

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. REGARDING THE RATIONALE FOR THE PROPOSED RE-ELECTION OF KARTERA 1, S.L., REPRESENTED BY MS ALICIA VIVANCO GONZÁLEZ, AS A DIRECTOR OF THE COMPANY, WHICH WILL BE SUBMITTED FOR THE APPROVAL OF THE SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY CALLED TO BE HELD ON 2 JUNE 2020, ON FIRST CALL, AND ON 3 JUNE 2020, ON SECOND CALL.

I. Object of the report

This report is submitted by the Board of Directors of Euskaltel, S.A. in compliance with the provisions of sub-section 5 of Section 529 *decies* of Royal Legislative Decree 1/2010 of 2 July approving the consolidated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*), and is intended to provide a detailed rationale for the proposed re-election of Kartera 1, S.L., represented by Ms Alicia Vivanco González (hereinafter referred to as the “**Candidate**”) as a director of the Company, paying special attention to the skills, experience and merits thereof.

The preparation of this report and any resulting proposals has followed the guidelines provided in the Director Selection Policy approved by the Company’s Board of Directors on 26 April 2016.

The classification of the Candidate will be as follows:

- Kartera 1, S.L., represented by Ms Alicia Vivanco González, as proprietary director.

Set forth below is a separate assessment of the Board of Directors regarding the skills, experience and merits of the Candidate, as well as the suitability thereof to perform the duties of a director of Euskaltel, in light of the report (**Annex I**) submitted by the Appointments and Remuneration Committee, pursuant to sub-sections 4 and 6 of Section 529 *decies* of the Corporate Enterprises Act and article 8 of the Regulations for the General Meeting of the Company, which the Board of Directors adopts in its entirety.

Pursuant to the provisions of Section 518.e) of the Corporate Enterprises Act, this report also contains complete information regarding the identity, curriculum vitae and classification to which the candidate belongs.

II. Rationale for the proposal

Kartera 1, S.L., represented by Ms Alicia Vivanco González

1. Identifying data. Biographical profile and education of Ms Alicia Vivanco González

Kartera 1, S.L. was incorporated as a public limited company (*sociedad anónima*) under the name Kartera 1, S.A. on 30 July 1993, pursuant to a deed executed before José Antonio Isusi Ezcurdia, Notary Public of Bilbao, and recorded in his notarial records under number 2,943. It was subsequently transformed into a limited liability company (*sociedad limitada*) on 23 March 1999 by means of a deed executed before the aforementioned Notary Public, Mr. Isusi Ezcurdia, and recorded in his notarial records under number 826. This latter deed is entered in the Biscay Commercial Registry, in volume BI-659, book 0, folio 25, sheet BI-5126-A, entry 9. Its tax identification number (N.I.F.) is B-48563506 and its registered office is at Gran Vía 30-32, 48009 Bilbao (Biscay).

Ms Alicia Vivanco González, the individual representing Kartera 1, S.L., was born in Valle de Trápaga-Trapagaran (Biscay) in 1960. She holds a degree in Economics from the University of the Basque Country.

2. Company object. Noteworthy experience of Ms Alicia Vivanco González for holding the positions thereof within the Company

The company object of Kartera 1, S.L. includes the acquisition and administration of chattel property.

Ms Vivanco, the individual representing Kartera 1, S.L., became a member of the Board of Directors of Euskaltel in 2003, at that time as a representative of Bilbao Bizkaia Kutxa (BBK), an entity at which she led the Project Finance and Subsidiary Companies areas, while also serving as a member of the Management Committee and the Chairman's Committee.

She was appointed Managing Director of BBK in 2009, and General Manager of Kutxabank, S.A. in 2012, where she was in charge of the Project Finance and Subsidiary Companies Department of the Group. She has been the Managing Director of Kutxabank Sociedades Participadas since January 2016.

She is a member of the Board of Directors of various companies, both listed and non-listed, in representation of Kutxabank: Ingeteam, Ibermática, Ekarpén Private Equity and Norbolsa, where she holds the position of Chair.

Her previous professional experience is mainly associated with the financial institution BBK, which she joined in 1984, working in various departments: International Affairs, Portfolio Management and Capital Markets.

3. Class

Kartera 1, S.L., represented by Ms Vivanco, has been proposed based on her relationship with Kutxabank, the significant shareholder proposing the appointment thereof.

Thus, taking into account that Kartera 1, S.L. has been proposed by a significant shareholder of the Company (i.e. Kutxabank), the Appointments and Remuneration Committee deems it to be a proprietary director pursuant to the provisions of sub-section 3 of Section 529 *duodecies* of the Corporate Enterprises Act.

4. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which the director is a holder

Neither Kartera 1, S.L. nor Ms Vivanco are currently the direct holders of any shares of Euskaltel or of financial instruments indexed to the value thereof.

5. Requirements for appointment

Based on the information provided by the candidate and its representative, the Appointments and Remuneration Committee has verified that both Kartera 1, S.L. and Ms Vivanco meet the requirements of respectability, suitability, expertise, competence, experience, qualification, training, availability and commitment to their duties to hold the position of proprietary director of the Board of Directors of the Company, and has also verified that they meet the general requirements demanded of all directors of the Company as provided by law.

In particular, the Appointments and Remuneration Committee finds that, in the particular case of Kartera 1, S.L. and Ms Vivanco, in order to be able to properly perform the duties inherent to the proposed position, the candidate must adequately combine sufficient abilities, skills and experience in the following areas:

- (i) the telecommunications industry and market, in which Euskaltel does business;
- (ii) strategic business vision;
- (iii) history of value creation;
- (iv) management of human resources and teams;
- (v) experience in management, leadership and business strategy as a director;
- (vi) highest level of ethics and respect for the business community generally;
- (vii) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and
- (viii) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

The Board of Directors finds that Kartera 1, S.L. and Ms Vivanco meet the foregoing conditions.

It has also verified that they are not affected, directly or indirectly, by any of the instances of disqualification, prohibition, conflict with or opposition of interests to the corporate interest as set forth in provisions of a general nature or in the internal rules of Euskaltel.

6. Conclusion

The Appointments and Remuneration Committee has reported favourably on the proposed re-election of Kartera 1, S.L., and of Ms Alicia Vivanco González as its individual representative, as a director of the Company with the classification of proprietary director.

In view of all of the foregoing, the Board of Directors finds that Kartera 1, S.L. and Ms Alicia Vivanco González, its individual representative, have sufficient skills, experience and merits to perform the duties of the position.

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In Derio, on 22 April 2020.

ANNEX I

FAVOURABLE REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

Report of the Appointments and Remuneration Committee of Euskaltel, S.A. favourably assessing the proposal of the Board of Directors for the re-election of a Proprietary Director

This report is issued in compliance with the provisions of Section 529 *decies* of the Corporate Enterprises Act and is intended to favourably report to the Board of Directors of Euskaltel, S.A. regarding the re-election of a proprietary director to be submitted for approval by the shareholders at the upcoming Annual General Meeting of Shareholders.

In line with the provisions of said section of the Corporate Enterprises Act and in accordance with the provisions of article 5 of the Regulations of the Appointments and Remuneration Committee, this committee must:

- (i) 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; and
- (ii) 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.

For these purposes, the Appointments and Remuneration Committee believes that the candidate must adequately combine sufficient abilities, skills and experience in the following areas:

- a) the telecommunications industry and market, in which Euskaltel does business;
- b) strategic business vision;
- c) history of value creation;
- d) management of human resources and teams;
- e) experience in management, leadership and business strategy as a director;
- f) highest level of ethics and respect for the business community generally;
- g) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and
- h) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

Taking into account the powers and current needs of the Board of Directors, it is deemed appropriate to re-elect the person referred to in this report, also taking into account the analysis included herein regarding the assessment of the actual work and dedication thereof.

Pursuant to article 52 of the Bylaws, the directors' term shall be four (4) years, although they may be re-elected on one or more occasions for equal maximum terms.

Therefore, this Committee reports favourably on the re-election of Kartera 1, S.L., represented by Ms Alicia Vivanco González, with the classification of proprietary director, for the bylaw-mandated term of four (4) years.

Detailed information regarding the director is set out below:

I. Kartera 1, S.L., represented by Ms Alicia Vivanco González

The information obtained by the Company and the prior performance of Ms Alicia Vivanco González as a director at Euskaltel (she has been a member of the Board of Directors for the last 17 years and as of the date of submission of this report is a member of the Company's Audit and Control Committee) shows that Kartera 1, S.L. and Ms Vivanco have both sufficient knowledge as well as the required experience within the Company to perform the duties of the position.

Kartera 1, S.L. was incorporated as a public limited company (*sociedad anónima*) under the name Kartera 1, S.A. on 30 July 1993, pursuant to a deed executed before José Antonio Isusi Ezcurdia, Notary Public of Bilbao, and recorded in his notarial records under number 2,943. It was subsequently transformed into a limited liability company (*sociedad limitada*) on 23 March 1999 by means of a deed executed before the aforementioned Notary Public, Mr. Isusi Ezcurdia, and recorded in his notarial records under number 826. This latter deed is entered in the Biscay Commercial Registry, in volume BI-659, book 0, folio 25, sheet BI-5126-A, entry 9. Its tax identification number (N.I.F.) is B-48563506 and its registered office is at Gran Vía 30-32, 48009 Bilbao (Biscay).

The company object of Kartera 1, S.L. includes the acquisition and administration of chattel property.

Ms Alicia Vivanco González, the individual representing Kartera 1, S.L., was born in Valle de Trápaga-Trapagaran (Biscay) in 1960. She holds a degree in Economics from the University of the Basque Country.

Ms Vivanco became a member of the Board of Directors of Euskaltel in 2003, at that time as a representative of Bilbao Bizkaia Kutxa (BBK), an entity at which she led the Project Finance and Subsidiary Companies areas, while also serving as a member of the Management Committee and the Chairman's Committee.

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She is a member of the Board of Directors of various companies, both listed and non-listed, in representation of Kutxabank: Ingeteam, Ibermática, Ekarpén Private Equity and Norbolsa, where she holds the position of Chair.

Her previous professional experience is mainly associated with the financial institution BBK, which she joined in 1984, working in various departments: International Affairs, Portfolio Management and Capital Markets.

The foregoing shows that both Kartera 1, S.L. and Ms Vivanco have sufficient skills, experience and merits to perform the duties of the position of director. Therefore, the Appointments and Remuneration Committee reports favourably on the candidacy of Kartera 1, S.L., represented by Ms Alicia Vivanco González, for re-election as a director by the shareholders at the General Meeting of Shareholders of the Company with the classification of proprietary director.