



EUSKALTEL GROUP

Corporate Social Responsibility Policy Report

Wednesday, 27 February 2019



Corporate Responsibility of the Euskaltel Group

The Euskaltel Group's commitment is to create value for stakeholders of the natural markets and contribute to socio-economic development, generating new opportunities for local talent and working with the team pride of its people and its wager on a local commitment.

This year, 2018, we have continued to grow and to develop a corporate culture based on the company's values: proximity, honesty, agility and innovation, aspects with which we have acted within the Basque, Galician and Asturian society, and which are a model for expansion into other regions. This culture, as a differentiating and cross-cutting aspect within the organisation, allows us to be a leader in corporate reputation, in social commitment and in the comprehensive support of customers.

2018 has been a year based on digitisation and digital growth in the telecommunications industry generally. We note that this movement has clearly occurred at three levels:

- Better and increased quality of product and service offerings to the market.
- Higher speeds and increased mobile data.
- The pay-TV sales model.

In the case of the Euskaltel Group, apart from its corporate mission and vision, this market approach model is linked to the achievement of sustainability objectives, the Sustainable Development Goals, and positioning of the company's brand linked to the local factor. This aspect has also been maintained as a philosophy in other expansions, as in the case of Navarre and Cantabria, as well as in the model for approaching new markets like León, the rest of Cantabria and La Rioja. An agreement has also been reached with the RACC de Cataluña to sell products and services to its members under the RACCtel+ brand. With this new inclusion, the company would reach a million new homes in 2019 and an 8% increase in revenues in 2022.

This expansion strategy follows the lines established in the 2017-19 Strategic Plan, which is based on operational excellence, differential experience, diversified growth and the protection of customer value.

Our first steps beyond our original territories have shown the company's ability to implement an efficient model for CAPEX and sales in new territories.



The Euskaltel Group is positioned as a telecommunications operator with the most advanced services, with a responsible management model and committed to the environment. This gives rise to the interest in having a global view of its assets: organisational and cultural, human capital, natural capital, customer capital, relational capital and intellectual capital.

All of this is aligned with achieving the complete integration of Telecable, the launch of the risk map in relation to the new Risk Management model, the design of a criminal risk organisation and management model, the implementation of anti-corruption controls and the Group's diversity policy, the culmination of the 2016-18 Master Plan and the training of the professionals in the Code of Ethics and instructions on Conduct.

The company's human capital is fundamental in the operational strategy objective. There has been work on the processes of digitisation and digital transformation at the internal and collaborative level to be more agile and efficient. The commitment is to continue moving forward with the Smart Working project, establish new professional career plans and define the Group's remuneration model. We impact 695 people and 4,200 indirect jobs based on the strategic alliances that we have generated.

The Euskaltel Group wants to be the leader in the market in which we operate, at both the business and reputational level. We want to have a significant role in the territories in which we operate, maximising the value that we offer to the shareholders. In customer capital, we act with a base of 6 million inhabitants, serving 783,000 customers, 1,744 business customers and 13,053 SME customers. We try to offer customers the best quality at the most efficient price. Our objective is to continue offering the best telecommunications experience and to continue leading in innovation and digital transformation projects, accompanying companies, institutions and individuals in their new technological challenges.

We are taking major steps in managing the security of information, the network and installed equipment, and we have engaged in a responsible deployment of the network and of sustainable products. Greater coverage, inclusiveness and sustainability in rural areas and with the greatest possible environmental impact.

In the environmental and Green Capital area, we have extended the EMAS statement (voluntary environmental management regulation) within the Group, initiating action in the territories to contribute to the reduction of carbon emissions, and we report and manage data on energy consumption, paper, water and waste.



We contribute by creating partnerships for the environment in compliance with SDG 17, managing partnerships for sustainable development, generating an economic value as a group of more than 676 million euros in Asturias, the Basque Country, Galicia and Navarre, based on business contributions, financial income and operating revenues. We have paid 117 million euros in taxes on corporate income, tariffs, economic activities, IRPF and social security.

We continue working on the customer experience, within an operational environment of more than 780,000 customers, better than 70% satisfaction and 78% of homes with more than three products purchased, which makes us the preferred operator in each of the territories.

We also contribute to the responsible management of the supply chain, managing 429 local suppliers of the Group's 781 suppliers. The procurement process has been unified and all suppliers are being accredited in the code of ethics approved by the Group.

The commitment to local development as a differentiating element of the Group leads us to intense activity in encouraging territorial partnerships, SDG 17, which promotes interrelations with institutions, sponsorship agreements, public relations activities and foundation activities as an agent and engine of activities, events, talent promotion, innovation, entrepreneurship and patronage.

In this goal of an economic/social link we are currently acting with more than 150 entities, 77 associations and a large number of agents from the three territories, and now in Navarre. All of this activity is implemented in parallel to give a boost to the business, due to local commitment and impelling the digital transformation in a balanced and responsible manner within homes and businesses.

Another line of action, and one supporting the Group's brand, is the Euskaltel Foundation, the entity that impacts four basic strategic lines: being the platform disseminating new technologies, acting as an agent and observatory in the area of entrepreneurship and digital incubators, acting in favour of initiatives around social technology, and finally, positioning the Euskaltel Foundation as the technological leader in the territories in which we operate.

This is linked to intensive sports, cultural and social sponsorships, in which the Group invests a significant budget each year in terms of money and people, as an economic as well technological wager and a commitment to people.



In this way, the Euskaltel Group is clearly positioned as a leading brand in the various territories of its natural market.

And finally, continuous innovation and the use of technology are essential for the Euskaltel Group in pursuit of the digital transformation of the Company. We have supported projects to promote start-ups, Smart Cities and IoT projects, new positions to foster innovation and more than two million euros invested in innovation. We continue implementing user interfaces based on Artificial Intelligence, development technologies and products that facilitate digital transformation projects of companies incorporating new WiFi systems and new television services.

The Euskaltel Group bases its corporate strategy and values in relation to its main stakeholders, which is a differentiating aspect compared to the competition.

CSR within a company is always a living project. We ended the cycle of the 2016-18 Master Plan. We must now implement the new corporate social responsibility plan aligned with the business plan.

A new challenge and a new stage in reflecting on Sustainability, in capital letters, of the Group.