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**ISSUER IDENTIFICATION**

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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. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

- A.1.** Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

The specific determinations for the year in progress should be described, both the remuneration of directors in their status as such and as a result of their executive functions carried out for the Board pursuant to the contracts signed with executive directors and to the remuneration policy approved by the General Shareholders' Meeting.

In any event, the following aspects should be reported:

- Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- Information on whether any external advisors took part in this process and, if so, their identity.

The Director Remuneration Policy was approved by the shareholders at the Annual General Meeting held on 27 June 2016 and has not been changed since then.

The Appointments and Remuneration Committee participated in the preparation of the Policy within the scope of its powers, ultimately reporting thereon pursuant to the provisions of section 529 *novodecies* of the Corporate Enterprises Act and the duties vested therein by articles 5 and 10 of the Regulations of the Appointments and Remuneration Committee.

The Board of Directors and the Appointments and Remuneration Committee regularly review the principles and standards of the Remuneration Policy in order to keep it aligned with best practices and market trends and with the business strategy.

The Committee relied on EY Abogados, as an independent external advisor specialising in the remuneration of directors and officers, to design the 2017-2019 Incentive Plan.

- Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to guarantee a suitable balance between the fixed and variable components of the remuneration. In particular, state the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt this to the long-term objectives, values and interests of the company, which will include, as the case may be, mention of any measures to guarantee that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the risk profile of the company, and any measures to avoid conflicts of interest.

Furthermore, state whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and vested financial instruments, or if any clause has been approved reducing the deferred remuneration or that obliges the director to return remuneration received, when such remuneration has been based on certain figures that have clearly been shown to be inaccurate.

Pursuant to article 27 of the Regulations of the Board of Directors of the Company, and within the limits set out in the Company's Bylaws, the Board of Directors shall endeavour to ensure that the remuneration of the directors is reasonably commensurate with (i) the prominence of the Company, (ii) the financial situation thereof at any particular time, (iii) the market standards used at companies of a similar size or activity, and (iv) takes into account their dedication to the Company.

The remuneration system established should be focused on promoting the long-term profitability and sustainability of the Company and include the safeguards required to avoid the excessive assumption of risk or rewarding unfavourable results.

The Board of Directors shall also ensure that the amount of the remuneration of external directors is such that it provides incentives to their dedication, but doesn't compromise them.

Both the previous Remuneration Policy and the new proposed policy are based on the following principles:

- Moderation: establishing remuneration that is reasonably proportional to the size of the Company, the economic situation thereof at any particular time and market standards at companies of similar size or activity.
- Suitability: allowing for the attraction, motivation and retention of valuable human capital and remunerating professional merit, responsibility assumed and dedication in the case of external directors.
- Balance: between fixed and variable components, in the case of non-external executive directors.
- Profitability and sustainability: in the remuneration of directors performing executive duties, incentivising performance and rewarding the creation of long-term value.
- Linked to results: based on the necessary link between remuneration and Company results, in the case of executive directors.
- Fairness and external competitiveness: taking into account the external competitive environment and internal fairness.
- Transparency of remuneration policy: in accordance with the best practices and recommendations as regards remuneration design and governance.

Based on the foregoing principles and foundations, the Board of Directors seeks to fully comply not only with legal requirements and internal rules, but also with the recommendations of the February 2015 Good Governance Code of Listed Companies of the National Securities Market Commission (CNMV), as well as with best market practices, to conform the remuneration of the directors to the long-term goals, values and interests of the Company.

As to the structure of remuneration, the Policy currently distinguishes between the remuneration of directors who are not entrusted with executive duties (non-executive external directors) and the remuneration of directors with executive duties (currently the Chair of the Board of Directors and the CEO).

The remuneration of directors who are not entrusted with executive duties is based on (i) an annual fixed allocation, and (ii) potential commitments of the Company to pay amounts as insurance premiums in favour of the directors with a maximum annual limit of eight thousand euros (€8,000) per director.

The total amount of the remuneration that the Company may pay to all of its directors for the fixed allotment to be received in cash shall not exceed the amount determined for such purpose by the shareholders at the General Shareholders' Meeting. The amount thus established by the shareholders shall be maintained until it is modified by a new resolution of the shareholders at a General Shareholders' Meeting, pursuant to the provisions of applicable law. The specific amount corresponding to each of the directors shall be determined by the Board of Directors in accordance with the Director Remuneration Policy. For such purpose, it may take into account, amongst other issues, the positions held by each director within the collective body itself, their membership on and attendance at the various committees, and the classification of the director as independent or proprietary.

The remuneration system for directors who are entrusted with executive duties is made up of:

- a) Fixed remuneration, which includes a fixed salary and specific in-kind remuneration.
- b) Annual variable remuneration, linked to short-term goals, intended to evaluate how the performance of their executive duties contributes to the Company's business objectives. It is only provided that the Chairman and the CEO will receive variable remuneration. Generally, the parameters to be taken into account for determining compliance with the variable annual remuneration objectives, as well as the respective weighting thereof, will be determined annually by the Board of Directors, upon a proposal of the Appointments and Remuneration Committee. Along these lines, goals linked to strategic and business indicators of a financial and non-financial nature are established for the current financial year. The aforementioned goals and parameters will also take account of the risk assumed to obtain a result and will pursue a balance amongst the Company's short-, medium- and long-term objectives, not revolving solely around one-off, occasional or extraordinary facts or data.
- c) Variable remuneration, in the form of the delivery of shares, options on shares or instruments indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives, all subject to approval by the Board of Directors of the corresponding incentives plans, if any. The executive directors may enrol and participate in incentive plans or share purchase incentive plans on the terms and conditions set by the Board of Directors, which will entail the delivery of shares of the Company in the quantity and for the price or value that applies pursuant to the terms of said plans or instruments. The above items are included in the multi-annual variable remuneration plan approved by the Company for financial years 2017-2019

(hereinafter, the "2017-2019 Incentive Plan") for executive directors and certain "key" officers, payable in cash with the possibility of total or partial payment in shares if the executive directors (currently the Chairman and the CEO), linked to the conditions of continuation in office, business performance and creation of value for the shareholders. The development and implementation of this Plan was approved by the Board of Directors at its meeting of 24 May 2017 and by the shareholders at the General Shareholders' Meeting of 26 June 2017. The design thereof has taken into account the market remuneration practices of listed companies in Spain, both Ibex-35 companies and companies on the Continuous Market, as well as the recommendations of proxy advisors (ISS, Glass Lewis, Fidelity, Blackrock, etc.) and institutional investors.

In a scenario in which expected goals are met, fixed remuneration for the Chair would be approximately 46% of total remuneration (fixed, annual variable and long-term variable), and variable remuneration would be 54% (24% for annual variable remuneration and 30% for long-term variable remuneration). Fixed remuneration for the CEO would be approximately 40% of total remuneration (fixed, annual variable and long-term variable), and variable remuneration would be 60% (20% for annual variable remuneration and 40% for long-term variable remuneration).

Furthermore, in a scenario where the maximum targets are met, the Chair would receive a maximum annual variable remuneration equal to 60% of fixed salary and the CEO a maximum annual variable remuneration of 75% of fixed salary.

- Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.

The annual fixed remuneration for Directors who are not entrusted with executive duties for membership on the Board of Directors shall be sixty-five thousand euros (€65,000).

For belonging to the Strategy Committee: fifteen thousand euros (€15,000).

For belonging to the Appointments and Remuneration Committee: fifteen thousand euros (€15,000).

For belonging to the Audit and Control Committee: fifteen thousand euros (€15,000).

- Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

The fixed remuneration of the Chairman and of the CEO in 2019 has increased 2.30% over financial year 2018:.

Executive Chairman: 347,027.51 euros.

CEO: 376,499.24 euros.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Company will pay amounts as insurance premiums in favour of the directors with a maximum annual limit of eight thousand euros (€8,000) per director.

- Amount and nature of variable components, differentiating between those established in the short and long term. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration in the year in progress, explaining the extent to which these parameters are related to performance, both of the director and of the company, together with their risk profile, and the methodology, deadline necessary and techniques established to determine the degree of compliance with the parameters used in the design of the variable remuneration at the end of the year.

State the range, in monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

For financial year 2018, the Company, upon a proposal of the Appointments and Remuneration Committee, made the accrual of the annual variable remuneration of the executive directors subject to the achievement the following corporate goals, with their corresponding weighting:

- a) Parent Ebitda – Customers: 40%.
- b) Parent Cash Flow/Revenue: 35%.
- c) Weighted churn: 15%.
- d) Corporate Social Responsibility (CSR)/Compliance: 10%.

For each of these goals and components, an achievement scale was established with a minimum threshold of achievement, 100% achievement, and a maximum outperformance threshold over budget.

Parent Ebitda – Customers:

Minimum achievement: 95% (Ebitda) and 95.5% (Customers) of budgeted figures.

Normal achievement: 100% (Ebitda) and 100% (Customers) of budgeted figures.

Outperformance: 105.5% (Ebitda) and 105.5% (Customers) of budgeted figures.

-Parent Cash Flow / Revenue:

Minimum achievement: 95% (Cash Flow) and 95.5% (Revenue) of budgeted figures.

Normal achievement: 101% (Cash Flow) and 110% (Revenue) of budgeted figures.

Outperformance: 106.5% (Cash Flow) and 105% (Revenue) of budgeted figures.

-Weighted churn:

Minimum achievement: 85% of budgeted figures.

Normal achievement: 100% of budgeted figures.

Outperformance: 118% of budgeted figures.

-CSR/Compliance:

Minimum achievement: 90% of budgeted figures.

Normal achievement: 100% of budgeted figures.

Outperformance: 105% of budgeted figures.

The metrics to be reached for 100% achievement of each goal were established based on the budget for financial year 2018.

The level of variable remuneration to be accrued for each level of achievement was also established.

100% of the variable remuneration of each executive director is accrued for a total weighted achievement level of 100%.

A maximum variable remuneration to be accrued for each goal ranging between 120% and 200% was established for outperformance.

- Main characteristics of the long-term savings systems. Among other information, state the contingencies covered by the system, whether through defined contributions or benefits, the annual contribution that needs to be made to the defined contribution system, the benefits directors are entitled to in the event of defined benefit systems, the conditions under which economic rights are vested for directors and their compatibility with any other type of payment or severance pay as a result of the early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided, between the company and the director.

State if the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The external directors do not participate in pension plans or long-term savings systems linked to retirement or to any other survival benefit.

The Company makes annual contributions to a life insurance policy in favour of the Chair and the CEO, in accordance with the provisions of the respective contracts signed with the Company.

- Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, continuance in office or loyalty, which entitle the director to any type of remuneration.

These systems are only provided for the executive directors of the Company.

- State the conditions that contracts should respect for those exercising senior management functions as executive directors. Among others, information should be provided on the duration, limits on amounts of severance pay, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to hiring bonuses, compensation and golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, any clauses or agreements on non-competition, exclusivity, continuance in office and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

The rules for severance pay included in the contract of the Executive Chair are as follows:

Severance pay:

- a) Termination or resignation: in the event of termination or resignation of the Chair, and of termination of the contract as a result thereof, the Chair shall have the option to resume the prior ordinary employment relationship (suspended on 28 November 2000) or to immediately extinguish said ordinary employment relationship.
- b) Option to resume: if the Chair opts to resume and continue the prior ordinary employment relationship, the rules for termination of said ordinary employment relationship shall be subject to the Workers Statute (*Estatuto de los Trabajadores*). In this case, for purposes of severance payments, the entire period during which the current Chair has been linked to the Company, regardless of whether it was pursuant to an employment relationship (ordinary or senior management) or a commercial relationship shall be counted as length of service.
- c) Option to terminate: if the Chair opts to immediately terminate the ordinary employment relationship, he will have the right to receive a severance payment equal to 45 days of remuneration per year of services rendered to Euskaltel, with periods of less than a year apportioned by months, up to a maximum of 24 monthly instalments. In this event, the gross annual cash remuneration received during the calendar year immediately prior to the termination will be taken into account for purposes of the calculation. Said severance payment will not be paid until the Company has been able to confirm that the Chair has met the predetermined performance criteria.

The rules for termination and severance pay included in the contract of the CEO are as follows:

Termination of the contract and severance: the CEO is entitled to receive from the Company a severance payment in the event of termination of employment and of the contract on any of the following grounds:

- a) Unilateral termination by the CEO due to serious breach by the Company of the obligations included in the 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 or assignment or transfer of all or a significant portion of its activities or of its assets and liabilities to a third party or merger into another business group; and
- d) Unilateral termination of the contract by the Company, at any time, that is not due to a serious breach attributable to the CEO of the duties of loyalty, diligence or good faith in accordance with which he must hold office, or any other serious breach by the CEO of the obligations assumed under the contract.
- e) In any of the foregoing circumstances, severance pay will consist of an amount equal to 18 months of his fixed annual remuneration on the date of termination of the contract.

- Advance notice period: the CEO must exercise his right to terminate the contract within a maximum period of 3 months from the date on which he becomes aware of the grounds for termination. Upon the expiration of this period without exercising his right to termination, the CEO will not be entitled to receive any severance payment upon such grounds.

- The nature and estimated amount of any other supplementary remuneration accrued by directors in the year in progress in consideration for services rendered other than those inherent in the post.

Not provided for.

- Other items of remuneration like those deriving from the company providing advances, loans, guarantees or any other remuneration to the directors.

Not provided for.

- The nature and estimated amount of any other planned supplementary remuneration accrued by directors in the year in progress that is not included in the previous sections, whether payment is made by the company or another group company.

Not provided for.

### A.2. Explain any significant change in the remuneration policy applicable in the current year resulting from:

- A new policy or a modification of the policy already approved by the General Meeting.
- Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- Proposals that the board of directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and which are proposed to be applicable to the current year.

Pursuant to recent trends in case law in this area, and applicable law, the Company's Board of Directors, following a report from the Appointments and Remuneration Committee, is preparing a new Director Remuneration Policy in order to conform it to the amendment of article 62 of the proposed Bylaws. In this regard, it should be noted that the Company, with appropriate outside advice after comparing similar companies and after observing that they were evaluating the adoption on similar terms of both their Bylaws and Director Remuneration Policy, decided to analyse the text thereof in order to conform it to the last trends in case law. It should be noted in any case that the new text of both the Bylaws and the Remuneration Policy (pending possible approval by the shareholders at the General Meeting of Shareholders) is a continuation of the foregoing, as the proposed amendments focus on differentiating the remuneration of directors with executive duties from those who do not have executive duties.

Included below is the proposed new text of article 62 of the Bylaws:

1. The directors shall be entitled to receive remuneration for the performance of the duties corresponding thereto by virtue of their membership on the Board of Directors as a collective decision-making body of the Company.

2. The shareholders acting at a General Meeting shall determine and approve the maximum amount to be received as remuneration by all the directors for all the items and for any duties that they perform, both executive and non-executive. The maximum amount set by the shareholders at the General Meeting shall remain in effect for so long the shareholders do not approve a change thereof.

3. The remuneration of directors who are not entrusted with executive duties shall be based on the following components:

a) Annual fixed allotment;

b) Any potential commitments of the Company to pay amounts as insurance premiums in favour of the directors; and

c) A civil liability policy obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.

The specific amount corresponding to the above items for each of the directors who are not entrusted with executive duties shall be determined by the Board of Directors in accordance with the director remuneration policy. For such purpose, it may take into account, amongst other issues, the positions held by each director within the collective body itself, their membership on and attendance at the various committees, and the classification of the director as independent or proprietary.

4. Directors who are entrusted with executive duties shall be entitled to receive the remuneration provided for in the contract signed to that end between the director and the Company, for the following items:

- a) Annual fixed remuneration.
- b) Annual variable remuneration calculated based on benchmark qualitative or quantitative indicators or parameters linked to the level of achievement of their objectives (approved by the Board of Directors, upon a proposal of the Appointments and Remuneration Committee).
- c) Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.

If indexed to shares of the Company or to financial instruments linked to the quoted price thereof, said remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

- d) The following remuneration: (i) availability of company vehicle; (ii) life and casualty insurance; (iii) special health insurance; and (iv) the ability to enjoy all those benefits that the Company might make available to management personnel.
- e) A civil liability policy obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.
- f) Potential severance payment for cessation in office or termination of contractual relationship with the Company.

These contracts must be approved in advance by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, in compliance with the requirements of applicable law. Furthermore, the text of these contracts shall conform to the director remuneration policy to be approved by the shareholders at the General Meeting of Shareholders.

5. The director remuneration policy shall conform as appropriate to the remuneration system provided for in the Company's Bylaws, shall have the scope provided by law, and shall be submitted by the Board of Directors for approval of the shareholders acting at a General Meeting of Shareholders with the frequency provided by law.

In any event, the overall sum of all amounts to be received by all of the directors for any items during the financial year shall never exceed the maximum amount approved by the shareholders at the General Meeting."

**A.3.** Identify the direct link to the document where the current company remuneration policy is posted, which must be available on the web page of the company.

[https://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/politica-remuneraciones-consejeros-en.pdf](https://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/politica-remuneraciones-consejeros-en.pdf)

**A.4.** Explain, taking into account the data provided in Section B.4, the outcome of voting, of a consultative nature, by shareholders at the General Shareholders' Meeting on the annual report on remuneration for the previous year.

The annual Director Remuneration Report of Euskaltel, S.A. for financial year 2017 was approved at the General Meeting of Shareholders with the favourable vote of 99.41% of the share capital present in person and by proxy.

Voting on resolution:

Votes in favour: 148,276,255.

Votes against: 675,882.

Abstentions: 7,186.

## B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

**B.1.** Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and, as the case may be, the identity and the role of the external advisors whose services have been used in the process to apply the remuneration policy in the year ended.

The Director Remuneration Policy of Euskaltel, S.A. approved by the shareholders at the General Shareholders' Meeting held on 27 June 2016 applies to financial years 2016, 2017 and 2018, and has not been amended since that date.

Within the scope of its powers, the Appointments and Remuneration Committee (hereinafter, the "Committee") participated in the preparation of the Policy, ultimately reporting thereon in accordance with the provisions of Section 529 *novodecies* of the Corporate Enterprises Act and the duties set out in articles 5 and 10 of the Regulations of the Appointments and Remuneration Committee.



The Board of Directors and the Committee regularly review the principles and standards of the Remuneration Policy in order to keep it aligned with best practices and market trends and with the business strategy.

This Committee is made up of seven (7) external (proprietary and independent) directors. A majority of the members of the Committee are independent directors. The Chair is elected from amongst the independent directors on the Committee, and in the event of a tie, the Chair has the tie-breaking vote. The Committee has also appointed a Secretary, who is currently the Secretary of the Board of Directors. As at the date of preparation of this report, the composition of the Appointments and Remuneration Committee is as follows:

- Chair: Mr Miguel Ángel Lujua Murga (independent Director).
- Member: Mr Luis Ramón Arrieta Durana (proprietary Director).
- Member: Corporación Financiera Alba, S.A. (represented by Mr Javier Fernández Alonso) (proprietary Director).
- Member: Mr Robert W. Samuelson (proprietary Director).
- Member: Mr José Ángel Corres Abasolo (independent Director).
- Member: Ms Belén Amatriain Corbi (independent Director).
- Member: Ms Elisabetta Castiglioni (independent Director).
- Non-Director Secretary: Mr Luis Alba Ferré.
- Non-Director Deputy Secretary: Mr Gonzalo Silveiro Regulez

The members of the Appointments and Remuneration Committee are appointed for a maximum term of four (4) years, and may be re-elected on one or more occasions for terms of the same maximum length. The position of Chair is held for a maximum term of four (4) years, after which the Chair may not be re-elected to such office until the passage of one (1) year from ceasing to act in that capacity, 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 (4) years and may be re-elected on one or more occasions for terms of the same maximum length.

During financial year 2018, the Committee met a total of 6 times, and its most noteworthy activity in relation to the object of this report was the following:

- Review of the degree of compliance with the goals established for accrual of the annual variable remuneration for financial year 2017 and proposed payment of annual variable remuneration to the Chair and CEO, paid in 2018.
- Approval, for subsequent consideration by the Board of Directors, of the Annual Director Remuneration Report for the financial year ended 31.12.2017.

The Committee is also the competent body to decide on the payment of annual variable remuneration, based on the level at which goals were met during the financial year ended 31.12.2018, and to establish the goals to which annual variable remuneration is linked for the financial year 2018, as well as to prepare this report, for purposes of which holds the relevant meetings.

The advice of EY Abogados, as independent external advisor and specialist in director and officer remuneration, was relied on to design the multi-annual variable remuneration plan for financial years 2017-2019 (hereinafter, the "2017-2019 Incentive Plan").

**B.2.** Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and adapting them to the long-term objectives, values and interests of the company, including a reference to the measures that have been adopted to guarantee that the long-term results of the company have been taken into consideration in the remuneration accrued and that a suitable balance has been attained between the fixed and variable components of the remuneration, the measures that have been adopted in relation to those categories of staff whose professional activities have a material repercussion on the company's risk profile and the measures that have been adopted to avoid conflicts of interest, if appropriate.

Through the Board of Directors and the Appointments and Remuneration Committee, Euskaltel exercises a continuous function of supervision and review of the policy for remuneration of its directors, ensuring compliance therewith.

In addition, the Audit and Control Committee monitors the effectiveness of the internal control of the Company and of its Group as well as the systems for managing risks, including tax risks.

Pursuant to article 4 of the Regulations of the Board of Directors, such body is responsible for adopting specific operational decisions including the approval of the Company's general policies and strategies, particularly including:

- The strategic or business plan, as well as annual management objectives and budgets.
- The corporate governance policy.
- The corporate social responsibility policy.
- The policy on control and management of risks, including tax risks, as well as the regular monitoring of the internal information technology and control systems.

The remuneration policy generally applicable at Euskaltel is in line with the interests of its shareholders and with prudent risk management. Such policy incorporates the appropriate indicators for evaluating results, adjusted for current and future risks, into the variable annual remuneration schemes, and takes into consideration performance on financial and non-financial measures that include group, business unit and individual targets.

As a risk control measure, the Remuneration Policy provides that should the Company's auditors make qualifications in their audit report affecting one or more of the objectives and parameters that are to be taken into account in setting the annual variable remuneration of the executive directors, said qualifications shall be taken into account by the Board of Directors in setting the variable remuneration to be received by the executive directors ("malus" clause).

The Company may also demand reimbursement ("clawback") of all or part of the variable remuneration, as applicable, if (i) the payment of the variable remuneration did not match the conditions for performance of the Company; or (ii) the variable remuneration was paid in light of data subsequently proven to be incorrect (e.g. if there was a correction to the annual accounts on which the variable remuneration was based).

Finally, based on the possibility of payment for the 2017-2019 Incentive Plan in shares, as well as the best remuneration governance practices, Euskaltel has established a mandatory Protocol for executive directors adapting to Recommendation 62 of the CNMV's Good Governance Code of Listed Companies, which provides that "Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award".

Along these lines, Euskaltel's Protocol establishes benchmark values for the holding of shares by the executive directors in line with the levels recommended by the CNMV, and which must be observed until their cessation in office as executive directors.

### **B.3. Explain how the remuneration accrued over the year meets the provisions contained in the current remuneration policy.**

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, as the case may be, how the variations in the performance of the company have influenced changes in the remuneration of directors and how the latter contribute to the short- and long-term results of the company.

The current Remuneration Policy distinguishes between the remuneration of the directors in their capacity as such (non-executive external directors) and the remuneration of directors with executive duties (currently the Chair of the Board of Directors and the CEO). In the case of directors in their capacity as such, remuneration is established for their dedication but without affecting the goal of protecting the corporate interest. Along these lines, article 62 of the Bylaws includes the following items: an annual fixed allotment, and potential commitments of the Company to pay amounts as insurance premiums in favour of the directors, in this latter case with an annual maximum limit of 8,000 euros per director. This fixed allotment is only received by the external directors, including the proprietary directors; the executive directors do not receive a fixed allotment or other items of remuneration based on their status as directors, other than the remuneration they receive for their executive duties. The total amount of the remuneration that the Company may pay to all of its directors for the fixed allotment to be received in cash shall not exceed the amount determined for such purpose by the shareholders at the General Shareholders' Meeting. The amount thus established by the shareholders shall be maintained until it is modified by a new resolution of the shareholders at a General Shareholders' Meeting, pursuant to the provisions of applicable law. The specific amount corresponding to each of the directors shall be determined by the Board of Directors in accordance with the Director Remuneration Policy. For such purpose, it may take into account, amongst other issues, the positions held by each director within the collective body itself, their membership on and attendance at the various committees, and the classification of the director as independent or proprietary. The items, amounts and limits on the remuneration of the directors in their capacity as such has not been changed for financial year 2018. A description is set out in later sections of this report.

The executive directors (the Chair of the Board of Directors and the CEO) are entitled to receive the remuneration for the performance of their executive duties as provided in their contract. The remuneration system for executive directors is made up of:

- Fixed remuneration (fixed salary and certain in-kind remuneration). In addition, executive directors may receive specific remuneration in kind (individual availability of a company vehicle, a life insurance policy covering death for any reason, a medical insurance policy, an accident insurance policy and a policy providing other minor coverage). The fixed remuneration of the Chairman and of the CEO in 2019 has increased 2.30% over financial year 2018.
- Annual variable remuneration, linked to short-term goals, intended to evaluate how the performance of their executive duties contributes to the Company's business objectives. Generally, the parameters to be taken into account for determining compliance with the variable annual remuneration objectives, as well as the respective weighting thereof, will be determined annually by the Board of Directors, upon a proposal of the Appointments and Remuneration Committee. Along these lines, 3 levels of goals linked to strategic and business indicators of a financial and non-financial nature are established for financial year 2018: level 1 goals (goals of the Euskaltel Group), level 2 goals (goals of the management unit) and level 3 goals (individual goals). Only the level 1 goals apply to the executive directors. The aforementioned goals and parameters will also take account of the risk assumed to obtain a result and will pursue a balance amongst the Company's short-, medium- and long-term objectives, not revolving solely around one-off, occasional or extraordinary facts or data.

- Variable remuneration, in the form of the delivery of shares, options on shares or instruments indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives, all subject to approval by the Board of Directors of the corresponding incentives plans, if any. The executive directors may enrol and participate in incentive plans or share purchase incentive plans on the terms and conditions set by the Board of Directors, which will entail the delivery of shares of the Company in the quantity and for the price or value that applies pursuant to the terms of said plans or instruments. The above remuneration materialises in the 2017-2019 Incentive Plan for executive directors and certain "key" officers, payable in cash with the possibility of total or partial payment in shares in the case of executive directors (currently the Chairman and the CEO), linked to the conditions of continuation in office, business performance and creation of value for the shareholders. The development and implementation of this Plan was approved by the Board of Directors at its meeting of 24 May 2017 and by the shareholders at the General Shareholders' Meeting of 26 June 2017. The design thereof has taken into account the market remuneration practices of listed companies in Spain, both Ibex-35 companies and companies on the Continuous Market, as well as the recommendations of proxy advisors (ISS, Glass Lewis, Fidelity, Blackrock, etc.) and institutional investors.

**B.4.** Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against that may have been cast:

	Number	% of total
<b>Votes cast</b>	148,959,323	88.38
	Number	% of total cast
Votes against	675,882	0.45
Votes in favour	148,276,255	99.41
<b>Abstentions</b>	7,186	0.01

Remarks

**B.5.** Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year.

Euskaltel has a remuneration system that distinguishes between external directors in their capacity as such and directors with executive duties.

The amounts of the annual individual fixed allotment for the external directors, approved by the Board of Directors on 16 December 2015 and in the Policy, are the following:

- For belonging to the Board of Directors: 65,000 euros.
- For belonging to one of the Committees of the Board of Directors: 15,000 euros.

The Company has not established additional individual remuneration for holding positions on or for serving as Chair of the Board or of the Committees thereof.

These fixed allotments (which are paid in cash) are received by all external (proprietary and independent) directors, except for the executive directors, who only receive the remuneration stipulated in their respective contracts.

The shareholders acting at the General Shareholders' Meeting held on 1 June 2015 resolved to set the amount of 1.5 million euros as the maximum annual fixed allotment in cash for the directors in their capacity as such.

The amounts of the fixed allotments and the limit established by the shareholders was not changed for financial year 2018.

Article 62.2 of the Bylaws provides for the possibility of the directors being able to receive amounts as insurance premiums with a maximum annual limit of 8,000 euros for each director. A contribution to casualty insurance in the amount of 344.83 euros per director was made for this financial year.

Total remuneration paid for the annual fixed allotment during the financial year ended 31.12.2018 was 965,000 euros. A description of the amounts received by each director is included in the tables of section C.1 below, taking into account membership on the Committees as well as outgoing and incoming members during the year.

**B.6. Explain how the salaries accrued by each one of the executive directors over the past financial year for the performance of management duties were determined, and how they have changed with respect to the previous year.**

As regards the executive directors, the Chair and CEO, the items of remuneration applied based on the performance of their management duties during financial year 2018 were the following:

- Fixed remuneration: which includes a fixed salary and certain in-kind remuneration:

o Fixed salary: 339,225.33 euros in the case of the Chair and 368,034.45 euros in the case of the CEO, as described in the tables of section C1 below.

The amounts paid to the Chair and to the CEO correspond to the provisions of their respective contracts.

A description of the amounts received by each executive director is included in the tables of section C.1 below.

o Remuneration in kind: during the past financial year, the Company made annual contributions in favour of the Chair and the CEO as premiums for various insurance policies (health, life and accident) in accordance with the provisions of their respective contracts and Euskaltel's Remuneration Policy. Both also have the right to other items without cost to the Company, including flexible remuneration plans, voluntary social-welfare employment benefits without contributions by the Company, vehicle leasing, training, and the purchase of computers.

The total expense for remuneration in kind paid to the executive directors was 15,405.49 euros, of which the amounts of 3,253.82 euros and 1,858.96 euros correspond to the annual contribution for life insurance for the Chair and the CEO, respectively, as described in the tables of section C.1 below.

- Variable remuneration: for financial year 2018, the Company, upon a proposal of the Appointments and Remuneration Committee, made the accrual of the annual variable remuneration of the executive directors subject to the achievement the following corporate goals, with their corresponding weighting:

- a) Parent Ebitda – Customers: 40%.
- b) Parent Cash Flow/Revenue: 35%.
- c) Weighted churn: 15%.
- d) Corporate Social Responsibility (CSR)/Compliance: 10%.

For each of these goals and components, an achievement scale was established with a minimum threshold of achievement, 100% achievement, and a maximum outperformance threshold over budget.

The metrics to be reached for 100% achievement of each goal were established based on the budget for financial year 2018.

The level of variable remuneration to be accrued for each level of achievement was also established.

100% of the variable remuneration of each executive director is accrued for a total weighted achievement level of 100%.

A maximum variable remuneration to be accrued for each goal ranging between 120% and 200% was established for outperformance.

According to the above and the applicable Policy, the annual variable remuneration of the Chair is within a range of 0% to a maximum of 60% of the fixed salary, accounting for 50% of the fixed salary (i.e. 169,612.67 euros) in a scenario of achievement of 100% of the goals.

The annual variable remuneration of the CEO was within a range of 0% to a maximum of 75% of the annual fixed salary, accounting for 50% of the fixed salary (i.e. 184,017.23 euros) in a scenario of achievement of 100% of the goals.

The annual variable remuneration to be accrued is determined once the level of achievement of each goal compared to the budgeted level and the corresponding weighting is known.

Once the Group-level consolidated financial statements for the financial year ended 31 December 2018 were formulated and approved, the Committee determined the following level of achievement for each of the goals:

- a) Parent Ebitda – Customers: 29.68%
- b) Parent Cash Flow/Revenue: 46.72%
- c) Weighted churn: 2.33%
- d) Corporate Social Responsibility (CSR)/Compliance: 10%.

In view of the foregoing, the percentage achievement of goals is 88.73%.

Therefore, the amounts accruing as annual variable remuneration for financial year 2018, to be paid in 2019, are 150,497.32 euros in the case of the Chair and 163,278.48 euros in the case of the CEO, as described in the tables of section C.1 below.

Finally, pursuant to the Policy, the 2017-2019 Incentive Plan was implemented during financial year 2017 with the participation of the Chair and the CEO on the terms described in section B3.

The achievement levels with which each of them participated ranged between 66% and 100% of fixed remuneration for each year of the Plan. The actual receipt of amounts under the Plan is in any case subject to compliance with the goals of continuity, Strategic Plan and increase in share price during the period 2017 to 2019 as described in the section above.

### **B.7. Explain the nature and the main characteristics of the variable components of the remuneration systems accrued in the year ended.**

In particular:

- Identify each one of the remuneration plans that have determined the different types of variable remuneration accrued by each of the directors in the year ended, including information on their scope, their date of approval, their date of incorporation, the periods of accrual and validity, the criteria used to evaluate performance and how this has affected the establishment of the variable amount accrued, as well as the measurement criteria used and the period necessary to be in a position to suitably measure all the conditions and criteria stipulated.

In the case of share options and other financial instruments, the general characteristics of each plan will include information on both the conditions to acquire unconditional ownership (vesting) and to exercise these options or financial instruments, including the price and term to exercise them.

- Each one of the directors, together with their category (executive directors, proprietary external directors, independent external directors and other external directors), that are beneficiaries of remunerations systems or plans that include variable remuneration.
- As the case may be, information is to be provided on periods for the accrual or deferment of payment applied and/or the periods for withholding/unavailability of shares or other financial instruments, if they should exist.

Explain the short-term variable components of the remuneration systems:

As stated above, the Remuneration Policy provides that the external directors in their capacity as such do not receive any variable remuneration. On the other hand, directors performing executive duties do receive remuneration of this kind.

Along these lines, the Chair and the CEO, in their capacity as executive directors, have the right to receive: (i) variable annual remuneration linked to the corporate goals set on an annual basis by the Board of Directors, and (ii) long-term variable remuneration payable totally or partially in shares, which ensures that it is linked to the creation of value and performance for the shareholders.

The annual variable remuneration of the executive directors is based on objective standards that seek to evaluate their contribution to the Company's business objectives in the performance of their executive duties.

The terms of the annual variable remuneration system applicable to the executive directors are reviewed annually by the Appointments and Remuneration Committee to ensure the alignment thereof with the Company's strategy and the business plan.

The aforementioned goals and parameters will also take account of the risk assumed to obtain a result and will pursue a balance amongst the Company's short-, medium- and long-term objectives, not revolving solely around one-off, occasional or extraordinary facts or data.

The goals will promote the creation of long-term value and compliance with the Company's internal rules and procedures and its risk control and management policies.

The parameters to be taken into account for determining compliance with the variable annual remuneration objectives, as well as the respective weighting thereof, will be determined annually by the Board of Directors.

3 levels of goals have been established within this context: level 1 goals (goals of the Euskaltel Group, linked to business indicators), level 2 goals (goals of the management unit) and level 3 goals (individual goals).

Only the level 1 goals apply to the executive directors. The weighting of each goal, as well as the achievement scales, are also within the purview of the Board of Directors, which will subsequently determine the level of fulfilment and the level of achievement of variable annual remuneration, upon a proposal of the Appointments and Remuneration Committee. In all cases, executive directors shall be subject to the application of the objectives, parameters and weightings approved by the Board of Directors for the Company's management team generally.

Variable remuneration will accrue at the end of the month in which the Company's annual accounts are audited, so that compliance with the previously-established performance goals can be verified.

Neither the amount nor the system of determination, payment or calculation of variable remuneration may be consolidated. This variable annual remuneration is paid in cash in all cases. As regards the financial year 2018, and following the annual variable remuneration policy for the prior year, which is reviewed by the Appointments and Remuneration Committee to ensure the continued conformance thereto to the Company's strategy and to the purposes of the Policy, the following level 1 goals (goals of the Euskaltel Group) have been established for the Chair and the CEO, with the following weightings:

- Ebitda - Customers: 40%.
- Cash flow - Revenue: 35%.
- Group weighted churn: 15%.
- Corporate Social Responsibility/Compliance: 10%.

Each of these goals and components has an achievement scale with a minimum threshold of achievement, 100% achievement, and maximum outperformance threshold over budget.

The metric and the achievement level required for 100% of each target are established based on the budget for financial year 2018.

In any event, pursuant to the Policy, the variable annual remuneration of the Chair shall be within a range of 0% to a maximum of 50% of the annual fixed salary, and accounts for 50% of the fixed salary (i.e. 169,612.50 euros) in a scenario of achievement of 100% of the objectives set.

The CEO is entitled to receive variable annual remuneration in an amount equal to 50% of the corresponding annual fixed salary (i.e. 184,017.00 euros), which shall accrue upon meeting 100% of the budget goals established by the Company's Board of Directors for the year.

In addition to the variable annual remuneration provided for in the preceding paragraphs, if the budget goals established by the Board of Directors have been exceeded on an extraordinary basis, the Chair and the CEO will be entitled to receive variable remuneration in an amount equal to 10% and 25% of the corresponding annual fixed salary, respectively. The Board of Directors will annually establish, upon a proposal of the Appointments and Remuneration Committee, the level of compliance with objectives necessary for the accrual of this additional variable remuneration.

If the variable annual remuneration provided for in the preceding paragraph accrues, the total variable annual remuneration that the Chair and the CEO will be entitled to receive will be a maximum amount equal to 60% and 75% of the corresponding annual fixed salary (i.e. 203,535.00 euros and 276,025.50 euros, respectively).

The Board of Directors annually establishes, upon a proposal of the Appointments and Remuneration Committee, the minimum level of compliance with objectives necessary for the accrual of annual variable remuneration, below which no variable remuneration accrues.

Should the Company's auditors make qualifications in their audit report affecting one or more of the objectives and parameters that are to be taken into account in setting the annual variable remuneration of the directors, said qualifications will be taken into account by the Board of Directors in setting the variable remuneration to be received ("malus" clause).

The Company may also demand reimbursement ("clawback") of all or part of the variable remuneration, as applicable, if (i) the payment of the variable remuneration did not match the conditions for performance of the Company; or (ii) the variable remuneration was paid in light of data subsequently proven to be incorrect (e.g. if there was a correction to the annual accounts on which the variable remuneration was based).

Explain the long-term variable components of the remuneration systems:

Finally, the Chair and the CEO, together with other "key" officers of Euskaltel, will participate in the 2017-2019 Incentive Plan, which has the following characteristics:



a) Description: 2017-2019 Multi-annual Bonus Plan, payable in case, and with the possibility in the case of executive directors of total or partial payment in shares after the passage of a certain period of time, provided that they meet the conditions of continuation in office, business performance and creation of value for the shareholders.

b) Beneficiaries: Chair, CEO and 11 "key" first- and second-level officers invited to participate in the plan, without prejudice to additional inclusions that may be decided in the future.

c) Term: until 31 December 2020, including the Measurement Period of three (3) years 2017 – 2019 (both inclusive), plus the time necessary (12 months) to measure the achievement of targets, make the settlement, and apply the other conditions, including a requirement to retain the shares for six (6) months from the delivery thereof.

d) Metrics: established pursuant to the business plan for the Measurement Period, including the consideration of possible changes in scope and other corporate milestones:

- Multi-annual goals of the Strategic Plan 2017-2019: (i) EBITDA - CAPEX (25% of total), and (ii) EBITDA (25% of total).

- Total Shareholder Return Goal (%TSR) measured between 01.01.2017 and 31.12.2019 (50% weighting): A goal has been established of 15% accumulated increase by the end of the Measurement Period.

If any of the goals of the Strategic Plan are not achieved, the "incentive" to accrue for the %TSR Goal will be limited to 25% of the total.

e) Achievement scales and grant levels: each of the metrics is linked to an achievement scale that applies to target levels for the grant of the incentive (i.e. incentive for 100% achievement of goals).

f) Form of payment: in the case of the executive directors, the delivery of a maximum of up to 180,000 shares is expected, which will allow for total or partial payment for the Plan in shares of Euskaltel, S.A.

According to estimates, in a scenario of meeting 100% of the goals, the aggregate amount to be jointly accrued by the Chair and the CEO under the Plan would be 1.74 million euros (total target incentive), for the three (3) year Measurement Period, which equals a grant of between 66% and 100% of fixed remuneration in annualised terms for each executive director, which is considered to be consistent with a positioning around the average market practice for listed companies in Spain.

The design of the 2017-2019 Incentive Plan takes into account the business performance and projections of the Company and includes best market practices and the recommendations of leading proxy advisors, institutional investors and the CNMV's Good Governance Code of Listed Companies:

- The medium-term incentives payable in shares and/or in cash is a frequently-used vehicle in the market practices of listed companies comparable to Euskaltel.

- The Plan establishes clear grant levels for the executive directors, and generally for each level of beneficiaries, using the average market level as a benchmark.

- Includes a Measurement Period of three (3) years.

- Combines financial goals of the Strategic Plan with goals for an increase in the share price, linking the remuneration strategy to the goals of the 2017-2019 Plan within the new business context.

- Provides for partial or total payment in shares of Euskaltel, S.A. for the executive directors.

- Provides for an additional period of six (6) months for "maintenance" of the shares by the executive directors.

- Represents a prudent percentage of capitalisation value, estimated at 0.12% (as at the date of implementation).

- Include competitive achievement scales.

- Limits remuneration in shares to the Company's executive directors.

**B.8.** Indicate whether certain variable components have been reduced or clawed back when, in the case of the former, payment has been vested and deferred or, in the case of the latter, vested and paid, on the basis of data that have subsequently proved to be inaccurate.

Describe the amounts reduced or clawed back through the application of the reduction or clawback clauses, why they were implemented and the years to which they refer.

There have been no reductions or returns of accrued variable components.

**B.9.** Explain the main characteristics of the long-term savings systems where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit that are financed, totally or partially, by the company, whether through internal or external contributions, indicating the type of plan, whether it is a defined contribution or benefit, the contingencies covered, the conditions for vesting economic rights for directors and their compatibility with any type of severance pay for early termination or termination of the contractual relationship between the company and the director.

The external directors do not participate in pension plans or long-term savings systems linked to retirement or to any other survival benefit.

As regards the executive directors, the Company makes annual contributions to a life insurance policy in favour of the Chair and the CEO, in accordance with the provisions of the respective contracts with the Company.

The amounts contributed in this respect for financial year 2018 are set out in the tables in section C.1 below.

**B.10.** Explain, where appropriate, the severance pay or any other type of payment deriving from early dismissal or early resignation, or from the termination of the contract upon the terms provided for therein, accrued and/or received by directors during the year ended.

No severance payment is contemplated for the external directors in the event of termination of their duties as such.

**B.11.** Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, where appropriate, explain such changes. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

There have been no major changes to the contracts of the Chair or of the CEO.

**B.12.** Explain any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

At the date of issuance of this Report, there is no supplemental remuneration accrued in favour of the Directors in consideration for services provided other than those inherent to their position.

**B.13.** Explain any remuneration deriving from advance payments, loans or guarantees granted, indicating the interest rate, their key characteristics and the amounts eventually returned, as well as the obligations taken on by way of guarantee or collateral.

At the date of issuance of this Report, the Company has provided no advances, loans or guarantees to the Directors due to their status as members of Euskaltel's Board of Directors or of other Boards of Directors of other companies of the Group.

**B.14.** Itemise the remuneration in kind accrued by the directors over the year, briefly explaining the nature of the different salary components.

The Company maintains civil liability insurance for the benefit of its Directors and officers in a maximum coverage amount of 10 million euros for each of them.



The Company makes annual contributions in favour of the Chair and the CEO as premiums for various insurance policies (health, life and accident) in accordance with the provisions of their respective contracts. Both are also entitled to other items at no cost to the Company. This last category includes flexible remuneration plans, voluntary social-welfare employment benefits without contributions by the Company, vehicle leasing, training, and the purchase of computers.

**B.15.** Explain the remuneration accrued by directors by virtue of payments made by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company.

As at the date of this Report, no remuneration of this kind has accrued.

**B.16.** Explain any other items of remuneration other than those mentioned in the previous sections, whatever their nature or the group company that settles the payment, particularly when this is a related-party transaction or the payment thereof distorts the true image of the total remuneration accrued by the director.

No items of remuneration other than those explained in the preceding sections are contemplated in the Director remuneration system.

### C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Class	Accrual period - financial year 2018
Mr ALBERTO GARCÍA ERAUZKIN	Executive chairman	From 01/01/2018 until 31/12/2018
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	CEO	From 02/01/2018 until 31/12/2018
KARTERA 1, S.L.	Proprietary Director	From 01/01/2018 until 31/12/2018
Mr LUIS RAMÓN ARRIETA DURANA	Proprietary Director	From 01/01/2018 until 31/12/2018
Mr ROBERT SAMUELSON	Proprietary Director	From 01/01/2018 until 31/12/2018
CORPORACIÓN FINANCIERA ALBA, S.A.	Proprietary Director	From 27/02/2018 to 31/12/2018
Mr JOSÉ ÁNGEL CORRES ABASOLO	Independent Vice Chair	From 01/01/2018 until 31/12/2018
Ms BELÉN AMATRIAIN CORBI	Independent Director	From 01/01/2018 until 31/12/2018
Mr IÑAKI ALZAGA ETXEITA	Independent Director	From 01/01/2018 until 31/12/2018
Ms ELISABETTA CASTIGLIONI	Independent Director	From 01/01/2018 until 31/12/2018
Mr MIGUEL ÁNGEL LUJUA MURGA	Independent Director	From 01/01/2018 until 31/12/2018
Mr JONATHAN JAMES	Independent Director	From 01/01/2018 until 31/12/2018
Mr JAVIER FERNÁNDEZ ALONSO	Proprietary Director	From 01/01/2018 to 27/02/2018

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

C.1. Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total financial year 2018	Total financial year 2017
Mr ALBERTO GARCÍA ERAUZKIN				339	150			7	496	464
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA				368	163			7	538	505
KARTERA 1, S.L.	65		30						95	84
Mr LUIS RAMÓN ARRIETA DURANA	65		15						80	40
Mr ROBERT SAMUELSON	65		45						110	28
CORPORACIÓN FINANCIERA ALBA, S.A.	65		45						110	
Mr JOSÉ ÁNGEL CORRES ABASOLO	65		45						110	99
Ms BELÉN AMATRIAIN CORBI	65		30						95	84
Mr IÑAKI ALZAGA ETXEITA	65		30						95	84
Ms ELISABETTA CASTIGLIONI	65		30						95	84
Mr MIGUEL ÁNGEL LUJUA MURGA	65		30						95	84
Mr JONATHAN JAMES	65		15						80	20
Mr JAVIER FERNÁNDEZ ALONSO										88

Remarks

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of financial year 2018		Financial instruments granted during financial year 2018		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of financial year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
Mr ALBERTO GARCÍA ERAUZKIN	Plan							0.00				
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	Plan							0.00				
KARTERA 1, S.L.	Plan							0.00				
Mr LUIS RAMÓN ARRIETA DURANA	Plan							0.00				
Mr ROBERT SAMUELSON	Plan							0.00				
CORPORACIÓN FINANCIERA ALBA, S.A.	Plan							0.00				
Mr JOSÉ ÁNGEL CORRES ABASOLO	Plan							0.00				
Ms BELÉN AMATRIAIN CORBI	Plan							0.00				
Mr IÑAKI ALZAGA ETXEITA	Plan							0.00				
Ms ELISABETTA CASTIGLIONI	Plan							0.00				
Mr MIGUEL ÁNGEL LUJUA MURGA	Plan							0.00				
Mr JONATHAN JAMES	Plan							0.00				

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Name of Plan	Financial instruments at start of financial year 2018		Financial instruments granted during financial year 2018		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of financial year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
Mr JAVIER FERNÁNDEZ ALONSO	Plan							0.00				

Remarks

### iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings system
Mr ALBERTO GARCÍA ERAUZKIN	
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	
KARTERA 1, S.L.	
Mr LUIS RAMÓN ARRIETA DURANA	
Mr ROBERT SAMUELSON	
CORPORACIÓN FINANCIERA ALBA, S.A.	
Mr JOSÉ ÁNGEL CORRES ABASOLO	
Ms BELÉN AMATRIAIN CORBI	

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Remuneration from vesting of rights to savings system
Mr IÑAKI ALZAGA ETXEITA	
Ms ELISABETTA CASTIGLIONI	
Mr MIGUEL ÁNGEL LUJUA MURGA	
Mr JONATHAN JAMES	
Mr JAVIER FERNÁNDEZ ALONSO	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017
Mr ALBERTO GARCÍA ERAUZKIN								
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA								
KARTERA 1, S.L.								
Mr LUIS RAMÓN ARRIETA DURANA								
Mr ROBERT SAMUELSON								
CORPORACIÓN FINANCIERA ALBA, S.A.								
Mr JOSÉ ÁNGEL CORRES ABASOLO								
Ms BELÉN AMATRIAIN CORBI								

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017
Mr IÑAKI ALZAGA ETXEITA								
Ms ELISABETTA CASTIGLIONI								
Mr MIGUEL ÁNGEL LUJUA MURGA								
Mr JONATHAN JAMES								
Mr JAVIER FERNÁNDEZ ALONSO								

Remarks

### iv) Details of other items

Name	Item	Amount remunerated
Mr ALBERTO GARCÍA ERAUZKIN	Remuneration in kind	7
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	Remuneration in kind	7
KARTERA 1, S.L.	Item	
Mr LUIS RAMÓN ARRIETA DURANA	Item	
Mr ROBERT SAMUELSON	Item	
CORPORACIÓN FINANCIERA ALBA, S.A.	Item	

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Item	Amount remunerated
Mr JOSÉ ÁNGEL CORRES ABASOLO	Item	
Ms BELÉN AMATRIAIN CORBI	Item	
Mr IÑAKI ALZAGA ETXEITA	Item	
Ms ELISABETTA CASTIGLIONI	Item	
Mr MIGUEL ÁNGEL LUJUA MURGA	Item	
Mr JONATHAN JAMES	Item	
Mr JAVIER FERNÁNDEZ ALONSO	Item	

Remarks

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total financial year 2018	Total financial year 2017
Mr ALBERTO GARCÍA ERAUZKIN										
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA										
KARTERA 1, S.L.										
Mr LUIS RAMÓN ARRIETA DURANA										
Mr ROBERT SAMUELSON										



## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total financial year 2018	Total financial year 2017
CORPORACIÓN FINANCIERA ALBA, S.A.										
Mr JOSÉ ÁNGEL CORRES ABASOLO										
Ms BELÉN AMATRIAIN CORBI										
Mr IÑAKI ALZAGA ETXEITA										
Ms ELISABETTA CASTIGLIONI										
Mr MIGUEL ÁNGEL LUJUA MURGA										
Mr JONATHAN JAMES										
Mr JAVIER FERNÁNDEZ ALONSO										

Remarks

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ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of financial year 2018		Financial instruments granted during financial year 2018		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of financial year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
Mr ALBERTO GARCÍA ERAUZKIN	Plan							0.00				
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	Plan							0.00				
KARTERA 1, S.L.	Plan							0.00				
Mr LUIS RAMÓN ARRIETA DURANA	Plan							0.00				
Mr ROBERT SAMUELSON	Plan							0.00				
CORPORACIÓN FINANCIERA ALBA, S.A.	Plan							0.00				
Mr JOSÉ ÁNGEL CORRES ABASOLO	Plan							0.00				

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Name of Plan	Financial instruments at start of financial year 2018		Financial instruments granted during financial year 2018		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of financial year 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
Ms BELÉN AMATRIAIN CORBI	Plan							0.00				
Mr IÑAKI ALZAGA ETXEITA	Plan							0.00				
Ms ELISABETTA CASTIGLIONI	Plan							0.00				
Mr MIGUEL ÁNGEL LUJUA MURGA	Plan							0.00				
Mr JONATHAN JAMES	Plan							0.00				
Mr JAVIER FERNÁNDEZ ALONSO	Plan							0.00				

Remarks

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## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings system
Mr ALBERTO GARCÍA ERAUZKIN	
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	
KARTERA 1, S.L.	
Mr LUIS RAMÓN ARRIETA DURANA	
Mr ROBERT SAMUELSON	
CORPORACIÓN FINANCIERA ALBA, S.A.	
Mr JOSÉ ÁNGEL CORRES ABASOLO	
Ms BELÉN AMATRIAIN CORBI	
Mr IÑAKI ALZAGA ETXEITA	
Ms ELISABETTA CASTIGLIONI	
Mr MIGUEL ÁNGEL LUJUA MURGA	
Mr JONATHAN JAMES	
Mr JAVIER FERNÁNDEZ ALONSO	

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017
MR ALBERTO GARCÍA ERAUZKIN								

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Contribution over the year from the company (thousand €)				Amount of accumulated funds (thousand €)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017	Financial Year 2018	Financial Year 2017
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA								
KARTERA 1, S.L.								
Mr LUIS RAMÓN ARRIETA DURANA								
Mr ROBERT SAMUELSON								
CORPORACIÓN FINANCIERA ALBA, S.A.								
Mr JOSÉ ÁNGEL CORRES ABASOLO								
Ms BELÉN AMATRIAIN CORBI								
Mr IÑAKI ALZAGA ETXEITA								
Ms ELISABETTA CASTIGLIONI								
Mr MIGUEL ÁNGEL LUJUA MURGA								
Mr JONATHAN JAMES								
Mr JAVIER FERNÁNDEZ ALONSO								

Remarks

iv) Details of other items

Name	Item	Amount remunerated
Mr ALBERTO GARCÍA ERAUZKIN	Item	
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	Item	
KARTERA 1, S.L.	Item	
Mr LUIS RAMÓN ARRIETA DURANA	Item	
Mr ROBERT SAMUELSON	Item	
CORPORACIÓN FINANCIERA ALBA, S.A.	Item	
Mr JOSÉ ÁNGEL CORRES ABASOLO	Item	
Ms BELÉN AMATRIAIN CORBI	Item	
Mr IÑAKI ALZAGA ETXEITA	Item	
Ms ELISABETTA CASTIGLIONI	Item	
Mr MIGUEL ÁNGEL LUJUA MURGA	Item	
Mr JONATHAN JAMES	Item	
Mr JAVIER FERNÁNDEZ ALONSO	Item	

Remarks

c) Summary of remuneration (thousand €):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

Name	Remuneration accrued at the Company					Remuneration accrued at group companies				
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total FY 2018 company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total FY 2018 group
Mr ALBERTO GARCÍA ERAUZKIN	496				496					
Mr FRANCISCO ARTECHE FERNÁNDEZ-MIRANDA	538				538					
KARTERA 1, S.L.	95				95					
Mr LUIS RAMÓN ARRIETA DURANA	80				80					
Mr ROBERT SAMUELSON	110				110					
CORPORACIÓN FINANCIERA ALBA, S.A.	110				110					
Mr JOSÉ ÁNGEL CORRES ABASOLO	110				110					
Ms BELÉN AMATRIAIN CORBI	95				95					
Mr IÑAKI ALZAGA ETXEITA	95				95					
Ms ELISABETTA CASTIGLIONI	95				95					
Mr MIGUEL ÁNGEL LUJUA MURGA	95				95					

## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

Name	Remuneration accrued at the Company					Remuneration accrued at group companies				
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total FY 2018 company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration from savings systems	Remuneration for other items	Total FY 2018 group
Mr JONATHAN JAMES	80				80					
Mr JAVIER FERNÁNDEZ ALONSO										
TOTAL	1,999				1,999					

Remarks
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#### D. OTHER INFORMATION OF INTEREST

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If there are any relevant issues relating to directors' remuneration that you have not been able to address in the previous sections of this report, but which are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

[ Nothing significant. ]

This annual remuneration report has been approved by the board of directors of the company at its meeting on:

[ 27/02/2019 ]

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

[ ] Yes

[ v ] No