
ISSUER IDENTIFICATION

Year-end date:

[31/12/2018]

Tax Identification Code (CIF):

[A48766695]

Company Name:

[EUSKALTEL, S.A.]

Registered Office:

[PARQUE TECNOLÓGICO, EDIFICIO 809 (ZAMUDIO) BISCAY]

A. CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
26/07/2017	535,936,080.00	178,645,360	178,645,360

Please state whether there are different classes of shares with different associated rights:

☐ Yes
☒ No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ABANCA CORPORACIÓN BANCARIA, S.A.	0.00	4.48	0.00	0.00	4.48
ARTEMIS INVESTMENT MANAGEMENT LLP	0.00	3.75	0.00	0.00	3.75
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA - BILBAO BIZKAIA KUTXA BANKU FUNDAZIOA	0.00	20.11	0.00	0.00	20.11
NN INVESTMENT PARTNERS B.V.	3.00	0.00	0.00	0.00	3.00
CORPORACIÓN FINANCIERA ALBA, S.A.	0.00	11.00	0.00	0.00	11.00
ZEGONA COMMUNICATIONS PLC	0.00	15.00	0.00	0.00	15.00
NORGES BANK	2.73	0.00	1.02	0.00	3.76

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CAPITAL RESEARCH AND MANAGEMENT COMPANY	0.00	5.27	0.00	0.00	5.27

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
ARTEMIS INVESTMENT MANAGEMENT LLP	ARTEMIS FUND MANAGERS LIMITED	3.75	0.00	3.75
ZEGONA COMMUNICATIONS PLC	ZEGONA LIMITED	15.00	0.00	15.00
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.	20.11	0.00	20.11

State the most significant shareholder structure changes during the year:

Most significant movements

Artemis decreases to below 3% on 27 February 2018.
 Artemis increases to above 3% on 3 May 2018.
 Capital Income Builder increases to above 3% on 3 May 2018.
 Capital Income Builder increases to above 5% on 8 May 2018.
 Capital Research and Management Company increases to above 5% on 3 May 2018.
 NN Group increases to above 3% on 23 October 2018.

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of total voting rights that <u>can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR MIGUEL ÁNGEL LUJUA MURGA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR IÑAKI ALZAGA ETXEITA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR FRANCISCO MANUEL ARTECHE FERNÁNDEZ-MIRANDA	0.01	0.00	0.00	0.00	0.01	0.00	0.00
MR ALBERTO GARCÍA ERAUZKIN	0.23	0.00	0.00	0.00	0.23	0.00	0.00
MR LUIS RAMÓN ARRIETA DURANA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS 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
Total percentage of voting rights held by the Board of Directors							11.24

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of total voting rights that <u>can be transmitted</u> through financial instruments
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA EUROPE, S.A.R.L.	11.00	0.00	11.00	0.00

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
KUTXABANK, S.A.	Contractual	Financing agreement between Euskaltel, S.A. and a banking syndicate, Kutxabank, S.A., among others, on 5 October 2015, and formalised in an instrument dated 27 November 2015. Telecommunications services agreement between Euskaltel and Kutxabank, S.A. dated 1 January 2015. Agreement between Euskaltel, S.A. and Norbolsa, Sociedad de Valores, S.A. (subsidiary of Kutxabank, S.A.) dated 14 March 2017, pursuant to which the latter entity acted as dealer for a "Euro Commercial Paper Programme".
ABANCA CORPORACIÓN BANCARIA, S.A.	Contractual	Financing agreement between Euskaltel and a banking syndicate, Abanca Corporación Bancaria, S.A. among others, dated 5 October 2015, and formalised in an instrument dated 27 November 2015. Comprehensive corporate fixed communications services agreement between R Cable y Telecomunicaciones Galicia, S.A. and NCG Banco, S.A. (now Abanca Corporación Bancaria, S.A.) on 20 December 2011.
CAJASUR BANCO, S.A.U.	Contractual	Telecommunications services agreement between CajaSur Banco S.A.U. and Euskaltel, S.A. dated 1 January 2015.

- A.6.** Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of legal-person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

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

- A.7.** State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the *Ley de Sociedades de Capital* ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

☒ Yes
☐ No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
ZEGONA LIMITED, EUSKALTEL, S.A.	15.00	Lock-up clause requiring Zegona Limited to refrain from selling, lending, contracting derivative instruments (including futures, options and swaps) or otherwise transferring or disposing of Euskaltel shares within the lock-up period.	26 July 2019

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

☐ Yes
☒ No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

Not applicable

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

☐ Yes
☒ No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
227,349		0.13

(*) through:

Name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes

During financial year 2018, the Company made the following direct acquisitions of own shares, in successive transactions, each of which exceeded 1% of the voting rights:

- On 8 February 2018, direct acquisitions of a total of 1,791,258 shares (1.003%) and direct transfers of a total of 1,702,118 shares (0.953%) were reported.
- On 3 August 2018, direct acquisitions of a total of 1,790,623 shares (1.002%) and direct transfers of a total of 1,858,307 shares (1.040%) were reported.

- A.10.** Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

Pursuant to the provisions of Sections 146 and 509 of the Corporate Enterprises Act, the shareholders acting at the Annual General Meeting of Shareholders held on 27 June 2016 expressly authorised the Board of Directors, with express power of substitution, to engage in the derivative acquisition of shares of the Company on the following terms:

- (a) The acquisitions may be made directly by the Company or indirectly through its subsidiaries upon the same terms of this resolution.
- (b) Acquisitions shall be made through purchase/sale, swap or any other transaction allowed by law.
- (c) Acquisitions may be made at any time up to the maximum amount allowed by law.
- (d) Acquisitions may not be made at a price higher than 105% of their quotation on the Exchange at the time of acquisition or less than the par value of the shares.
- (e) This authorisation is granted for a period of five years from the adoption of this resolution.
- (f) The acquisition of shares, including shares previously acquired by the Company or by a person acting in their own name but on the Company's behalf and held thereby, may not have the effect of reducing net assets below the amount of share capital plus reserves restricted by law or the bylaws, all as provided in letter b) of Section 146.1 of the Corporate Enterprises Act.

It is expressly stated for the record that the shares acquired as a result of the authorisation by the shareholders may be sold or cancelled, and may also be used for remuneration of the employees or directors of the Company and for the development or implementation of schemes promoting participation in the capital of the Company, such as dividend reinvestment plans, incentive plans, share purchase incentive plans or other similar instruments, pursuant to the provisions of letter a) of Section 146.1 of the Corporate Enterprises Act.

The authorisation by the shareholders shall also extend to the acquisition of own shares by Euskaltel for the implementation of liquidity agreements that have already been signed or that might hereafter be signed by the Company upon the terms allowed by law.

- A.11.** Estimated working capital:

	%
Estimated working capital	33.40

- A.12.** State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

☐ Yes
☒ No

- A.13.** State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

☐ Yes
☒ No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

☐ Yes
☒ No

If so, please list each type of share and the rights and obligations conferred on each:

B. GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

☐ Yes
☒ No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

☒ Yes
☐ No

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions	75.00	75.00

In keeping with Section 201 of the Corporate Enterprises Act, article 17 of the Regulations for the General Meeting of Shareholders, under a cross-reference from article 41 of the Bylaws, provides that if shareholders representing less than fifty per cent (50%) of the subscribed capital with voting rights are present, resolutions on the issuance of bonds, elimination or limitation of pre-emptive rights to subscribe new shares, transformation, mergers, divisions or overall assignments of assets and liabilities, dissolution and liquidation of the Company, transfer of its registered office to a location outside Spain, and in general, any amendment to the Bylaws, that do not relate to Significant Decisions of the shareholders acting at a General Meeting of Shareholders, may only be adopted with the favourable vote of two thirds (2/3) of the capital with voting rights and that is present in person or by proxy at the General Meeting of Shareholders.

As provided in article 37.2 of the Bylaws, resolutions covering a matter that is a Significant Decision shall be adopted by the affirmative vote of shareholders representing at least seventy-five per cent (75%) of the share capital with voting rights that are present in person or by proxy.

In this connection, and in light of article 37.3 of the Bylaws, the following are considered Significant Decisions of the shareholders acting at a General Meeting of Shareholders:

- a) Amendment of the Bylaws of the Company affecting the registered office, company name, company object and rules for adopting resolutions by the shareholders acting at a General Meeting of Shareholders and by the Board of Directors (unless intended to conform them to applicable law), including Significant Decisions of the shareholders acting at a General Meeting of Shareholders and of the Board of Directors, as well as a change in the "Euskaltel" brand for carrying out the activities of the Company within the Autonomous Community of the Basque Country.
- b) Any resolution having the purpose or effect of not maintaining effective administration and management of the Company within the Autonomous Community of the Basque Country.
- c) Delegation to the Board of Directors of any of the foregoing resolutions, in the instances allowed by law.

B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

In accordance with article 5 of the Regulations for the General Meeting of Shareholders, the General Meeting of Shareholders is the body with authority to amend the Bylaws (Articles of Association).

Pursuant to article 17.2 of the Regulations for the General Meeting of Shareholders, under a cross-reference from article 41 of the Bylaws, in order for the shareholders acting at an annual or extraordinary General Meeting of Shareholders to validly approve any amendment to the Bylaws, shareholders owning at least 50% of the subscribed share capital with voting rights must be present at the meeting in person or by proxy on the first quorum call. On the second quorum call, the attendance of 25% of said capital will suffice.

If shareholders representing less than 50% of the subscribed share capital with voting rights are in attendance, resolutions to amend the bylaws may only be adopted with the favourable vote of 2/3 of the share capital with voting rights that is present in person or by proxy at the General Meeting of Shareholders (provided that they do not relate to Significant Decisions of the shareholders acting at a General Meeting of Shareholders, as defined in article 37.3 of the Bylaws, as set forth in section B.2.).

In addition, pursuant to article 37.2 of the Bylaws, if the amendment of the Bylaws is contained in the Significant Decisions of the shareholders acting at a General Meeting, as described in section B.2, resolutions shall be adopted with the affirmative vote of shareholders representing at least 75% of the share capital with voting rights that are present in person or by proxy.

B.4. Give details of attendance at general meetings of shareholders held during the year of this report and the two previous years:

Attendance data					
Date of general meeting	% in person	% by proxy	% absentee voting		Total
			Electronic voting	Other	
27/06/2016	0.25	69.33	0.00	0.50	70.08
Of which, free float	0.25	28.37	0.00	0.50	29.12
26/06/2017	0.45	74.22	0.00	0.54	75.21
Of which, free float	0.45	32.82	0.00	0.54	33.81
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

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

- ☐ Yes
- ☒ No

B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[] Yes
[v] No

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

[] Yes
[v] No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

The Company's website address is www.euskaltel.com, which includes information for shareholders and investors and the documents provided for by law.

To access the Corporate Governance content, click on the "Investors" tab at the top and then on the "Corporate Governance" tab. The information on Corporate Governance and General Meetings of Shareholders is also available on the website of the CNMV (www.cnmv.es).

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	12

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ALBERTO GARCÍA ERAUZKIN		Executive	CHAIRMAN	28/11/2000	27/06/2016	RESOLUTION OF SHAREHOLDERS
MR FRANCISCO MANUEL ARTECHE FERNÁNDEZ-MIRANDA		Executive	CEO	27/06/2016	27/06/2016	RESOLUTION OF SHAREHOLDERS
KARTERA 1, S.L.	MS ALICIA VIVANCO GONZÁLEZ	Proprietary	DIRECTOR	27/06/2016	27/06/2016	RESOLUTION OF SHAREHOLDERS
MR LUIS RAMÓN ARRIETA DURANA		Proprietary	DIRECTOR	26/06/2017	26/06/2017	RESOLUTION OF SHAREHOLDERS
CORPORACIÓN FINANCIERA ALBA, S.A.	MR JAVIER FERNÁNDEZ ALONSO	Proprietary	DIRECTOR	27/02/2018	01/06/2018	RESOLUTION OF SHAREHOLDERS
MR ROBERT W. SAMUELSON		Proprietary	DIRECTOR	26/06/2017	26/06/2017	RESOLUTION OF SHAREHOLDERS

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JOSÉ ÁNGEL CORRES ABASOLO		Independent	VICE CHAIRMAN	08/03/2013	27/06/2016	RESOLUTION OF SHAREHOLDERS
MS BELÉN AMATRIAIN CORBI		Independent	DIRECTOR	31/03/2015	31/03/2015	RESOLUTION OF SHAREHOLDERS
MR IÑAKI ALZAGA ETXEITA		Independent	DIRECTOR	31/03/2015	31/03/2015	RESOLUTION OF SHAREHOLDERS
MS ELISABETTA CASTIGLIONI		Independent	DIRECTOR	27/06/2016	27/06/2016	RESOLUTION OF SHAREHOLDERS
MR MIGUEL ÁNGEL LUJUA MURGA		Independent	DIRECTOR	27/06/2016	27/06/2016	RESOLUTION OF SHAREHOLDERS
MR JONATHAN JAMES		Independent	DIRECTOR	26/06/2017	26/06/2017	RESOLUTION OF SHAREHOLDERS

Total number of directors	12
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JAVIER FERNÁNDEZ ALONSO	Proprietary	12/11/2015	27/02/2018	Mr Javier Fernández Alonso was a member of the three consultative Committees of the Board: Audit and Control Committee,	YES

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
				Appointments and Remuneration Committee and Strategy Committee.	

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

EXECUTIVE DIRECTORS		
Name of director	Post in organisational chart of the company	Profile
MR ALBERTO GARCÍA ERAUZKIN	Chairman	Mr Alberto García Erauzkin joined Euskaltel in 1998 as Chief Financial Officer and Controller. He was appointed CEO (<i>Consejero Director General</i>) in 2000 and promoted to Chairman of the Company in 2011. His previous professional experience includes auditing and consulting at Arthur Andersen and Audihispana, as well as economic and financial management at Heraclio Fournier and Corporación Patricio Echeverría. He is a member of the Official Accounting Registry (<i>Registro Oficial de Auditores de Cuentas</i>) and Auditing Institute of Certified Public Accountants (<i>Instituto de Auditores-Censores Jurados de Cuentas</i>). He is also a member of the governing boards of various institutions. He has a degree in Economics and Business Administration from the University of Deusto.
MR FRANCISCO MANUEL ARTECHE FERNÁNDEZ-MIRANDA	CEO	Graduated in Industrial Engineering from the University of Navarra in San Sebastián and MBA from the IESE Business School in Barcelona. With a long and prolific career behind him, he has held executive posts in the technology sector for 20 years and he spent the last eleven years at Microsoft, the world leader in applications and software. Prior to joining Euskaltel, he was the General Manager of the Microsoft Ibérica Consumer Channel Group, a company which he joined as Director of the Entertainment & Devices Division for Central and Southern Europe and, subsequently, for the whole of Western Europe. Previously, he had been the General Manager of Electronic Arts (EA Software) for Spain and Portugal, where he worked for seven years.

Total number of executive directors	2
Percentage of the Board	16.67

PROPRIETARY EXTERNAL DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
KARTERA 1, S.L.	KUTXABANK, S.A.	<p>Kartera 1, S.L. was incorporated as a limited company (<i>sociedad anónima</i>) under the name Kartera 1, S.A. on 30 July 1993, pursuant to the deed executed by José Antonio Isusi Ezcurdia, Notary Public of Bilbao, and recorded in his notarial records under number 2943. It was subsequently transformed into a limited liability company on 23 March 1999 by means of a deed executed by the aforementioned Notary Public, Mr. Isusi Ezcurdia, and recorded in his notarial records under number 826. This latest deed is entered in the Biscay Trade Registry, in volume BI-659, book 0, folio 25, page BI-5126-A, entry 9. Its tax number is B-48563506 and its registered office is at Gran Vía 30-32, 48009 Bilbao (Biscay). Alicia Vivanco González, the individual representing Kartera 1, S.L. and proposed to exercise the post of member of Euskaltel's Board of Directors, was born in Valle de Trápaga -Trapagaran (Biscay) in 1960. She holds a degree Economics from the University of the Basque Country. Ms Alicia Vivanco joined Euskaltel's Board of Directors in 2003 as the representative of Bilbao Bizkaia Kutxa. She has also been a managing director of Kutxabank, S.A. since 2012, where she leads Project Finance and Subsidiaries departments. She is also a director of other subsidiaries of Kutxabank, including Deoleo, Ingeteam, IdE, Ibermatica, Talde and Sociedad Promotora Bilbao Gas Hub (where she is also chair). Her previous professional experience was mainly developed at the financial institution BBK, which she joined in 1984, working in various departments: International Affairs, Portfolio Management and Capital Markets. She was named Managing Director of BBK in 2009.</p>
MR LUIS RAMÓN ARRIETA DURANA	KUTXABANK, S.A.	<p>Mr Luis Ramón Arrieta Durana was born in Maeztu (Álava) in 1957. He graduated with a science degree (Industrial Chemistry) from Valladolid University and has a PhD in Financial Economics from the Autónoma University of Madrid. He rounded off his training at different business schools including INSEAD, IESE and Deusto Business School. His professional career has mainly been in the banking sector. In particular, he has held the positions of Managing Director of Finanzia Banco de Crédito, S.A. and BBVA E-Commerce, as well as the positions of Assistant Executive Vice President of BBVA and Territorial Director of BBVA for the Basque Country and Cantabria, all within the BBVA Group. He has also been connected to the university training sector: he was Director-General of Deusto University from 2007 to 2012. He has been a member of the Board of Directors of companies including Gamesa, S.A., Norpension, S.A.,</p>

PROPRIETARY EXTERNAL DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
		Solium, S.A., Terra Network, S.A., Mobipay Internacional, S.A., Portal Gas Natural, S.A. and Hotelnet B2B, S.A., among others.
MR ROBERT W. SAMUELSON	ZEGONA COMMUNICATIONS PLC	Mr Robert W. Samuelson was appointed as a Director of Euskaltel in 2017. Mr Samuelson began his career in the industrial and engineering area, at British Aerospace and Royal Ordinance. Mr Samuelson then worked as a consultant at Arthur D. Little Ltd. In 2000 he joined the Virgin Group, where he has had various responsibilities. In January 2015 he founded Zegona Communications PLC, where he holds the position of chief operating officer and executive director. Among other positions, Mr Samuelson is a member of the Board of Directors of Virgin Mobile Canada, Virgin Mobile France and Virgin Mobile South Africa. He is also a member of the Strategy Committee of the Virgin Group, the body in charge of proposing new investment alternatives and corporate transactions. He obtained his Master's Degree in Natural Sciences from Cambridge University and holds an MBA from Cranfield University (Cranfield School of Management).
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA EUROPE, S.A.R.L.	Corporación Financiera Alba, S.A. is a company that was organised for an indefinite period under the name Cementos Alba, S.A. pursuant to an instrument executed on 9 November 1.953 before the notary of Madrid Mr Manuel Amorós Gozábez and recorded in his notarial book of records under number 2,920; subsequently amended with a change in its name to the current one by instrument dated 29 September 1.986 and notarised by the notary of this city Mr Rafael Ruiz Gallardón and recorded in his notarial book of records under number 2,813; the bylaws of which were conformed to the Corporate Enterprises Act (<i>Ley de Sociedades Anónimas</i>) by means of an instrument executed before the notary of Madrid Mr Luis Coronel de Palma on 13 July 1.990 and recorded in his notarial book of records under number 3,599, supplemented by another also executed before the same notary on 15 October 1.990 under number 4,723, transcribing the restated text of the new bylaws. It is registered with the Commercial Registry of Madrid at volume 417 General, folio 196, sheet number M-8078, entry 261. It is registered with the Commercial Registry of Madrid at volume 417 General, folio 196, sheet number M-8078, entry 261. It has Tax Identification Number (N.I.F.) A-28060903 and an address at 28006 Madrid, calle de Castelló, nº 77, planta 5ª. Mr Javier Fernández Alonso, the individual representative of Corporación Financiera Alba, S.A. proposed to hold the position of director on the Board of Directors of Euskaltel, was born in Bilbao on 15 August 1977. He holds a degree in business management and administration from Universidad de Deusto. He spent part of his career as an adviser on mergers and

PROPRIETARY EXTERNAL DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
		acquisitions at Goldman Sachs International (London) and ABN Amro Corporate Finance (Madrid), where he rose to the position of Associate Director. He also holds the position of Investments Manager of Corporación Financiera Alba, S.A., where he is also a member of the Investment Committee and of the Investor Committee of Artá Capital SGECR S.A. He has been a member of the boards of ACS, Acerinox, Dragados and Clínica Baviera.

Total number of proprietary directors	4
Percentage of the Board	33.33

INDEPENDENT EXTERNAL DIRECTORS

Name of director	Profile
MR JOSÉ ÁNGEL CORRES ABASOLO	Mr José Ángel Corres was appointed as a Director of Euskaltel in 2013. In 2010 he was named President of the Chamber of Commerce, Industry and Navigation of Bilbao, a position that he holds until this date. His previous professional experience includes positions in the Basque Government as head of the "Ports of General Interest" Group and advisor to Basque Government representatives in the Port of Bilbao. In 1996 he was appointed President of the Bilbao Port Authority, a position he held until 2009. In addition, he was a member of the Board of Directors of Bilbao Ría 2000. He holds a degree in economics and business administration from the Deusto Business School, and has also studied at the Institute of Economics and Port Logistics in Bremen.
MS BELÉN AMATRIAIN CORBI	Ms Belén Amatriain Corbi was appointed as a Director of Euskaltel in March 2015. She has also belonged to the Appointments and Remuneration and Strategy Committees since 6 May 2015 and 26 June 2017, respectively. Her previous professional career includes the following positions: Corporate Marketing Officer at Telefónica, S.A. from 2009 to 2012, CEO of Telefónica España from 2008 to 2009, CEO of Telefónica Móviles España from 2005 to 2007 and chair & CEO of Telefónica Publicidad e Información. She currently also holds the position of independent Director of EVO Banco, S.A.U., chairs its Audit Committee and is a member of the Appointments and Remuneration Committee. She is also an independent member of the Board of Directors of the following companies listed on the continuous market and on the PSI 20 index of the Portuguese stock market: Prim, S.A. (member and chair of its Audit Committee), Faes Farma S.A. (member) and CTT - Correios de Portugal, S.A. (member of the board and of its Audit Committee). Ms Amatriain holds a degree in law (ICADE E-1) from the Pontificia de Comillas University in Spain.
MR IÑAKI ALZAGA ETXEITA	Mr Iñaki Alzaga was appointed as a Director of Euskaltel in March 2015. He was with the Company from 1998 to 2005, holding positions as Advanced Business Manager, Manager of Business Development and member of the Management Committee. Since 2005, he has been the President of Grupo Noticias.

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
	The positions he previously held include Managing Director of Editorial Iparraguirre, S.A. and a 12-year career at PricewaterhouseCoopers.
MS ELISABETTA CASTIGLIONI	Ms Elisabetta Castiglioni was appointed as a Director of Euskaltel in June 2016. After developing her career in the world of telecommunications, working for operators (MCI Worldcom) and for manufacturers (Siemens), she currently offers advisory and consultancy services to different media and technological companies around the world, including clients like the BBC, ITV, BSkyB, SABC, Rai, Mediaset, SkyItalia, Mediacorp Singapore, Cox, New York Times, Corus Entertainment, The Globe and Mail, StarTV, Times of India and ProsiebenSat1.
MR MIGUEL ÁNGEL LUJUA MURGA	Mr Miguel Ángel Lujua Murga was appointed as a Director of Euskaltel in June 2016. Over the last thirty years, his career has focused on making different organisations more efficient, by managing the teams and people working under his responsibility. In the institutional area, from July 2011 until July 2015 he was president of Confebask (Basque Business Confederation) and a member of the Executive Committee and the Managing Board of the CEOE (Spanish Confederation of Business Organisations), as well as Vice President of Innobasque. He also belonged to the Management Board of the Biscay Business Confederation (Cebek) and has been Chair of the Basque Foundation for Excellence (Euskalit). In 2015, he was appointed Chief Executive Officer of the IMQ Group.
MR JONATHAN JAMES	Mr Jonathan James was appointed as a Director of Euskaltel in 2017. Mr Samuelson began his career in the technology, multimedia and telecommunications area, with executive posts at various companies in the United Kingdom belonging to this industry. In 2007 he joined Virgin Media, where he was Director of Strategy and Director of Television. After 7 years at Virgin Media, in 2014 he joined Com Hem, the main cable operator in Sweden, where he was Director of Operations, responsible for the residential market. Mr James has been CEO of Tele2 Netherlands since March 2017. He has a degree in Economics and History from the University of Cambridge.

Number of independent directors	6
Percentage of the Board	50.00

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management or its shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
No data			

Total number of other external directors	N/A
Percentage of the Board	N/A

State any changes in status that have occurred during the period for each director:

Name of director	Date of change	Previous status	Current status
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2015	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2015
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	25.00	25.00	33.33	33.33
Independent	2	2	2	2	33.33	33.33	40.00	40.00

	Number of female directors				% of directors for each category			
	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2015	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2015
Other external					0.00	0.00	0.00	0.00
Total	3	3	3	3	25.00	25.00	30.00	33.33

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

- ☒ Yes
☐ No
☐ Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

As regards the diversity policy referred to in Section 540.4.c).6 of the Corporate Enterprises Act, on 27 April 2018 Euskaltel's Board of Directors approved an Equal Opportunity and Reconciliation Policy, the purpose of which is to achieve a favourable environment that facilitates the reconciliation of the personal and working life of the professionals of the Euskaltel Group, and particularly effective equality between women and men, all respecting applicable law in each country and following the best international practices.

To achieve these objectives, the Euskaltel Group assumes and promotes the following main principles of conduct:

- Guarantee the quality of employment, fostering the maintenance of stable and high-quality jobs, with occupational contents that guarantee a continuous improvement in the abilities and skills of professionals.
- Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical or social condition of its professionals.
- Develop the principle of equal opportunity. This principle, the observance of which is one of the basic pillars of professional development, entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the Group's workforce in the following fields: (i) Promotion, professional development, and remuneration: value such knowledge and skills as are required to perform a job, through the evaluation of goals and performance; (ii) Hiring: not establish any differences in salary based on personal, physical or social conditions such as gender, race, marital status or ideology, political opinions, nationality, religion or any other personal, physical or social status; (iii) Recruitment and selection: recruit the best professionals by means of selection based on the merit and abilities of the candidates; (iv) Training: ensure the education and training of all professionals in knowledge and skills required for the proper performance of their work; (v) Support for workers with diverse abilities, promoting their effective employment; and (vi) Promotion of transparent communications, encouraging innovation and providing professionals the independence they need in the performance of their duties, all to raise awareness and promote all aspects relating to this Policy, ensuring that it is accessible to all professionals of the Euskaltel Group.
- Promote effective equality between women and men within the Euskaltel Group as regards access to employment, professional training and promotion, and working conditions, encouraging gender diversity as a manifestation of social and cultural reality, and in particular, to: (i) Strengthen the Euskaltel Group's commitment to effective equality of opportunity between women and men both within the organisation and in society, and promote awareness of this issue in both spheres; (ii) Guarantee the professional development of women within the Euskaltel Group, eliminating obstacles that could hinder or limit their career; (iii) Analyse affirmative action measures in order to correct inequalities that appear and to promote the access of women to positions of responsibility in areas in which they are underrepresented or not present; (iv) Strengthen mechanisms and procedures for selection and professional development that facilitate the presence of suitably qualified women in all areas of the organisation in which they are underrepresented, including the implementation of specific training and professional development monitoring programmes for women; (v) Strive to achieve a balanced representation within the various decision-making bodies and levels, guaranteeing that women participate in all consultative and decision-making areas of the Euskaltel Group on the basis of equality of opportunity; and (vi) Promote the organisation of working conditions with a gender perspective, allowing for the reconciliation of the personal, working and family life of women and men employed by the Euskaltel Group, ensuring the elimination of all gender-based discrimination.
- Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.
- Favour the hiring of those suppliers with internal measures for their employees on reconciliation and effective equality between women and men that comply with the provisions of this Equal Opportunity and Reconciliation Policy.
- Promote programmes of collaboration with educational institutions to encourage the presence of women in careers and training programmes relating to the businesses of the Euskaltel Group in which the presence of women is substantially lower than that of men.
- Collaborate in the fight against gender violence through the establishment of specific programmes that include measures of protection, support and information, to accompany and protect the victims of gender violence.
- Eradicate the use of discriminatory language in any kind of internal or external corporate communication.

- C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

The Appointments and Remuneration Committee is authorised to (i) submit to the Board of Directors proposals for the appointment of independent directors on an interim basis (co-option) or for submission to a decision of the shareholders acting at a General Meeting of Shareholders; and (ii) report on proposals for the appointment of the other directors on an interim basis (co-option) or for submission to a decision of the shareholders acting at a General Meeting of Shareholders, as well as proposals for the re-election or removal thereof by the shareholders acting at a General Meeting of Shareholders.

The Director Selection Policy guarantees 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 only impediments to being a candidate for director contained in the Director Selection Policy are those provided for in Article 9 of the Regulations of the Board of Directors of Euskaltel.

In particular, the candidates must be respectable and capable persons with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties, the appointment of whom favours a diversity of knowledge, experience, origin and gender within the Board of Directors of Euskaltel.

In selecting candidates, an attempt shall be made to achieve proper equilibrium within the Board of Directors as a whole that enriches decision-making and contributes multiple viewpoints to the discussion of the matters within its purview.

The selection process shall be governed by the Company's interest, with meritocracy as the primary selection standard, and shall be geared toward the search for 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 any bias that might prevent the selection of female directors.

Ultimately, the Director Selection Policy adopts the goal of Recommendation 14 of the current Good Governance Code for Listed Companies, such that the number of female directors will represent at least 30% of total members of the Board of Directors by the year 2020.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of reasons

Not applicable

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Director Selection Policy seeks a diversity of knowledge, experience, origin and gender within the Board of Directors to achieve proper equilibrium within the Board of Directors as a whole that enriches decision-making and contributes multiple viewpoints to the discussion of the matters within its purview.

In accordance with Recommendation 14 of the current Good Governance Code for Listed Companies, the Appointments and Remuneration Committee also verifies compliance with the Director Selection Policy on an annual basis.

Euskaltel has made an explicit commitment to eliminate any kind of implicit bias that might involve any discrimination and prevent the selection of female directors, who currently represent 25% of the members of the Board of Directors.

For all of the foregoing reasons, Euskaltel ratifies the commitment to achieve a balanced presence of men and women within the board of directors. In fact, Euskaltel's Director Selection Policy adopts the goal said recommendation of the Good Governance Code for Listed Companies, such that the number of female directors will represent at least 30% of total members of the Board of Directors by the year 2020.

- C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reasons
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

[] Yes
[v] No

- C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director or committee	Brief description
FRANCISCO MANUEL ARTECHE FERNÁNDEZ-MIRANDA	Mr Francisco Arteché has been delegated all powers of the Board of Directors, except for those powers that may not be delegated pursuant to law or the bylaws and the power to give guarantees in favour of third parties.

- C.1.10 Identify any members of the Board who are also directors, representatives of directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
MR ALBERTO GARCÍA ERAUZKIN	R Cable y Telecomunicaciones Galicia, S.A.U.	Individual representative of the Sole Director (Euskaltel, S.A.)	YES

Name of director	Name of group member	Position	Does the director have executive powers?
MR ALBERTO GARCÍA ERAUZKIN	Telecable de Asturias, S.A.U.	Individual representative of the Sole Director (Euskaltel, S.A.)	YES

C.1.11 List any directors or representatives of legal person-directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS BELÉN AMATRIAIN CORBI	PRIM, S.A.	DIRECTOR
MS BELÉN AMATRIAIN CORBI	FAES FARMA, S.A.	DIRECTOR
CORPORACIÓN FINANCIERA ALBA, S.A.	EBRO FOODS, S.A.	DIRECTOR
MS ELISABETTA CASTIGLIONI	LEONI AG	DIRECTOR
MS BELÉN AMATRIAIN CORBI	CTT - CORREIOS DE PORTUGAL, S.A.	DIRECTOR

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[☒] Yes
[☐] No

Explanation of the rules and identification of the document where this is regulated

Article 9 (ii) of the Regulations of the Board of Directors of Euskaltel provides that individuals or legal entities serving as directors at more than five companies in addition to the Board of Directors of Euskaltel, of which no more than three may have shares trading on domestic or foreign stock exchanges, may not be appointed as directors or individual representatives of a corporate director.

This calculation shall not take into account (i) property holding companies (*sociedades patrimoniales*) of the director or of persons connected therewith; (ii) holding or portfolio companies that merely hold shares, membership interests or assets but that do not have recurring activities; or (ii) as regards proprietary directors, the boards to which they belong by appointment of the significant shareholder that proposed them as a proprietary director of the Company or by any company of its group, provided that the proprietary director has the material and/or personal means needed to sufficiently dedicate themselves to their position as director of the Company.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,999
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position	
MR ALBERTO SANTAMARÍA RUBIO	DIRECTOR OF INTERNAL AUDIT	
MR JON ANDER DE LAS FUENTES INCHAUSTI	CHIEF FINANCIAL OFFICER	
MR AITOR MARKAIDA ZALLO	DIRECTOR OF CORPORATE COMMUNICATIONS AND EXTERNAL RELATIONS	
MR NORBERTO OJINAGA GOITIA	DIRECTOR OF TECHNOLOGY	
MR GONZALO SILVEIRO REGULEZ	DEPUTY SECRETARY OF THE BOARD OF DIRECTORS	
MR JESÚS PÉREZ	DIRECTOR OF SYSTEMS	
MR ALFREDO RAMOS GONZALEZ	DIRECTOR OF R BUSINESS	
MR ISIDRO FERNÁNDEZ	DIRECTOR OF CORPORATE/BUSINESS MARKETING	
MS NURIA FRESCO GARCÍA	DIRECTOR OF HUMAN RESOURCES, ORGANISATION, QUALITY AND INTERNAL COMMUNICATION	
MR KOLDO UNANUE CARAZO	DIRECTOR OF EUSKALTEL BUSINESS	
MR IGNACIO MOLINOS GALLO	DIRECTOR OF STRATEGY AND CORPORATE DEVELOPMENT	
MR JOSÉ ANTONIO VÁZQUEZ	DIRECTOR OF TELECABLE BUSINESS	
MS ROSARIO LACAL LOPEZ	DIRECTOR OF OPERATIONS AND TRANSFORMATION	
MR FRANCESCO ANGELONE	DIRECTOR OF RESIDENTIAL MARKETING	
Total senior management remuneration (thousand euros)		2,142

C.1.15 State whether the Board rules were amended during the year:

[☒] Yes
[☐] No

Description of changes

The Board of Directors, at a meeting held on 18 December 2018, resolved to amend article 9 of the Regulations of the Board regarding the maximum number of boards of directors to which the Directors of Euskaltel can belong, in order to avoid misinterpretations and clarify the scope thereof, including the literal text of the Report of the Board of Directors of 26 April 2016.

The current text clarifies that the Board of Directors of Euskaltel itself does not count in the calculation of the maximum number of boards of directors to which the Directors of Euskaltel can belong.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Pursuant to the provisions of the Corporate Enterprises Act, Directors shall be appointed or re-elected by the shareholders at a General Meeting of Shareholders from among honourable, skilled people of recognised character, competence, experience, qualification, training, availability and commitment to their duties.

To this end, the proposals for appointing and re-electing Directors that the Board of Directors submits for consideration by the shareholders acting at a General Meeting be preceded by (a) a proposal of the Appointments and Remuneration Committee, in the case of independent Directors; or (b) a report of the Appointments and Remuneration Committee, in the case of the other Directors, expressly evaluating the candidates' respectability, capability, expertise, competence, qualification, training, availability and commitment to their duties.

There is also a series of objective disqualifications that preclude a potential candidate from being appointed as a Director. These disqualifications are found in article 9 of the Regulations of the Board of Directors.

The proposals for re-election of Directors that the Board of Directors resolves to submit to a decision of the shareholders at the General Meeting shall be subject to a process of preparation, which must include a proposal (in the case of independent Directors) or a report (in the case of the other Directors) issued by the Appointments and Remuneration Committee containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed Directors during their preceding term of office as well as an express evaluation of their respectability, capability, expertise, competence, availability and commitment to their duties.

To this end, Directors sitting on the Appointments and Remuneration Committee shall be evaluated by the Committee itself, which shall use the internal and external means it deems appropriate for such purpose, and each of them shall leave the meeting during the deliberations and voting on resolutions that may affect them.

The Appointments and Remuneration Committee must ensure that, when new vacancies are filled or new Directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination, and in particular, that such procedures do not hinder the selection of female directors, also establishing a target for female representation on the Board and preparing guidelines on how to achieve it.

Furthermore, Directors shall cease to hold office upon the expiration of the term of office for which they have been appointed or when it is so resolved by the shareholders at a General Meeting of Shareholders. In addition to the foregoing, Directors must tender their resignation to the Board of Directors in the cases indicated in article 12, sections 2, 3 and 6 of the Regulations of the Board of Directors.

The Board of Directors may propose the termination of an independent director before the passage of the bylaw-mandated period only upon good cause as defined in article 12.6 of the Regulations of the Board of Directors.

Directors affected by proposals for appointment, re-election or removal from office shall leave the meeting during the deliberations and voting relating to them.

Among its other duties, the Appointments and Remuneration Committee is responsible for establishing and supervising an annual evaluation programme and an ongoing review of the Directors' qualifications, training, and if applicable, independence, as well as the maintenance of the conditions of the Directors' respectability, capability, expertise, competence, availability and commitment to their duties, not only when these conditions are necessary to serve as a Director as such but also to serve as a member of a particular committee, and proposes to the Board of Directors the measures that it deems appropriate in this regard, with the right to obtain any information or documentation that it deems necessary or appropriate to this end.

Finally, under the Director Selection Policy approved by the Board of Directors on 26 April 2016, the Board of Directors must perform, with the advice of and upon a report from the Appointments and Remuneration Committee, an analysis of the needs of the Company and of its Group, which will be used as a starting point for the proposed re-election of Directors or the proposed selection of new candidates for Director.

In this regard, the search will focus on persons who meet the requirements set out below and whose appointment favours a diversity of knowledge, experience, origin and gender on the Company's Board of Directors.

The candidates for Director of the Company must be respectable and capable persons with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties.

In selecting candidates, an attempt shall be made to achieve proper equilibrium within the Board of Directors as a whole that enriches decision-making and contributes multiple viewpoints to the discussion of the matters within its purview.

The selection process shall be governed by the Company's interest, with meritocracy as the primary selection standard, and shall be geared toward the search for the most qualified candidates.

Euskaltel may rely upon the assistance of external experts in the selection and validation of candidates for Director.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

During financial year 2017, the Board of Directors and the Audit Committee each performed self-evaluations of their operation, which gave rise to a number of proposals for improvement already described in the Corporate Governance Report for said financial year 2017, some of which were implemented in 2018 and other of which are pending.

The evaluation of a Board is a tool for continuous improvement, for which reason the evaluation in 2018 performed with the help of an external consultant has served to measure the level of implementation of said improvements, as well as to detect new proposals for improvement in each of the subject areas being evaluated and which are described in the next section.

The evaluation of financial year 2018 having been completed, the Board of Directors is preparing an action plan, which will not give rise to major changes in its organisation but which may lead to operational improvements in its procedures (improvement in quality of strategic debate, tools to better monitor the composition of the Board, reflection on role of Lead Independent Director, to cite a few examples).

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Board of Directors evaluated the following subject areas in 2018 with the help of an external consultant:

- Strategic control.
- Risk management.
- Monitoring of the business.
- Work procedures.
- Composition of the Board.
- Operation of the Board.
- Performance of the Committees.
- Performance of bylaw-mandated roles.
- Individual performance of Directors.

The process consisted of two phases:

Phase I - Launch and planning

The following activities were performed during this phase:

- Contact and meetings with the Chairman, the Chair of the Appointments and Remuneration Committee and the Secretary and Deputy Secretary of the Board to gain an understanding of the current situation and the main short-, medium- and long-term challenges of the Board.
- Examination of any documentation deemed necessary to understand the current situation, past experiences, existing challenges, the operational model of the Board and applied corporate governance procedures (specifically, review of the results of self-evaluations and improvement plans from prior years).
- Prioritisation of the subject areas being evaluated and preparation of surveys to collect information from the members of the Board.

The work performed during this phase resulted in two products:

- a) Surveys to support the collection of information and communication with members of the Board.
- b) Specific work plan, with activities and dates.

Phase II – Diagnosis and recommendations

In this phase, pursuant to the planning approved at the end of the prior phase, there is a process of collecting information, opinions and perceptions of the members of the Board, as well as the preparation of a draft Diagnosis and Recommendations.

The activities performed during this phase were:

- Prior delivery to the members of the Board of the surveys to be filled out, together with supporting guidelines.
- Individual meetings or contacts with each of the members of the Board for an estimated period of 45-60 minutes in order to delve into the content described in the surveys and collect their qualitative perceptions.
- Preparation of Diagnosis and Recommendations.

The process also included a specific separate evaluation of the Audit and Control Committee, using CNMV Technical Guide 3/2017 as a reference.

The results of both evaluations were quite satisfactory, both in terms of the opinions of its members and the from the viewpoint of examining those elements documenting the structure, policies and applied procedures thereof. The Board of Directors is preparing an action plan to handle the identified proposals for improvement.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

None.

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

Article 12.2 of the Regulations of the Board of Directors provides that Directors must tender their resignation to the Board of Directors and formalise the resignation in the following cases:

- (i) If due to supervening circumstances they are involved in any of the instances of disqualification or prohibition referred to in provisions of a general nature, the Bylaws or the Regulations.
- (ii) If serious damage is caused to the value or reputation of the Company or there is a risk to the Company of criminal liability as a result of any acts or conduct attributable to the Director.
- (iii) If they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a Director of the Company.
- (iv) If their continuance in office on the Board of Directors may for any reason jeopardise the faithful and diligent performance of their duties in furtherance of the Company interest, whether directly, indirectly or through connected persons (pursuant to the definition of this term set forth in the Regulations).
- (v) If the reasons why the director was appointed cease to exist, and particularly in the case of proprietary directors, if the shareholder or shareholders who proposed, requested or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.

Article 12.4 of the Regulations of the Board of Directors also provides that Directors must also tender their resignation to the Board of Directors when they reach the age of 70, and they must formalise the corresponding resignation from their position as Director at the first meeting of the Board of Directors that takes place after the holding of the General Meeting of Shareholders at which the shareholders approve the annual accounts for the financial year in which they reach said age.

Finally, article 12.6 of said Regulations provides that the Board of Directors may propose the termination of an independent Director before the passage of the bylaw-mandated period only upon good cause found by the Board of Directors. In particular, good cause shall be deemed to exist whenever the Director has failed to perform the duties inherent in the position held thereby or comes under any of the prohibited circumstances described in the definition of independent Director established by applicable legal provisions or, in the absence thereof, the good corporate governance recommendations applicable to the Company at any particular time.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

[☒] Yes
[☐] No

If so, please describe any differences.

Description of differences

Article 55 of the Bylaws and article 22 of the Regulations of the Board of Directors provide that a valid quorum for a meeting of the Board of Directors held to adopt Significant Decisions of the Board of Directors shall require the attendance in person or by proxy of 4/5 of its members. Furthermore, resolutions regarding a matter that is a Significant Decision of the Board of Directors shall be adopted with the favourable vote of at least 4/5 of the members present in person or by proxy.

Pursuant to article 56 of the Bylaws and article 23 of the Regulations of the Board of Directors, the following are considered Significant Decisions of the Board of Directors:

- a) Closure of any work centre of the Company at any time within Autonomous Community of the Basque Country, unless said closure is documented with due justification for reasons of efficiency in carrying out the business activity of the Company.
- b) Proposing any decision to the shareholders acting at a General Meeting of Shareholders that is intended to have the effect of not maintaining effective administration and management of the Company within the Autonomous Community of the Basque Country or within any other Autonomous Community in which the effective administration and management of a subsidiary or minority-owned company is located.
- c) Proposing to the shareholders acting at a General Meeting of Shareholders a change in the "Euskaltel" brand for carrying out the activities of the Company in the Autonomous Community of the Basque Country.
- d) Decision regarding the direction of the Company's vote in its capacity as member or shareholder (and the vote of its representatives on management bodies) at any subsidiaries or minority-owned companies regarding any resolution deemed to be a Significant Decision of the Board of Directors for purposes of this section.
- e) Resolutions to implement the delegations made by the shareholders acting at a General Meeting of Shareholders regarding the above matters.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:

- ☐ Yes
- ☒ No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

- ☒ Yes
- ☐ No

	Age limit
Chairman	N/A
CEO	N/A
Director	N/A

Article 12.4 of the Regulations of the Board provides that directors must also tender their resignation to the Board of Directors when they reach the age of 70, and they must formalise the corresponding resignation from their position as director at the first meeting of the Board of Directors that takes place after the holding of the General Meeting of Shareholders at which the shareholders approve the annual accounts for the financial year in which they reach said age.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors or other more stringent requirements in addition to those established by law:

- ☐ Yes
- ☒ No

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the rules.

Pursuant to article 57 of the Bylaws and article 24 of the Regulations of the Board of Directors, any Director may grant their proxy and vote to any other Director, giving notice thereof by letter addressed to the Chair. The proxy must be in writing and must be particular for each meeting.

Article 25 of the Regulations of the Board of Directors provides that Directors shall make every effort to attend the meetings of the Board of Directors and, if unable to do so in person, shall endeavour to give a proxy to another Director, to whom appropriate instructions must be given. They may not give a proxy in connection with matters in relation to which they have any conflict of interest.

There is no maximum number of proxies that may be granted by a Director, nor are Directors required to grant their proxy to another director of the same type, except as provided by law.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

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

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the AUDIT AND CONTROL COMMITTEE	5
Number of meetings held by the STRATEGY COMMITTEE	2
Number of meetings held by the APPOINTMENTS AND REMUNERATION COMMITTEE	6

C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

Number of meetings with the attendance of at least 80% of the directors	9
% personal attendance of total votes during the year	100.00
Number of meetings with all directors attending in person or by proxy with specific instructions	
% of votes cast in person and by proxy with	0.00

specific instructions of all votes
cast during the year

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[☒] Yes
[☐] No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
MR JON ANDER DE LAS FUENTES INCHAUSTI	CFO
MR FRANCISCO MANUEL ARTECHE FERNÁNDEZ-MIRANDA	CEO

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Article 43.3 of the Regulations of the Board of Directors provides that the Board shall seek to definitively formulate the annual accounts such that there is no room for reservations or qualifications by the auditor. In those exceptional circumstances in which they are made, both the Chair of the Audit and Control Committee and the external auditors shall clearly explain to the shareholders the content of such reservations or qualifications. However, if the Board of Directors believes that its opinion should prevail, it shall provide a public explanation of the content and scope of the discrepancy.

In addition, article 5 of the Regulations of the Audit and Control Committee provides that, without prejudice to any other duties that may be assigned thereto from time to time by the Board of Directors, or that are vested therein by applicable legal provisions, the Audit and Control Committee shall perform the following basic duties:

- a) Monitor the effectiveness of the internal control of the Company and of its Group as well as the systems for managing risks, including tax risks.
- b) Analyse with the external auditors any possible significant weaknesses in the internal control system detected when the audit was performed.
- c) Supervise the process of preparing and presenting regulated financial information.
- d) Supervise the internal audit activity of the Company.
- e) Establish appropriate relations with the external auditors to receive information on those issues that might risk the independence thereof, for examination by the Committee, and any others related to the statutory audit process, as well as such other communications as are provided for in the laws on auditing and in auditing rules. In any event, they must receive every year from the external auditors a written confirmation of their independence from the entity or entities directly or indirectly related thereto, as well as information about additional services of any kind provided to these entities by the auditors or companies, or by persons or entities related to them in accordance with the laws on auditing of accounts.

In addition, throughout the financial year, the Audit and Control Committee reports on the Company's financial information before it is approved by the Board of Directors and submitted to the National Securities Market Commission (CNMV).

C.1.29 Is the secretary of the Board also a director?

[☐] Yes
[☒] No

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

Name of the secretary	Representative
MR LUIS ALBA FERRÉ	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

In accordance with article 43 of the Regulations of the Board, the Audit and Control Committee proposes to the Board of Directors, for submission to the shareholders at the General Meeting of Shareholders, the appointment (indicating the contractual terms and conditions and the scope of the professional mandate), renewal and revocation of the statutory auditor of the Company and oversees compliance with the auditing contract.

To this end, the Audit and Control Committee shall refrain from proposing to the Board of Directors, and the Board of Directors shall refrain from submitting to the shareholders at a General Meeting of Shareholders, the appointment as statutory auditor of the Company of any audit firm that is affected by grounds for disqualification under the legal provisions on auditing or those firms for which the fees expected to be paid by the Company for all items is greater than five per cent (5%) of their total revenues for the previous financial year.

In addition, article 64.3 of the Bylaws provides that, without prejudice to any other duties that may be assigned to it from time to time by the Board of Directors, the Audit and Control Committee shall perform the following basic duties:

- a) Report to the shareholders at the General Meeting of Shareholders on the issues raised by the shareholders that are within its purview, and particularly regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the function that the Audit and Control Committee has performed in said process.
- b) Monitor the effectiveness of the internal control of the Company and of its Group as well as the systems for managing risks, including tax risks.
- c) Together with the statutory auditors, but without diminishing the independence thereof, analyse significant weaknesses in the internal control system detected during the audit. For these purposes, it may submit any recommendations or proposals to the Board of Directors and establish the corresponding follow-up period.
- d) Supervise the process of preparing and presenting regulated financial information and submit recommendations or proposals to the Board of Directors to protect the integrity thereof.
- e) Propose to the Board of Directors, for submission to the shareholders at the General Meeting of Shareholders, the appointment, re-election or replacement of the statutory auditors, taking responsibility for the selection process, in accordance with applicable legal provisions, as well as the terms of engagement thereof, and regularly collect information therefrom on the audit plan and the implementation thereof, in addition to preserving its independence in the performance of its duties.
- f) Supervise the internal audit activity of the Company.
- g) Establish appropriate relations with the statutory auditors to receive information on those issues that might threaten the independence thereof, for examination by the Audit and Control Committee, and any others related to the audit process and, if applicable, the authorisation of services other than those prohibited under applicable legal provisions, as well as such other communications as are provided for in the laws on auditing and in other auditing rules. In any case, it must annually receive from the statutory auditors written confirmation of their independence from the Company or entities directly or indirectly related thereto, as well as detailed and itemised information on additional services of any kind provided to these entities by the statutory auditors or by persons or entities related thereto, in accordance with legal provisions governing audit activities.
- h) On an annual basis, and prior to the audit report, issue a report expressing an opinion as to whether the independence of the statutory auditors is compromised. This report must, in all cases, and on a reasoned basis, make a pronouncement regarding the provision of each and every one of the additional services referred to in the preceding letter, considered individually and as a whole, other than the legal audit, and in relation to the rules on independence or the legal provisions governing audit activities.
- i) Provide an advance report to the Board of Directors on all of the matters provided by law, the Company's Bylaws and the Regulations of the Board of Directors, and particularly regarding: (i) the financial information that the Company must periodically publish; (ii) the creation or acquisition of interests in special purpose entities or entities domiciled in territories or countries considered to be tax havens; and (iii) related-party transactions.

On the other hand, section 3.(ii) of article 5 of the Regulations of the Audit and Control Committee provides that, as regards the external auditor, the Audit and Control Committee is vested with the following powers, among others:

(a) Endeavour to ensure that the remuneration of the external auditor for its work does not compromise the quality or independence thereof.

(b) Ensure the independence of the external auditor and, to that end, (i) that the Company reports a change of auditor to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same; (ii) that the Company and the auditor comply with applicable legal provisions regarding the provision of non-audit services and, in general, the other rules established to ensure the independence of the auditor, and (iii) that it investigate the circumstances giving rise to any resignation of the external auditor.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

☐ Yes
☒ No

If there were any disagreements with the outgoing auditor, please provide an explanation:

☐ Yes
☒ No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

☒ Yes
☐ No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	51	9	60
Amount invoiced for non-audit services/Amount for audit work (in %)	17.40	3.10	20.50

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

☐ Yes
☒ No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	4

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)	28.57	19.05

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

☒ Yes
☐ No

Explanation of procedure

Article 15 of the Regulations of the Board of Directors provides that the Chair of the Board of Directors must ensure that the Directors receive in advance information sufficient to deliberate on the items on the agenda. Furthermore, article 19 of the Regulations of the Board of Directors provides that notice of meetings of the Board of Directors must be given at least 10 business days prior to the date set for the meeting.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

☒ Yes
☐ No

Explain the rules

Directors must tender their resignation to the Board of Directors and formalise the resignation in the cases provided for in article 12.2 of the Regulations of the Board of Directors, including for these purposes the following:

- (i) If due to supervening circumstances they are involved in any of the instances of disqualification or prohibition referred to in provisions of a general nature, the Bylaws or the Regulations.
- (ii) If serious damage is caused to the value or reputation of the Company or there is a risk to the Company of criminal liability as a result of any acts or conduct attributable to the Director.
- (iii) If they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a Director of the Company.

In addition, article 39.2 of the Regulations of the Board of Directors provides that a Director must inform the Company of any court, administrative or other proceedings brought against the Director and which, due to the importance or nature thereof, could seriously affect the reputation of the Company. In particular, every Director must inform the Company, through its Chair, if the Director has become subject to an order for further criminal prosecution (*resultar procesado*) or if an order for the commencement of an oral trial has been issued against such Director for any of the crimes specified in Section 213 of the Corporate Enterprises Act.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

☐ Yes
☒ No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

- The financing agreement entered into between the Company and a syndicate of banks, whose Agent is Banco Bilbao Vizcaya Argentaria, on 5 October 2015, and formalised in an instrument dated 27 November after compliance with the conditions precedent established in the agreement, contains an acceleration clause requiring the Company to prepay the loan and any amounts due in the event of a change in control. For purposes of such agreement, a change in control is deemed to occur if any person or group of persons acting in concert acquires more than 50% of the share capital with voting rights of Euskaltel.
- The master services outsourcing agreement to build, operate, maintain and guarantee the service of the Euskaltel network, executed on 16 October 2014 between the Company and ZTE, provides that if Euskaltel is subject to a change in ownership (whether as a result of a business combination, restructuring, reorganisation, sale or otherwise) such that there is a greater than fifty per cent (50%) change in its shareholding structure, Euskaltel may terminate the agreement, provided that it gives ZTE six (6) months' prior written notice.
- The master IT services outsourcing agreement entered into on 20 June 2014 between the GFI Norte corporate group and the Company may be terminated by Euskaltel after the passage of two (2) years from such date if Euskaltel is subject to a change in share ownership (whether as a result of a business combination, restructuring, reorganisation, sale or otherwise) such that there is a greater than fifty per cent (50%) change in its shareholding structure.
- The agreement entered into on 2 July 2012 for Orange to provide services to Euskaltel in order for Euskaltel to provide services as a full VMO provides that the companies may terminate the agreement in the event that a competitor of one of the companies directly holds the majority of the capital or the voting rights of the other. Thus, if a competitor of Orange should end up directly holding the majority of the capital or voting rights of Euskaltel, Orange will be entitled to terminate the agreement. Likewise, if a competitor of Euskaltel should end up holding the majority of the capital or voting rights of Orange, Euskaltel may terminate the agreement.

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to a takeover bid or any other type of transaction.

Number of beneficiaries	2
Type of beneficiary	Description of agreement
Executive directors	<p>Addendum of 24 May 2016 to the internal services agreement with the Chair of the Board of Directors dated 1 April 2013, whereby, if the Chair ceases to hold that position or resigns from the Board, he or she may resume their previous employment relationship, or terminate it and receive a severance payment equal to 45 days of salary per year of service to Euskaltel, up to a maximum of 24 monthly payments.</p> <p>CEO services agreement dated 1 September 2016, whereby the CEO will be entitled to receive from the Company a severance payment in the case of termination of employment and of the Contract on the following grounds: a) Unilateral termination by the CEO due to serious breach by the Company of the obligations included in said Contract. b) Unilateral termination by the CEO due to a material change in his duties, powers or conditions for providing the services that is not due to reasons attributable to the CEO. c) Change in control of the Company within the meaning provided by article 42 of the Commercial Code. d) Unilateral termination of the contract by the Company, at any time,</p>

Type of beneficiary	Description of agreement
	that is not due to (i) a serious breach attributable to the CEO of the duties of loyalty, diligence or good faith in accordance with which he must perform his office, or (ii) any other serious breach by the CEO of the obligations assumed under the contract. The severance payment will consist of an amount equal to 18 months of his fixed annual remuneration on the date of termination of the Contract.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	✓	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		✓

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT AND CONTROL COMMITTEE		
Name	Position	Category
MR IÑAKI ALZAGA ETXEITA	CHAIRMAN	Independent
KARTERA 1, S.L.	MEMBER	Proprietary
CORPORACIÓN FINANCIERA ALBA, S.A.	MEMBER	Proprietary
MR ROBERT W. SAMUELSON	MEMBER	Proprietary
MR JOSÉ ÁNGEL CORRES ABASOLO	MEMBER	Independent
MS ELISABETTA CASTIGLIONI	MEMBER	Independent
MR MIGUEL ÁNGEL LUJUA MURGA	MEMBER	Independent
% of executive directors	0.00	
% of proprietary directors	42.86	
% of independent directors	57.14	
% of executive directors	0.00	

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Control Committee shall be composed of a minimum of 3 and a maximum of 7 external Directors (proprietary and independent). A majority of the members of the Committee shall be independent directors. A Chair shall be elected from among the independent directors on the Committee, and in case of a tie, the Chair shall have the tie-breaking vote. 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 may appoint a Deputy Secretary, who may be one of its members or the Deputy Secretary of the Board of Directors, who will replace the Secretary in cases of vacancy, absence, illness or disability. The members of the Audit and Control Committee shall be appointed for a maximum term of 4 years, and may be re-elected on one or more occasions for terms of the same maximum length. The position of Chair shall be held for a maximum term of four years, after which period the Chair may not be re-elected as such until the passage of one year from ceasing to hold such position, but he or she continues to be a member of the Audit and Control Committee. The Secretary of the Committee shall be appointed for a maximum term of 4 years and may be re-elected on one or more occasions for terms of the same maximum length.

The Audit and Control Committee shall meet at least 2 to 4 times per year. The Committee shall also meet whenever called by its Chair, who must do so whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals, or when requested by one third of the members of the Audit and Control Committee. The Chair of the Audit and Control Committee may also call a meeting whenever appropriate for the proper performance of its duties.

Pursuant to article 5.(v).a) of the Regulations thereof, the Audit and Control Committee shall conduct a periodic review of the Company's internal corporate governance rules and shall propose changes and updates to further develop and improve those rules to the Board of Directors for approval or submission to the shareholders at the General Meeting, as applicable.

Article 64 of the Bylaws and article 5 of the Regulations of the Audit and Control Committee assign the following basic duties, among others, to the latter:

- (a) Report to the shareholders at the General Meeting with respect to the matters raised therein by the shareholders on matters within its power, and particularly regarding the results of the audit.
 - (b) Monitor the effectiveness of the internal control of the Company and of its Group as well as the systems for managing risks, including tax risks.
 - (c) Together with the statutory auditors, but without diminishing the independence thereof, analyse significant weaknesses in the internal control system detected during the audit. For these purposes, it may submit any recommendations or proposals to the Board of Directors and establish the corresponding follow-up period.
 - (d) Supervise the process of preparing and presenting regulated financial information and submit recommendations or proposals to the Board of Directors to protect the integrity thereof.
 - (e) Propose to the Board of Directors, for submission to the shareholders at the General Meeting of Shareholders, the appointment, re-election or replacement of the statutory auditors, taking responsibility for the selection process, in accordance with applicable legal provisions, as well as the terms of engagement thereof, and regularly collect information therefrom on the audit plan and the implementation thereof, in addition to preserving its independence in the performance of its duties.
 - (f) Supervise the internal audit activity of the Company.
 - (g) Establish appropriate relations with the statutory auditors to receive information on those issues that might threaten the independence thereof, for examination by the Audit Committee, and any others related to the audit process and, if applicable, the authorisation of services other than those prohibited under applicable legal provisions, as well as such other communications as are provided for in the laws on auditing and in other auditing rules. In any case, it must annually receive from the statutory auditors written confirmation of their independence from the Company or entities directly or indirectly related thereto, as well as detailed and itemised information on additional services of any kind provided to these entities by the statutory auditors or by persons or entities related thereto, in accordance with legal provisions governing audit activities.
 - (h) On an annual basis, and prior to the audit report, issue a report expressing an opinion as to whether the independence of the statutory auditors is compromised.
 - (i) Provide an advance report to the Board of Directors on all of the matters provided by law, the Company's Bylaws and the Regulations of the Board of Directors, and particularly regarding: (i) the financial information that the Company must periodically publish; (ii) the creation or acquisition of interests in special purpose entities or entities domiciled in territories or countries considered to be tax havens; and (iii) related-party transactions.
- The Audit and Control Committee met 5 times during financial year 2018, and among other items, it reviewed the periodic financial information that the Company must submit to the CNMV, the monthly management reports, intragroup and related-party transactions, the Internal Audit and Compliance Plan 2018, the implementation of ICFR and the update of the corporate risk map.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors
with experience

MR IÑAKI ALZAGA ETXEITA /
KARTERA 1, S.L. / CORPORACIÓN
FINANCIERA ALBA, S.A. / MR
ROBERT W. SAMUELSON / MR

	JOSÉ ÁNGEL CORRES ABASOLO / MS ELISABETTA CASTIGLIONI / MR MIGUEL ÁNGEL LUJUA MURGA
Date of appointment of the chairperson	01/06/2015

STRATEGY COMMITTEE		
Name	Position	Category
MR JOSÉ ÁNGEL CORRES ABASOLO	CHAIRMAN	Independent
KARTERA 1, S.L.	MEMBER	Proprietary
CORPORACIÓN FINANCIERA ALBA, S.A.	MEMBER	Proprietary
MR ROBERT W. SAMUELSON	MEMBER	Proprietary
MS BELÉN AMATRIAIN CORBI	MEMBER	Independent
MR IÑAKI ALZAGA ETXEITA	MEMBER	Independent
MR JONATHAN JAMES	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	42.86
% of independent directors	57.14
% of executive directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or other corporate resolutions.

The Strategy Committee, created by Euskaltel's Board of Directors pursuant to the provisions of article 65 bis of the Company's Bylaws, is an internal informational and consultative body without executive duties, the purview of which includes information, advisory and proposal-making powers. These duties of the Committee shall be performed thereby with respect to both the Company and the subsidiaries making up its group. The main task of the Committee is to assist, inform and make proposals to the Board of Directors on the matters from time to time assigned thereto by the Bylaws of the Company, the Regulations of the Board of Directors and its own Regulations. Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors or to the duties and powers of the Audit and Control Committee and the Appointments and Remuneration Committees, the Strategy Committee shall have the following basic duties:

- (i) Evaluate and propose to the Board of Directors strategies for diversifying the business of the Company, based on its industry, its expected performance, the applicable regulatory framework, and the Company's resources, abilities and potential for development and growth.
- (ii) Submit to the Board of Directors new investment opportunities, formulating alternatives for investment in assets that entail a long-term increase in the value of the Company.
- (iii) Study and propose recommendations or improvements to strategic plans that are from time to time submitted to the Board of Directors, in light of the Company's competitive position.
- (iv) On an annual basis, issue and submit to the Board of Directors a report that contains the proposals, evaluations, studies and work performed by the Strategy Committee with respect to the above matters.

The Committee shall be made up of a minimum of 3 and a maximum of 7 external (i.e. proprietary and independent) directors. A majority of the members of the Committee shall be independent directors. The members of the Committee shall be appointed by the Board of Directors, upon a proposal of its Chair, from among the external directors. The Board of Directors shall appoint the members of the Committee while endeavouring to ensure that they have the knowledge, skill and experience appropriate for the duties they are called upon to perform. The Committee shall elect a Chair from among the independent directors on the Committee. 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 may appoint a Deputy Secretary, who may be one of its members or the Deputy Secretary of the Board of Directors, who will replace the Secretary in cases of vacancy, absence, illness or disability.

During financial year 2018, the Strategy Committee met on two occasions to review the update of the Strategic Plan and the Business Plan.

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
MR MIGUEL ÁNGEL LUJUA MURGA	CHAIRMAN	Independent
MR LUIS RAMÓN ARRIETA DURANA	MEMBER	Proprietary
CORPORACIÓN FINANCIERA ALBA, S.A.	MEMBER	Proprietary
MR ROBERT W. SAMUELSON	MEMBER	Proprietary
MS BELÉN AMATRIAIN CORBI	MEMBER	Independent
MS ELISABETTA CASTIGLIONI	MEMBER	Independent
MR JOSÉ ÁNGEL CORRES ABASOLO	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	42.86
% of independent directors	57.14
% of executive directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The internal regulations of Euskaltel provide that the Appointments and Remuneration Committee shall be composed of a minimum of 3 and a maximum of 7 external Directors (proprietary and independent). A majority of the members of the Committee shall be independent directors. A Chair shall be elected from among the independent directors on the Committee, and in case of a tie, the Chair shall have the tie-breaking vote. 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 may appoint a Deputy Secretary, who may be one of its members or the Deputy Secretary of the Board of Directors, who will replace the Secretary in cases of vacancy, absence, illness or disability. The members of the Appointments and Remuneration Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length. The position of Chair shall be held for a maximum term of four years, after which the Chair may not be re-elected to such office until the passage of one year, without prejudice to the continuance thereof as a member of the Appointments and Remuneration Committee. In addition, the Secretary of the Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

The Appointments and 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 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.

Article 65 of the Bylaws and article 5 of the Regulations of the Appointments and Remuneration Committee assign to the Committee the following basic duties, which are set forth in greater detail in articles 6 through 10 of the Regulations of said Committee:

- (i) Evaluate the skills, knowledge and experience needed on the Board of Directors. For these purposes, it shall define the functions and skills necessary in the candidates to fill each vacancy and shall evaluate the time and dedication required for them to effectively perform their duties.
- (ii) Establish a goal for representation of the less represented gender on the Board of Directors and prepare guidelines on how to achieve this goal.
- (iii) Submit to the Board of Directors proposals for the appointment of independent Directors on an interim basis or for submission to a decision of the shareholders at a General Meeting of Shareholders, as well as proposals for the re-election or removal of said Directors by the shareholders.
- (iv) Report on proposals for the appointment of the other Directors on an interim basis or for submission to a decision of the shareholders at a General Meeting of Shareholders, as well as proposals for the re-election or removal thereof by the shareholders.
- (v) Report on proposals for the appointment and removal of senior officers and the basic terms of their contracts.
- (vi) Examine and organise the succession of the chair 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 policy for Directors and general managers or whomsoever performs the duties of senior management reporting directly to the Board, to executive committees or to CEOs, as well as the individual remuneration and other contractual conditions for the executive Directors, ensuring compliance therewith.

The Appointments and Remuneration Committee met 6 times during financial year 2018, and among other items, it reported favourably to the Board of Directors on the following matters:

- Appointment of Directors on interim basis (co-option).
- New organisational structure of the Euskaltel Group.
- Payment of the 2017 annual bonus and determination of the 2018 annual bonus.
- Appointment of new non-Director Secretary and Deputy Secretary of the Board of Directors.
- Creation of the position of non-Director Deputy Secretary of the consultative Committees of the Board.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Financial Year 2018		Financial Year 2017		Financial Year 2016		Financial Year 2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	2	28.57	2	28.57	2	50.00	2	50.00
STRATEGY COMMITTEE	2	28.57	2	28.57	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION COMMITTEE	2	28.57	2	28.57	1	25.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The rules of organisation and operation of the Audit and Control, Appointments and Remuneration and Strategy Committees are set forth in their respective Regulations and in the Bylaws, which can be found on the Company's website (www.euskaltel.com).

The Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee each prepare a report on their respective activities each year. The reports for financial year 2018 will be made available to the shareholders upon the call to the General Meeting.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

In accordance with article 64 of the Bylaws and article 5 of the Regulations of the Audit and Control Committee, decisions related to related-party transactions are adopted by the Board of Directors, following a report from the Audit and Control Committee.

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
KUTXABANK, S.A.	EUSKALTEL, S.A.	Contractual	Financing agreements: loans	120,183
ABANCA CORPORACIÓN BANCARIA, S.A.	EUSKALTEL, S.A.	Contractual	Financing agreements: loans	56,333
ABANCA CORPORACIÓN BANCARIA, S.A.	R CABLE Y TELECOMUNICACIONES GALICIA, S.A.	Contractual	Provision of services	5,752
KUTXABANK, S.A.	EUSKALTEL, S.A.	Contractual	Provision of services	7,090

D.3. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the directors or officers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N/A

- D.4.** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N/A

- D.5.** Describe significant transactions conducted with other related parties that have not been reported in the previous sections:

Name of the related party	Brief description of the transaction	Amount (thousand euros)
No data		N/A

- D.6.** Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Pursuant to article 33 of the Regulations of the Board, conflicts of interest shall be governed by the following rules:

(i) Communication: a director must inform the Board, through the Chair or the Secretary, of any conflict of interest in which the director is involved.

(ii) Abstention: a director must leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members in attendance for purposes of calculating the quorum and majorities.

(iii) Transparency: the Company shall disclose any conflicts of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

A conflict of interest shall exist in those situations in which there is a conflict, whether direct or indirect, between the interest of the Company or of any of the companies of its Group and the personal interest of a director. A personal interest of the director shall exist if a matter affects the director or a person connected therewith or, in the case of a proprietary director, if it affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly connected therewith.

In those instances in which the conflict of interest is, or can reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director and the Company or the companies forming part of the Group, it shall be deemed that the director lacks, or has ceased to possess, the suitability required to hold office.

Pursuant to article 38 of the Regulations of the Board, a transaction by the Company or the companies forming part of its Group with directors, with shareholders holding a stake equal to or greater than that considered to be significant as provided for in the legal provisions governing the securities markets applicable at any particular time or that have proposed the appointment of any of the directors of the Company, or with the respective connected persons, shall be subject to the approval of the Board of Directors, following a favourable report from the Audit and Control Committee.

The Board of Directors and the Audit and Control Committee shall ensure that transactions between the Company or the companies forming part of its Group and the Directors, the shareholders mentioned in the preceding section, or the respective connected persons are carried out under arm's length conditions and with due respect for the principle of equal treatment of shareholders that are in the same situation.

Article 34 of the Regulations of the Board provides that a Director may not use the assets of the Company or use their position to obtain a financial benefit, unless appropriate consideration has been paid and it is a standardised service.

The next article adds that a Director must observe the rules of conduct established in the legal provisions governing the securities market and, in particular, those contained in the Company's Internal Regulations for Conduct in the Securities Markets.

Article 10.2 of Euskaltel's Internal Regulations for Conduct establishes the general principles that must be observed by Affected Persons covered by said Regulations who are subject to conflicts of interest, which are as follows:

(a) Independence: Affected Persons must act with independent judgement, with loyalty towards Euskaltel and its shareholders and regardless of their own or third parties' interests. They shall avoid prioritising their own interests at the expense of those of the Company or those of certain investors at the expense of those of others.

(b) Abstention: They must refrain from participating in or influencing the making of decisions relating to transactions that may affect the persons or entities with which a conflict exists and from accessing Significant Information (article 2 of the Internal Regulations for Conduct in the Securities Markets) that affects such conflict.

(c) Communication: Affected Persons must notify the Compliance Officer (article 2 of the Internal Regulations for Conduct in the Securities Markets) of possible conflicts of interest in which they are involved because of their activities outside of Euskaltel, family relationships, personal assets, or for any other reason, with the Company or any of the companies of its group, suppliers or significant customers of Euskaltel or companies in its group, entities in the same line of business or that compete with the Company or any subsidiary thereof.

Any questions regarding the possibility of a conflict of interest must be discussed with the Compliance Officer, who shall make the final decision.

A conflict of interest shall be deemed to exist when the Affected Person is in any of the following positions with respect to the entities referred to in article 10: (i) is a director or Senior Officer (article 2 of the Internal Regulations for Conduct in the Securities Markets); (ii) holds a significant interest (for listed companies, those referred to in Section 174 of the Securities Market Act and its implementing regulations, and for unlisted domestic or foreign companies, any direct or indirect holding greater than 20% of their issued share capital); (iii) is related, up to the second degree of affinity or the third degree of consanguinity, to its directors, holders of significant stakes in its capital or Senior Officers; and (iv) directly or indirectly holds material contractual relations.

D.7. Is there more than one company in the group listed in Spain?

☐ Yes

☒ No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

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

The Euskaltel Group's Risk Management 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.

It operates in a comprehensive and continuous manner, and its management at the corporate level is established by each of the companies and Departments that form the consolidated group, especially Euskaltel, S.A., R Cable y Telecomunicaciones Galicia, S.A. and Telecable de Asturias S.A.U.

The scope of the Risk Management System thus affects the entire Group and comprises all of the various Risks identified in the COSO Model (established by the Treadway Commission's Committee of Sponsoring Organizations), structured around the following layout:

- a) Strategic Risks, with the Board of Directors and the Management Committee and the rest of the Management Team being primarily responsible for the management thereof.
- b) Operational Risks, with the Management Committee and the rest of the organisation being primarily responsible for the management thereof.
- c) Compliance Risks, with Compliance and the rest of the organisation being primarily responsible for the management thereof.
- d) Information Risks, with official information being managed through the finance function and the Office of the General Secretary and internal information being managed through the various users thereof.
- e) Cyber-risks, which have been elevated to the level of the four aforementioned risks, in order to allocate specific resources to their integrated management, with special emphasis on the Network, Systems and Business Development Areas.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Pursuant to article 4.2 of its Regulations, the Board of Directors "as a body reserves the power to approve general policies and strategies of the Company, and particularly, (...) the policy for controlling and managing risks, including tax risks, as well as the periodic monitoring of internal information and control systems".

Furthermore, the Audit and Control Committee is to "periodically review the internal control and risk management systems, such that the principal risks are properly identified, managed and reported" (article 5.3 of its Regulations). Internal Audit of the Group, under the supervision of the Audit and Control Committee, endeavours to ensure the effectiveness of the internal reporting and control systems (article 20 of the Regulations of the Audit and Control Committee).

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

As regards Strategic Risks:

- risks inherent to the telecommunications industry.
- risks arising from the competitive situation and market growth (the Euskaltel Group operates in a market subject to price pressure, to which it must be able to respond, and to continuous growth in the use of telecommunications services, which may be affected by issues related thereto such as security and changes in technology and may result in a change in forecasts of the demand for services).
- risks arising from changes in technology.

As regards Operational Risks:

- risks inherent to the telecommunications industry.
- risks arising from regulation of the industry (the telecommunications industry is regulated, and such regulation is subject to possible changes resulting from changes in legal provisions and technological evolution).

- risks arising from changes in technology (the Company must respond to rapid changes in technology, which necessarily require it to adapt its services to those changes).
- risks arising from agreements with third parties (the Company has entered into access agreements with third parties, as well as agreements with suppliers for the provision of significant services for its business).
- Credit risk: the risk of financial loss faced by the Company if a customer or a counterparty under a financial instrument fails to perform its contractual obligations. This risk primarily occurs in the amounts of receivables.
- Liquidity risk: the risk that the Company might have difficulties complying with its obligations associated with financial liabilities to be paid through the delivery of cash or other financial assets.
- Market risk: the risk that changes in prices could affect the Company's income or the value of the financial instruments that it maintains.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk:

The Euskaltel Group has procedures and systems within its organisation allowing it to decide the extent to which risks will be assumed, mitigated, hedged or avoided to the extent possible. Risk analysis is an integral part of the decision-making process.

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

The strategy and activities driven by the Group's Risk Management System tend to minimise the impact of risks and attempt to offset negative effects in some areas with positive effects in others.

Some risks associated with the supply of telecommunications equipment have arisen during the year, but which have not generated a material impact on operations once the corresponding actions were taken.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise:

The Group's Risk Management System, defined on the basis of good international practices, includes activities to identify and evaluate risks, take mitigation actions, and supervise them:

- Risks arising from the competitive situation and market growth: consideration of the trends forecasted for the market, taking into account these trends and changes in growth forecasts. The forecasts of growth in the telecommunications sector have been confirmed in the past financial years, as the sector is subject to a special policy promoting the growth thereof.
- Risks arising from industry regulation: permanent monitoring of the regulatory environment, evaluating the impact of potential changes on the Company, analysing the impact thereof and taking specific action in connection with the regulators and other players in the sector.
- Risks arising from changes in technology: making the required adjustments in the network.
- Risks arising from agreements with third parties: actions to strengthen relationships with strategic providers, developing alternative sources where possible.

The activities of the Euskaltel Group are exposed to the following financial risks:

- Credit risk: the risk of financial loss if a customer or a counterparty under a financial instrument fails to perform its contractual obligations. This risk primarily occurs in the amounts of receivables. Customer credit risk is mitigated both by the use of various policies and by a high dispersion of the line item amount for receivables. Specific policies and practices that the Company uses include a customer acceptance policy, the ongoing monitoring of customer credit, which reduces the possibility that the principal balances of accounts receivable will not be paid, as well as collection management. The impact of uncollectable trade receivables on the income statement was €4.4 million (€3.1 million in 2017), equivalent to 0.6% of total revenues in 2018 (0.5% in 2017). The amount of past-due receivables that had not deteriorated at 31 December 2018 and were more than 90 days past due was €8 million (€9.9 million at the end of 2017).

- Liquidity risk: the risk in complying with obligations associated with financial liabilities to be paid through the delivery of cash or other financial assets. At 31 December 2018, there was a long-term revolving line of credit in the amount of €300 million, of which €220 million was drawn, and short-term lines of credit in the amount of €49.25 million, which have not been drawn down. The balances shown in the cash and cash equivalents line item are the available liquidity kept in financial institutions with a high credit rating.

At 31 December 2018, the balances in this line item were €107.3 million (€58.7 million at the end of 2017).

The debt maturity profile is matched to the ability to generate cash flows to service the debts. To do so, a seven-year financing plan has been established, with annual revisions and periodic analyses of our financial position, which includes long-term projections, along with daily monitoring of balances and bank transactions.

- Market risk: the risk that changes in prices could affect income or the value of financial instruments. The goal of managing market risk is to control exposure to risk, optimising the rate of return. The Group's area of activity leads to quite low exchange rate risk and pricing risk, as these risks are concentrated in small amounts of infrequent foreign currency purchase transactions. Interest rate risk relates to the loans provided by financial institutions and related parties at variable rates, which expose us to changes in future cash flows.

In order to mitigate the risk of a potential increase in interest rates, in 2017 the company entered into an agreement with certain financial institutions guaranteeing a hedge against increases in the cost of Euribor with a nominal value of €825 million, equal to 50% of the nominal value drawn under the loans with financial institutions. Beginning in the second quarter of 2016, we began to apply quarterly interest rate settlements, which allows the exhaustive tracking of rates in the financial market. In March 2017 Euskaltel also formalised a short-term Euro Commercial Paper Programme registered with the Irish Stock Exchange. The maximum overall limit of the Programme is €200 million, and serves as a method other than bank financing to cover working capital requirements. For the year ended 31 December 2018, an increase in interest rates by 100 basis points, with other variables remaining constant, would have decreased results (after taxes) by €8 million (€7.2 million for the year ended 31 December 2017).

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Pursuant to its Regulations, the Board of Directors reserves full power to approve a policy on the control and management of risks, including tax risks, as well as the regular monitoring of the internal information and control systems.

The Board of Directors is thus responsible for ensuring the existence of an appropriate and effective ICFRS.

Pursuant to the provisions of the Regulations of the Board of Directors and the Regulations of the Audit and Control Committee, the Audit and Control Committee shall perform the following duties, among others:

- Monitor the preparation and the integrity of the financial information on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting principles.
- Analyse the annual accounts following the close of each financial year, examining the draft opinion of the external auditors, discussing with them the content of the annual accounts and the audit report, and submitting recommendations to the Board of Directors regarding the formulation of the annual accounts.
- Periodically review the internal control and risk management systems, such that the principal risks are properly identified, managed and reported.
- Endeavour to ensure the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and termination of the head of the internal audit department; propose the department's budget; receive periodic reports on its activities; and verify that senior management take account of the conclusions and recommendations of its reports.
- Establish and supervise a mechanism allowing employees to report confidentially, and anonymously if deemed appropriate, potentially significant irregularities that they become aware of at the Company, especially those of a financial and accounting nature.

The Finance Department is responsible for the design, implementation, maintenance and update of the ICFRS. All areas and functions of the Group are relevant for the maintenance of an appropriate internal control system, but the Finance Department is responsible for coordination and management of such work and activities to achieve an effective ICFRS.

In this regard, steps towards the automation of the ICFRS process were taken during financial year 2018 thanks to the implementation of a tool that allows all the professionals of the Group involved in financial information to access it for the evaluation and documentation of the controls implemented and/or monitored. As at the date hereof, the tool is operational within all companies of the Group. This implementation has allowed for greater awareness of the areas involved, a general review of the ICFRS model, and an improvement in the documentation of the controls carried out within the Group.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

Pursuant to article 4 of the Regulations of the Board of Directors, the Board of Directors approves the determination and modification of the organisational structure of the Company, as well as the appointment and removal of the senior officers, understood as those who report directly to the Board of Directors or the chief executive (Executive Chair, CEO or Managing Director, whether or not a director), if any, the head of internal audit and any other officer to whom the Board of Directors gives such status.

The mission of the Organisation, Human Resources and Quality Department, reporting directly to the CEO, is to define the lines of responsibility, as well as to define the tasks and duties of each Department. That Department also establishes the necessary means of internal and external communication during each organisational change.

On the other hand, the preparation of financial information is the responsibility of the Finance Department, which must maintain reliable systems and models of economic, financial and operational information that can be used as the basis for decision-making by the Board of Directors and the consultative Committees.

- Code of conduct, body that approves it, degree of dissemination and instruction, principles and values included (indicating whether the recording of transactions and the preparation of financial information are specifically mentioned), body in charge of reviewing breaches and of proposing corrective actions and penalties:

In 2017, based on pre-existing Ethical Codes at the companies of the Euskaltel Group, the Board of Directors unified, updated and approved a new Code of Ethics applicable to the Euskaltel Group. This Code of Ethics is articulated through certain Conduct Instructions that establish the specific principles and guidelines to which the behaviour of the Group's personnel and those working on its behalf must conform in their daily work, both in their internal relations and their relations outside the Company. It is also addressed to the Group's Suppliers, to which Euskaltel's principles and guidelines apply.

Dissemination and training regarding the Code of Ethics is promoted by the Group's Compliance Officer. For the Group's Professionals, persons who engage in their professional activities within the Euskaltel Group regardless of their organisational responsibility, geographic or functional location, or company of the Euskaltel Group to which they directly provide their services, in coordination with the Organisation, Human Resources and Quality Department and for Suppliers with the Procurement and General Services Department. The Group's various means of communication are used for this purpose, particularly the corporate intranets of the companies that comprise it internally, and the corresponding websites externally where the Code of Ethics is published for the awareness of all Stakeholders.

After the relevant training, 100% of the professionals of the Euskaltel Group expressly declared that they understood and agreed to comply with the Code of Ethics in 2018. Furthermore, after receiving the relevant training, 91% of the professionals also declared that they understood and agreed to the Conduct Instructions that further develop the Code of Ethics and the Anti-Corruption Policy of the Group.

For their part, during 2018 the distributors of the Group and suppliers with higher billing and risk have been accepting and signing the Conduct Instructions that further develop the Anti-Corruption policy of the Euskaltel Group.

As provided in the Code of Ethics, the work of the Group's Professionals must adhere to certain basic principles. Of particular note is the importance of the principle of "compliance with applicable financial rules", meaning that the economic/financial information of the Euskaltel Group faithfully reflects its economic and financial situation and assets and liabilities in accordance with generally accepted accounting principles and international financial reporting rules that are applicable thereto.

For such purpose, the Euskaltel Group prepares its economic/financial information in a trustworthy manner and in compliance with applicable legal provisions, based on the principles of existence and occurrence of the transactions, integrity of the information, valuation, presentation, breakdown, comparability and reflection of rights and obligations, pursuant to applicable legal provisions and the Corporate Tax Policy approved by the Group.

Furthermore, to ensure compliance with the Code of Ethics, there is a Regulatory Compliance Committee with the following functions: (i) engage in surveillance and monitoring of the regulatory environment affecting Euskaltel's activities; (ii) supervise and monitor compliance with the Code of Ethics; and (iii) promote a culture of compliance and the prevention of corruption and bribery and potential conflicts of interest at Euskaltel. The Compliance Officer also ensures compliance with the Code of Ethics and the other rules applicable to the Group.

Finally, there is a Corporate Defence Committee that ultimately decides on the actions to be taken deriving from reports of potential breaches of the Euskaltel Group's regulations.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature:

Based on existing channels within the Group, the Board of Directors also updated, unified and approved in 2017 a tool called the "Ethics Channel" in order to request information, facilitate the communication of concerns and/or report issues relating to the policies, codes and rules applicable to the Group, especially those of a financial or accounting nature, or improprieties they see and that they think are important with respect thereto.

All of these communications can be made by both the Group's Professionals as well as any third party, guaranteeing the most absolute confidentiality at all times.

The Ethics Channel can be accessed by the Group's Professionals through each of the corporate intranets, and the communications or reports are sent through a form provided on each intranet or directly using an email address. For other Stakeholders and/or any third party, the Ethics Channel provides a procedure for access through the corporate websites of each of the companies of the Group, which procedure is fully operational at each of them as at the date hereof.

The Internal Audit Department is responsible for management of the Group's Ethics Channel. The Regulatory Compliance Committee is apprised of the facts reported, determines whether to continue with a case in view of the investigation of Internal Audit, and reports to the Audit and Control Committee. In the event of potential criminal facts, the Corporate Defence Committee intervenes for the resolution thereof and determination of the steps to be taken.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management:

The Organisation, Human Resources and Quality Department is responsible for establishing the diagnosis for training activities, preparing the Training Plan, and launching and coordinating training activities, as well as properly assisting each and every one of the other Departments and centres in the work of identifying training needs and also offering to each and every employee of the Euskaltel Group the training that they need from time to time.

In particular, and without prejudice to other procedures, the Organisation, Human Resources and Quality Department meets these commitments through several rounds of meetings and interviews with the heads of each Department and the decision centres, and may also use any other means that it deems appropriate to identify the training needs of the Company's personnel. These rounds of meetings and interviews are usually held annually. As a result of this work, the training needs that are uncovered and appropriately classified by training skills and functional duties and responsibilities are then summarised in a document called "Training Diagnosis", which serves as the basis for preparing the Training Plan.

Furthermore, independently of the duties of the Organisation, Human Resources and Quality Department described above, the heads of the various Departments and decision centres are responsible for detecting the training needs of the employees who report to them and for evaluating the effectiveness of the training once it has been held.

In addition to the duties and procedures described above, the internal personnel involved in preparing and reviewing financial information maintain constant communication with the external auditors, who periodically report on new developments in accounting and taxation rules. Subscriptions to alerts from the main accounting firms and regulatory agencies regarding new developments in accounting and taxation rules function as channels for flows of this type of information.

F.2. Assessment of financial information risks.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented:

The risk identification process is documented in the Group's ICFRS model, which establishes the methodology for the identification and analysis of the risks associated with achieving the financial information control goals.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

The following methodology has been determined for the identification and analysis of the risks present in the process of preparing and issuing the Company's financial information:

- Identification of significant accounts based on the Group's financial information.
- Identification of critical processes associated with the significant accounts.

- Identification of financial risks associated with the critical processes and definition of control objectives.

The processes identified above are analysed in order to identify possible risks of error in the financial information, in connection with existence and occurrence, integrity, assessment, presentation, breakdowns and comparability, and rights and obligations.

This process of identification takes into account quantitative variables based on parameters, like asset volume, and qualitative variables, like the complexity of the transactions, link to large-scale processes, complexity of the calculations and use of estimates and projections.

The Euskaltel Group's ICFRS model provides that the Audit and Control Committee must oversee and approve the risk identification process on an annual basis.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities:

The process of identification of the scope of consolidation within the Euskaltel Group is carried out by the Secretary of the Board and the Finance Department.

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

The Euskaltel Group has implemented a Risk Management System. The Risk Management Model is based on the International COSO Risk Management Framework. The Group adds a fifth risk to the four Types of Risk in the COSO Framework, Cyber-risks, given the importance to the Group of these kind of Risks, especially those relating to its Telecommunications Networks and its Information Technology Systems.

The control activities contemplated within the Group's ICFRS explicitly includes a report to the Finance Department by the Risk Officer of the Euskaltel Group of the results of the Risk Officer's analysis of strategic, operational, compliance, reporting and cyber risks, in order to assess the impacts on financial information.

- The governing body within the company that supervises the process:

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

F.3. Control activities.

State whether the company has at least the following, describing their main characteristics:

- F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

The Board of Directors approves the financial information that the Company must periodically publish due to its status as a listed company, with the Audit and Control Committee being responsible for supervising the preparation and presentation of the regulated financial information. Therefore, the financial information to be provided to the markets is presented to the Audit and Control Committee and/or the Board of Directors by the Finance Department.

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

These processes are represented through a risk and controls matrix. This matrix describes the control activities and how they respond to the risks relating to the achievement of the goals of trustworthiness of financial information, including fraud. It also describes those responsible for the implementation and review of each control activity and the frequency with which it must be performed.

The Head of ICFRS at the corporate level, reporting to the Finance Department, is responsible for the update and dissemination of this matrix amount the persons involved at the corporate level and within the various components of the Group, and ensures the implementation thereof prior to the submission of financial information for review by the Board of Directors.

In order to review such financial information, the Finance Department meets with the external auditors prior to submitting it to the Audit and Control Committee and/or the Board of Directors. Furthermore, prior to the formulation of the annual accounts or interim financial statements, the Chief Financial Officer sends to the members of the Board of Directors a certification stating that the annual accounts / interim financial statements present, in all material respects, a true and fair view of the financial situation and of the results of operations and of the changes in the Company's financial situation during the financial year (or applicable period) and contain the information that is necessary and sufficient for proper comprehension thereof, pursuant to applicable regulations.

Prior to the submission thereof to the Audit and Control Committee, the Finance Department: (i) identifies transactions linked to estimates, projections, valuations and judgements of significant value; (ii) compares assumptions and judgements to the various areas from which they originate and which have better knowledge of the transactions, and iii) reviews consistency with other business and/or financial indicators.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Euskaltel Group believes that information is one of the main assets of the organisation and that its protection is essential to ensure the continuity and development of the business. As a result of the foregoing, the Euskaltel Group has driven the creation of a specific organisational area of Systems and Network Security and created an IT and Network Security Management Committee. The ITNSMC is an executive Committee that manages, approves and coordinates the main aspects relation to IT and network security at the level of the Euskaltel group. It is the highest body involved in IT and network security for the Euskaltel Group.

The Euskaltel Group has established an Information Security Management System, integrated with the processes of the organisation and its overall management structure.

Within the framework of the Management System, the Euskaltel Group has established an IT Security and IT Security Risk Management Policy. Under this regulatory framework, the Euskaltel Group has a Systems and Network Security department that is responsible for ensuring security in the Company's processes.

In this regard, some of the controls included in the activities of said department fall within the following areas:

- Identity management.
- Network access.
- Security architecture: the IT infrastructure is comprised of various data processing centres and technologies that ensure retrieval in line with the time frames established by the business.
- Operations (monitoring and management of incidents).
- Back-up copies and IT contingency checks.
- Change control.
- Development (cyber-security training for end users, secure development procedures, periodic internal and external audits).
- Physical access.

F.3.3 Internal control policies and procedures intended to guide the management of activities subcontracted to third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The Euskaltel Group regularly reviews the activities subcontracted to third parties in order to identify their participation in processes having a risk of material impact on the preparation of the financial information, given that this fact does not avoid responsibility for the control of such process.

Once identified, there is a review of the need for implementation of specific controls and/or supplementary controls.

Assessments, calculations or valuations entrusted to independent experts, as well as the methods and principal assumptions used, are analysed at least by the Finance Department, taking advantage of its training and independence.

F.4. Information and communication.

State whether the company has at least the following, describing their main characteristics:

- F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Finance Department is responsible for standardising the accounting policies of the Group and keeping them up to date, always under the supervision of the Audit and Control Committee, which reports to the Board of Directors.

Continuous reporting from the various components of the Group to the corporate function also favours fluid communication and ongoing resolution of concerns regarding the interpretation of the accounting policies adopted.

In particular, the Audit and Control Committee, with the assistance of the Internal Audit Department, ensures that generally accepted accounting principles are applied, along with any material change in such principles. The Audit and Control Committee also ensures that the half-yearly financial information and the interim management reports are prepared using the same accounting principles as the annual accounts.

- F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

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

The process of consolidation and preparation of the consolidated financial statements includes completion by the components of the Group of financial information reporting in a homogeneous manner, which includes a map of previously-reviewed accounts and which gives the corporate function all information needed to prepare the Group's financial statements, as well as the notes thereto.

The Group also has a number of control activities that are implemented to cover the specific risks of collecting and preparing consolidated information.

F.5. Supervision of system performance.

Describe at least the following:

- F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Information is also to be provided concerning the scope of the assessment of the internal control over financial reporting system performed during the financial year and on the procedure whereby the person or division charged with performing the assessment reports the results thereof, whether the entity has an action plan in place describing possible corrective measures, and whether the impact thereof on financial information has been considered.

The Audit and Control Committee is regularly informed on the ICFRS implemented by the Finance Department, of the changes that might occur during the financial year, and of incidents arising during the implementation thereof.

The ICFRS itself also includes controls that the Governance Bodies must comply with, including those referring to the supervisory work of the Audit and Control Committee.

This supervisory work is supported by an Internal Audit Department that reports functionally to the Chair of the Audit and Control Committee and organisationally to the Chair of the Board of Directors, and which includes supervision of the Group's ICFRS within 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 the activities of Internal Audit.

The Audit and Control Committee also safeguards the independence and effectiveness of the Internal Audit function by following the Internal Audit Professional Practices Rules of the Institute of Internal Auditors and the recommendations of the Good Governance Code.

The functions of Internal Audit include supporting the Audit and Control Committee in its task of supervising the internal control system, including ICFR.

During 2018, Internal Audit has supervised ensuring that the model resulting from the automation of the ICFRS developed by the Finance Area is the same as the previously defined one.

Internal Audit has also analysed specific aspects of the ICFRS and of the financial information, based on risks and coordinating with other assurance functions, including the External Auditors.

The results of its analysis have been reported to the Areas involved and to the Audit and Control Committee, establishing Action Plans for implementation of any recommendations made. These Recommendations and their Action Plans are monitored by the Audit and Control Committee and the status thereof is summarised in the Annual Activities Report of Internal Audit submitted to the Audit and Control Committee.

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

F.5.2 If there is a procedure by which the statutory auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA - "Auditing Standards")), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

As described in the Activities Report of the Audit and Control Committee for financial year 2018 and the Report on Independence of the Statutory Auditor, the latter regularly meets with the Audit and Control Committee, with the full Board of Directors, and less formally with the Chair of the Audit and Control Committee to regularly follow up on the level of implementation of the Audit Plan, which deals with related issues, including internal control and any weaknesses observed.

Internal Audit includes in its Annual Plan any comment from the External Auditor for specific follow-up and resolution, applying the same postulates as in the recommendations of Internal Audit.

F.6. Other relevant information.

Nothing relevant.

F.7. External auditor's report.

Report on:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The information on the internal control over financial reporting system has not been submitted for specific review by the external auditor, although the auditor's procedures include an assessment of the risks of material inaccuracy taking into account the internal control relevant to the formulation of the Company's annual accounts.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies ☒ Explanation ☐

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Complies Partially ☐ Explanation ☐

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☒ Complies Partially ☐ Explanation ☐

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [X] Complies Partially [] Explanation []

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies [X] Complies Partially [] Explanation []

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies [X] Explanation []

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X] Complies Partially [] Explanation []

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies Partially [] Explanation []

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [] Complies partially [] Explanation [] Not applicable [X]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies [] Complies partially [] Explanation [] Not applicable [X]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [X] Complies Partially [] Explanation []

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies [X] Explanation []

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call to the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies [X] Complies Partially [] Explanation []

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies [X] Complies Partially [] Explanation []

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explanation []

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional and biographical profile.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or are connected with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Complies ☒ Complies Partially ☐ Explanation ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies partially ☐ Explanation ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☒ Complies Partially ☐ Explanation ☐ Not applicable ☐

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X] Explanation []

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies [X] Complies Partially [] Explanation []

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies [X] Complies Partially [] Explanation [] Not applicable []

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Complies Partially [] Explanation [] Not applicable []

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies Partially [] Explanation []

26. That the Board of Directors meets frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies [X] Complies Partially [] Explanation []

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Complies Partially [] Explanation []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Complies Partially [] Explanation [] Not applicable []

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies Partially [] Explanation []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Explanation [] Not applicable []

31. That the agenda for meetings clearly states those matters about which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies Partially [] Explanation []

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies Partially [] Explanation []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies Partially [] Explanation []

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chair of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X] Complies Partially [] Explanation [] Not applicable []

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [X] Explanation []

36. That the Board of Directors meets in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X] Complies Partially [] Explanation []

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [] Complies partially [] Explanation [] Not applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [] Complies partially [] Explanation [] Not applicable [X]

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X] Complies Partially [] Explanation []

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X]

Complies Partially []

Explanation []

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X]

Complies Partially []

Explanation []

Not applicable []

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X]

Complies Partially []

Explanation []

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X]

Complies Partially []

Explanation []

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies Partially [] Explanation [] Not applicable []

45. That the risk management and control policy identify, at a minimum:

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies Partially [] Explanation []

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies Partially [] Explanation []

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies Partially [] Explanation []

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [☐]

Explanation [☐]

Not applicable [☒]

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [☒]

Complies Partially [☐]

Explanation [☐]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [☒]

Complies Partially [☐]

Explanation [☐]

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [☒]

Complies Partially [☐]

Explanation [☐]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:
- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
 - b) That their chairmen be independent directors.
 - c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
 - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X]

Complies Partially []

Explanation []

Not applicable []

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, to which at least the following responsibilities shall be specifically assigned:
- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
 - b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
 - c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
 - d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
 - e) Follow-up of corporate social responsibility strategy and practice, and evaluation of degree of compliance.
 - f) Supervision and evaluation of the way relations with various stakeholders are handled.
 - g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational risks.
 - h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.
- Complies [X] Complies Partially [] Explanation []

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, at a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks and their management.
- e) Means of supervising non-financial risk, ethics and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X]

Complies Partially []

Explanation []

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X]

Complies Partially []

Explanation []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [X]

Explanation []

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies [X]

Complies Partially []

Explanation []

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies Partially [] Explanation [] Not applicable []

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X] Complies Partially [] Explanation [] Not applicable []

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X] Complies Partially [] Explanation [] Not applicable []

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [X] Complies Partially [] Explanation [] Not applicable []

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies [X] Complies Partially [] Explanation [] Not applicable []

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies Partially [] Explanation [] Not applicable []

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Complies Partially [] Explanation [] Not applicable []

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based or other. In such a case, name the code in question and the date the company began following it.
It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010:

[Nothing significant.]

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

[27/02/2019]

State whether any directors voted against or abstained from voting on this report.

[] Yes
[v] No