to the Board of Directors measures that it deems appropriate in this regard, and may seek any information or documentation as it deems necessary or appropriate for this purpose.
- (ii) Participate in the annual process of evaluation of the performance of the Chairperson of the Board of Directors and the Chief Executive of the Company, in its case.
- (iii) Examine, prior to the completion of the term for which a director has been appointed, the appropriateness of their re-election, as well as their remaining, if applicable, on the committees of the Board of Directors of which they form part.
- (iv) Verify that the director to be re-elected continues to comply with the general requirements for all directors of the Company, in accordance with the provisions of the law, as well as evaluating the quality of work and dedication to the position of the director in question during the previous mandate and, specifically, good repute, fitness, solvency, competition, experience, qualification, availability and commitment to their role.
- (v) Raise to the Board of Directors, once finalized the procedures described in the preceding paragraphs, its proposal (in the case of the independent directors), or report (in the case of the remaining advisers) on the re-election of the directors.

#### **Article 9. Competences related to the dismissal and termination of Directors**

The main functions of the Committee in this regard will be:

- (i) Report to the Board of Directors on the dismissal proposals due to breach of the duties inherent to the position of director or due to clearly incurring in any of the circumstances for compulsory resignation or cessation.
- (ii) Propose the dismissal of the directors in the event of incompatibility, structural conflict of interest prohibitions, or any other grounds for resignation or termination, in accordance with the Act or the internal rules of the Company.
- (iii) Request, for the purposes set out in the preceding paragraphs, information or documentation as it deems necessary or appropriate from the directors, the individuals

who represent legal entity directors and, in the case of proprietary directors, the shareholders that have proposed, requested or determined their appointment.

#### **Article 10. Competences related to remunerations**

The main functions of the Committee in this regard will be:

- (i) Periodically review the remuneration policy applied to directors and senior management, including the compensation systems with shares and their implementation, as well as ensuring that their individual remuneration is proportionate to that paid to the other directors and senior management of the company.
- (ii) Propose the modification and updating of the remuneration policy for senior management to the Board of Directors.
- (iii) Propose the modification and updating of the remuneration policy applied to directors to the Board of Directors, to be brought before the General Meeting of Shareholders, as well as the amount of their annual remuneration.
- (iv) Propose the individual remuneration of Executive Directors and the other basic terms of their contracts for approval by the Board of Directors, including the eventual compensation that may be established in the event of early termination of their functions and the amounts payable by the company for insurance premiums or contributions to savings systems, under all circumstances in accordance with the Company's internal regulations and, in particular, in accordance with the remuneration policy approved by the General Meeting of Shareholders.
- (v) Inform and bring before the Board of Directors proposals for the Chairperson of the Board of Directors or the Chief Executive concerning the remuneration structure for senior management and the basic terms of their contracts, including any compensation that could be established to the event of dismissal.
- (vi) Report and formulate incentives plans and pension complements corresponding to the entire workforce of the group.
- (vii) Review periodically the Company's general remuneration programmes for the group's workforce, assessing their adequacy and results, as well as modification or update proposals.
- (viii) Ensure the observance of the Company's remuneration programs and report the documents to be approved by the Board of Directors for general dissemination in relation to information on remuneration, including the annual report annual on directors' remuneration and the corresponding sections of the Company's Annual Corporate Governance Report.
- (ix) Ensure that any conflicts of interest do not impair the independence of the external advice provided to the Committee.
- (x) Verify the information on directors' and senior management remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

## CHAPTER II. COMPOSITION AND PERFORMANCE

### Article 11. Composition

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

### Article 12. Designation

1. The members of the Committee shall be appointed by the Board of Directors, on the proposal of its Chairperson, from amongst the external directors.
2. The Board of Directors shall appoint the members of the Committee endeavouring that they have the appropriate knowledge, skills and experience for the functions they are called to perform.

### Article 13. 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 14. Functions of the Secretary

The Secretary shall have the following functions:

- (i) Keep the documentation of the Committee, reflecting in the minutes books the development of the sessions of the Committee, attesting to the agreements that it has adopted, and ensuring the formal and material legality of the actions of the Committee.
- (ii) Certify 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.
- (iii) Channelling and coordinating, following the instructions of the Chairperson of the Committee, the relations of the Committee with other bodies, management or third parties as referred to in these Regulations.
- (iv) The rest of those assigned in these Regulations, as well as those regulated in the Articles of Association and the Regulations of the Board of Directors.

### Article 15. 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 had held the office may not be re-elected as Chairperson until one (1) year after their cessation, without prejudice to their 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 may be re-elected one or more times for periods of equal duration.

#### **Article 16. 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 17. 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 18. 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 19. 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 20. 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 21. 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 22. 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.

### **CHAPTER III. RELATIONS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE**

#### **Article 23. Relations with 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 24. Relations with the Board of Directors**

1. The Chairperson of the Committee shall report its activities to the Board of Directors in the first session that takes place after each of the meetings of the Committee.
2. The Committee must consult the Chairperson of the Board of Directors and the Chief Executive of the Company, especially in the case of matters relating to the executive directors and senior managers.
3. Any Director may request the Committee to take into consideration, if it should find them suitable, potential candidates to cover director vacancies.

#### **Article 25. Relations with the management of the Company and its group**

1. The Committee, through its Chairperson, can gather information and require the collaboration of any manager or employee of the Company and its group. Therefore, managers or employees of the company will be required to attend the sessions of the Committee and to provide their collaboration and access to the information 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 of the company, if any, about the requirements to attend the Committee.

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

#### **Article 26. Powers**

The Committee can freely access, through the Secretary of the Board of Directors, any information or documentation that is available to the Company relating to issues that are within the responsibility of the Committee and which is deemed necessary for the performance of its duties.

#### **Article 27. 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 28. 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 29. 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 30. 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 31. Calculation of time limits**

For the purposes of these Regulations, 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.