



2015

# Corporate Responsibility Report







## 2015 CORPORATE RESPONSIBILITY REPORT

### Principles of the United Nations Global Compact

Euskaltel is a signatory to the United Nations Global Compact. In this Corporate Responsibility Report, which also acts as a Progress Report, each section states the Global Compact Principles addressed.

<p><b>Principle 1</b></p> <p>Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.</p>	<p><b>Principle 6</b></p> <p>Businesses should support the elimination of discrimination in respect of employment and occupation.</p>
<p><b>Principle 2</b></p> <p>Businesses should ensure that they are not complicit in human rights abuses.</p>	<p><b>Principle 7</b></p> <p>Businesses should support a precautionary approach to environmental challenges.</p>
<p><b>Principle 3</b></p> <p>Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.</p>	<p><b>Principle 8</b></p> <p>Businesses should undertake initiatives to promote greater environmental responsibility.</p>
<p><b>Principle 4</b></p> <p>Businesses should support the elimination of all forms of forced and compulsory labour.</p>	<p><b>Principle 9</b></p> <p>Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>
<p><b>Principle 5</b></p> <p>Businesses should support the effective abolition of child labour.</p>	<p><b>Principle 10</b></p> <p>Businesses should work against corruption in all its forms, including extortion and bribery.</p>



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**AENOR** Asociación Española de  
Normalización y Certificación

## VERIFICACIÓN DE LA MEMORIA DE SOSTENIBILIDAD

### VMS-Nº 005/16

La Asociación Española de Normalización y Certificación (AENOR) ha verificado que la Memoria de la empresa:

**EUSKALTEL, S.A.**

Titulada: **2015 MEMORIA DE RESPONSABILIDAD CORPORATIVA**

Proporciona una imagen razonable y equilibrada del desempeño, teniendo en cuenta tanto la veracidad de los datos de la memoria como la selección general de su contenido.

Este aseguramiento externo se ha realizado en conformidad con la Opción Exhaustiva de la Guía G4 del Global Reporting Initiative junto con el Suplemento Sectorial de Telecomunicaciones. La verificación se ha realizado con fecha 14 de abril de 2016, no considerando cualquier circunstancia acontecida con posterioridad..

La presente verificación es vigente salvo suspensión o retirada notificada en tiempo por AENOR y en las condiciones particulares indicadas en la solicitud nº 2016/20991/GRI/01 1R de fecha 9 de marzo de 2016 y en el Reglamento General de verificación de memorias de sostenibilidad de fecha enero de 2007 que exige entre otros compromisos permitir las visitas de sus instalaciones por los servicios técnicos de AENOR para comprobar la veracidad de lo declarado.

Esta declaración no condiciona la decisión que el propio Global Reporting Initiative pueda adoptar para incorporar a EUSKALTEL, S.A., en la lista de entidades que han realizado la memoria en conformidad con la Guía GRI, y que publica en su página Web: <http://database.globalreporting.org>.

Fecha de emisión: 18 de abril de 2016

**AENOR** Asociación Española de  
Normalización y Certificación

Avelino BRITO MARQUINA  
Director General de AENOR

# MESSAGE FROM THE CHAIRMAN

## *A historic year investing in our country's future*

Euskaltel has had a historic year. After 20 years in the market, in 2015 we passed two milestones confirming the strength, sturdiness and growth capacity of our company: our IPO and our purchase of Galician cable operator R, to produce a leading cable operator in the north of the State. We achieved this by consolidating our market leadership in the Basque Country, driving up income, customers and products. This enables us to continue creating wealth, developing technology and investing in our country's future.

We have expanded our customer and product base in terms of both households and businesses. This is the outcome of our bid to drive the Basque Country to cutting-edge utilisation of landline and mobile telecommunications with state-of-the-art technology. The strategy has made us the leader of the mobile market, where all customers have at least a 50 Mbps Internet connection. We have deployed Euskadi's largest Wifi network, launched a 4G service, and are now rolling out our own network with an LTE licence.

As a telecommunications operator, our project sustainability is built around our people. Their knowledge, skills and abilities constitute key factors to guarantee business competitiveness. A focus on customers and suppliers, our Good Governance policy, responsible environmental policy, social projects, a service for customers in the language of their choosing and general management excellence are the

cornerstones of our economic, environmental and social responsibility.

At Euskaltel we are aware that any good customer service must be based on people who are satisfied with and committed to the Organisation, and so the III Euskaltel Collective Agreement was signed up in 2015 amid a climate of confidence and consensus. It is our belief that Euskaltel is a responsible business with a commitment to Basque society, the society it works for, and that it must act as a corporate model and reference for that society.

2015 was also the year of consolidation of the Euskaltel Konekta Foundation, which was introduced in a bid to help create and foster connections between people, businesses and initiatives in terms of ICT technology. Here we operate four strategic objectives: driving forward young people's relationships with ICT, ensuring our company is present in society (people and businesses), becoming an ICT market leader in the Basque Country and projecting the image of globality both inside and outside the Basque Country. These objectives are manifested in activities targeting different groups: customers, business, employees, entrepreneurs, university students and NGOs, among others.

In addition to all the above, we have not neglected issues concerning good governance of the company and have now implemented a risk management system, making Euskaltel the first company in the Basque Country, and also the first



telecommunications company in the State, to secure official AENOR certification for its crime prevention management system. This system represents one more milestone in Euskaltel's undertaking to an ethical culture to prevent any activities generating criminal responsibility for the company, consolidating our focus on good governance and risk management as a first step in corporate sustainability.

In 2016, as a telecom group now operating in the Basque Country and Galicia, we intend to develop our business in both communities by rolling out landline and mobile projects. We will continue to strengthen our commitment to landline and mobile telecommunications using state-of-the-art technology. Our aim is to give our customers high-speed access at any location, from any device. We will continue to work to boost and improve our

customers' Internet connections, gradually increasing Wifi coverage in Euskadi and Galicia and development of our own 4G network.

We are reporting on all the above in this report, based on the 10 Principles of the United Nations Global Compact, as part of our focus on transparency and sustainability.

**Alberto García Erauzkin**  
Euskaltel Chairman

# PRESENTATION OF EUSKALTEL

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Euskaltel is presenting its Corporate Responsibility Report in due compliance with the annual submission of this type of document. This is Euskaltel's eleventh report, focusing on 2015. The scope of this report covers all activities of the organisation at all work centres, its value chain and with society in general.

The methodology employed in this report was based on the G4 2013 version of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, and the GRI supplement for the Telecommunications Sector (2003). This means it takes account of all the indicators stipulated in the Guidelines, either by actually addressing them or stating the reasons why they have not been taken

into consideration.

The contents of this Report were selected on the basis of the concept of sustainability for Euskaltel as a socially responsible business seeking to balance the corporate goals of its Mission and Vision against the expectations of its stakeholders, taking due account of the contents and experiences of previous years, and also the business conducted by Euskaltel in its commitment to the social and economic development of the community for which it provides services.

For the purposes of consolidating determination of the materiality of the report, and helping pinpoint the issues concerning Euskaltel stakeholders in 2015, the 2014



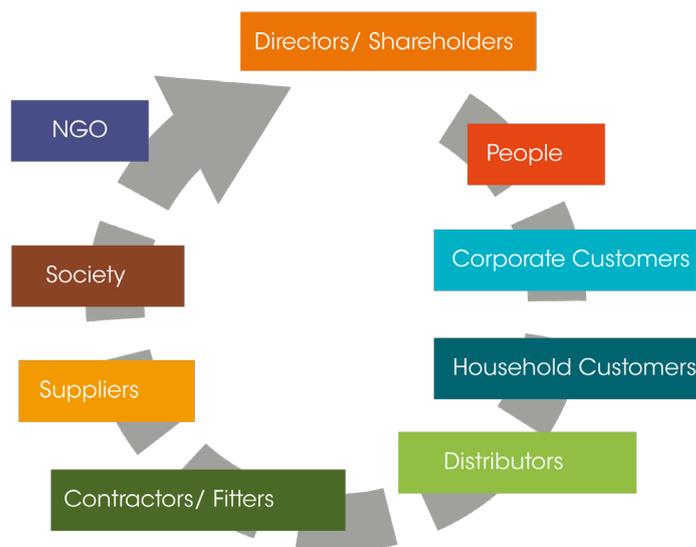
corporate responsibility report included a survey for stakeholders on the report.

The following criteria were considered to identify the stakeholders (shown in the diagram):

- stakeholders linked to Euskaltel through business mechanisms.
- stakeholders with no business ties and formal or informal cooperation agreements, which may be the result of certain regulations.

However, any stakeholders not included in these groups that require or approach Euskaltel due to our presence in the society in which we conduct our business, whether

or not we have requested relations with them, form part of the "Society" stakeholder group of the state's main sustainability parties (see table on page 23).





The materiality survey is based on a list of issues stemming from:

- a benchmarking analysis of other materiality surveys conducted by the Basque sustainability association Izaite.
- an analysis of the GRI aspects we considered more relevant to Euskaltel's activities, in terms of our business and of their impact.
- an analysis of the attributes of the Social Survey.



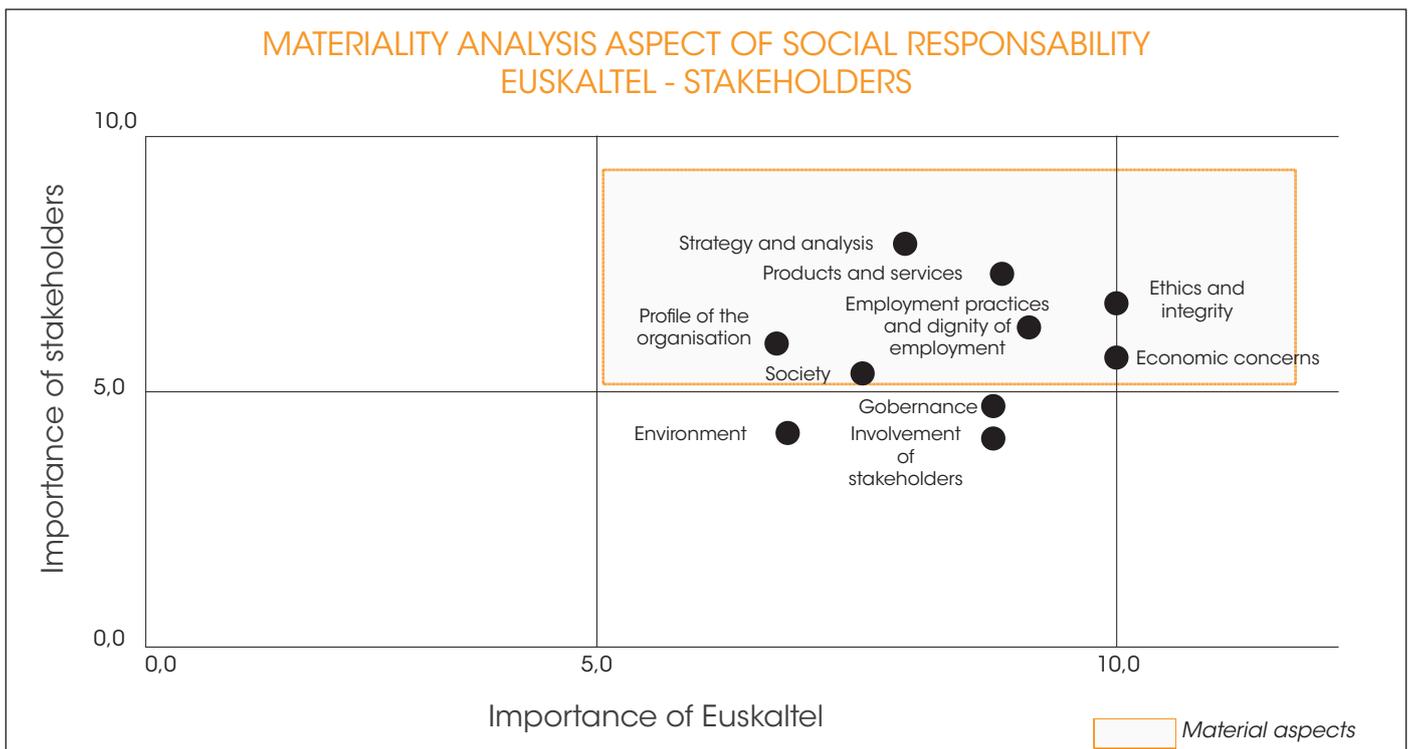
the impact of these aspects on both the stakeholders and on Euskaltel, and providing a definition of the most relevant material aspects.

This analysis produced a number of concepts we asked stakeholders to appraise in a Materiality Survey, in accordance with the contents of the GRI 4 structure.

The interests and expectations of the stakeholders were assessed on the basis of the information obtained from the last global social survey performed, and also from ad hoc surveys of employees and state CSR entities.

These aspects were rated by stakeholders considered the most significant in terms of their ability to affect or be affected by the company's activity, thereby obtaining

The global result of the analysis is shown below.





With respect to the aspects identified, the table below shows their coverage and the internal and external groups concerned, bearing in mind that in the opinion of Euskaltel's management body, all these aspects are material.

Major issues	General special-interest issues identified	Groups for which the issue is material	Euskaltel reply in the report
Strategy and analysis	Company strategy	"People Distributors Contractors Suppliers Society Customers"	1. Presentation and scope of the Report
	Guaranteeing the long-term survival of the organisation		
Profile of the organisation	Structure of the Company	"Society Distributors Contractors Suppliers"	"1. Presentation and scope of the Report 2. Corporate governance"
	Being true to the organisation's mission, vision and values		
	Making a contribution to the generation of wealth and social welfare		
Involvement of stakeholders	Management of stakeholders (channels and systematic procedure for dialogue etc.)	"Society Distributors Contractors Suppliers"	"1. Presentation and scope of the Report 2. Corporate governance"
	Encouraging transparency and trust		
Governance	Good corporate governance, control and decision-making bodies	"Society Distributors Contractors Suppliers"	2. Corporate governance
	Corporate policies		
	Boosting management excellence		
	Meeting legal obligations		
	Cooperating proactively with public authorities		
	Improving the organisation's corporate image and reputation		
Ethics and integrity	Code of Ethics and Conduct, patterns of behaviour required of employees	"People Society Distributors Contractors Suppliers"	"2. Corporate governance 6. Commitment to people"
	Encouraging involvement and recognition within the organisation		
	Improving the working environment		
Economic concerns	Financial robustness of the Company (risk control systems)	"People Society"	"1. Presentation and scope of the Report 2. Corporate governance"
	Achieving financial robustness and solvency		
	Boosting the organisation's economic results		
Environment	Environmental Management System: what Euskaltel can do about climate change	"Society"	5. Environment
	Taking courses of action to improve environmental impact		
Employment practices and dignified employment	Management of people, equality between the sexes, reconciliation etc.	"People Distributors Contractors Suppliers Society Customers"	6. Commitment to people
	Encouraging the use of Basque		
	Improving the employment conditions of staff		
	Carrying out activities in addition to the company's business purpose that generate value		
Society	Boosting professional development	"Society Distributors Contractors Suppliers"	"2. Corporate governance 3. Relations with the value chain Our social commitment"
	Social action: sponsorship, social activities, institutional cooperation etc.		
	Managing suppliers		
	Guaranteeing payments within the agreed timeframes		
	Encouraging cooperation and alliances with other companies		
Product	Boosting commercial relations that benefit all parties involved	"People Distributors Contractors Suppliers Society Customers"	"1. Presentation and scope of the Report 2. Corporate governance 3. Relations with the value chain 4. The network"
	Customer service, customised relations, advice, reducing errors etc.		
	Products and services		
	Responsible management with customers: explanation and sale of products, services and complex pricing		
	Service quality		
	Network coverage (fixed, mobile, direct access, broadband, others)		
	Improving the organisation's products and services		
	Listening more carefully, with a professional response by staff		
	Encouraging a level playing field and equal contractual relations with other companies		
Being a driving force in developing the information society			
Establishing differential relations and proximity to customers			



For the purposes of maintaining traceability and analysing developments in Euskaltel's performance over time, when possible data are supplied for the preceding three years.

In addition to the Chairman's Message, the Report is divided into eight chapters. Chapter One addresses the focus of the Euskaltel project, the company's trajectory and the main economic, environmental and social figures and results in 2015, and adherence to the commitments undertaken for that year.

The following chapters examine our performance in terms of corporate governance, relations with the stakeholders in our value chain, our network, the environment, our commitment to people and our social commitment. Each chapter ends by outlining our undertakings for the following year.

Chapter Eight sets out the location in the Report of the indicators stipulated in the GRI Guidelines and the GRI Telecommunications Supplement, with cross-referencing between the GRI indicators and the Global Compact Principles.

The economic data in this Report are based on Euskaltel's cost accounting, which focuses on obtaining analytic information by departmental structures and business lines, meeting the stipulations of prevailing business legislation and the regulations of the national General Accountancy Charter.

The environmental information in this Report is based on data in our Environmental Statement pursuant to the EMAS III

Regulation, which were submitted for external verification by AENOR. The decision was taken not to apply GRI protocols for a number of environmental indicators because consumption levels are obtained from suppliers in other units. This also makes for better comparability with the sector and makes the data more comprehensible to stakeholders.

All the information in this Report has been contrasted and verified internally by Euskaltel and externally by AENOR, which certifies that the Report has been drawn up pursuant to the directives of the GRI Guidelines (2013) and has issued the Verification Certificate, attached to the document. It has been agreed that, since Galician cable operator R was bought over at the end of 2015, this data will be consolidated in a report in 2016 as both organisations integrate and we have a chance to ascertain the opinion of our stakeholders in this new business venture.





Euskaltel's 2015 Corporate Responsibility Report covers our entire performance in terms of economic, social and environmental responsibility, and it is available to anyone for consultation on our web page: [www.euskaltel.com](http://www.euskaltel.com).

Any queries or requests for further information concerning this Report should be addressed to our Department of Organisation and Quality at [memoriarc@euskaltel.com](mailto:memoriarc@euskaltel.com) or by phone on 944011000.



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Euskaltel is the Basque Country's Global Telecommunications Operator. Its services include Landline Telephony, Internet, Interactive Digital Television and Mobile Telephony on its fixed and mobile networks, with customers all over the world.

The figures in the table below give some idea of the size of our organisation.

	2013	2014	2015
Income from Operations (thousands of €)	329,148	315,109	322,292
Management Results (thousands of €)	50,092	36,783	6,781
Broadband Internet customers	250,178	253,872	258,954
Digital TV customers	139,476	131,651	133,282
Mobile phone customers	346,230	402,242	513,925
Landline customers on the Euskaltel network	325,756	321,222	320,197
N° employees	546	351	342



## OUR STRATEGY

Euskaltel's strategy in the medium term focuses on maximising customer lifetime value, availing itself of:

- our leading position in the Basque Country
- customer loyalty
- our own fully developed cutting-edge cable network
- our brand

to consolidate our market share of

- broadband
- pay-to-view TV
- landline telephony
- mobile telephony
- and improve our position in the B2B market.

The main strategies identified to achieve these objectives are as follows:

- To drive up ARPU and reduce churn:
  - Continuing to focus on boosting customer lifetime value through up-selling and cross-selling on our current customer base.
  - Capturing new value-package customers.

To this end, plans have been made to roll out fibre in

- 51,000 homes
- 2,200 SOHOs
- 9 industrial complexes for 700 businesses

- promoting mobility as the core customer offer: mobile and broadband on the move.
- a focus on DSL users.

• The opportunity to increase market share in the business segment, on the strength of signs of an upturn in the Basque economy, using key assets:

- a superior infrastructure.
- proximity to customers.
- an attractive product portfolio.

## MARKET PRESENCE

The Business Department handles all customer commercial relations in any part of the Spanish State.

In terms of Landline Communications, at year-end 2015 Euskaltel had 380,000 Direct Access lines, down by 0.2% in a market that has dipped continuously over the last six years. The company had 270,379 Broadband lines at the end of 2015, up by 2.3% year on year. Euskaltel's Digital Television network had 142,982 value products at 31 December 2015, up by 5.6%, with 45% penetration of direct-access customers. One significant increase was pay-to-view TV, as a result of the new product strategy.

This means Euskaltel has maintained its status as the State's foremost alternative operator in terms of landline customers in the Basque region, with penetration levels in the various segments well above those of the major alternative operator running its own network nationwide. Euskaltel co-leads the landline market with an approximate market share of 37% in the Autonomous Community of the Basque Country, and 45% with an Euskaltel-owned fibre network. It leads the Basque



Broadband market with a share of 40%, and also Digital Television, with almost 45%.

In terms of mobile telecommunications, Euskaltel finished 2015 with 513,925 active lines, a net increase of 31% in value customers (with contracts), in a year in which once again established operators nationwide reduced numbers of active lines in favour of MVNOs. Euskaltel, however, forged ahead to boost its market share by more than 2 percentage points and account for 20% of contract lines.

The result of the products and services packaging strategy is that 29.6% of our customer portfolio in the Residential segment have a 4-product package (landline, broadband, pay-to-view TV and mobile), whereas this accounted for only 9.4% barely two years previously.

The table below shows the distribution of Euskaltel customers in 2015 by segments and types of services:

N° de clientes	2015		2014		2013	
	Etxekoa	Enpresa	Etxekoa	Enpresa	Etxekoa	Enpresa
Banda Zabaleko bezeroak	220.030	38.924	216.400	37.472	214.343	35.835
Telebista Digitaleko bezeroak	133.282	0	131.651	-	139.476	-
Telefonia Mugikorreko bezeroak - Ondoren ordaintzekoak (lineak)	397.813	82.865	297.962	68.880	235.797	67.828
Telefonia Mugikorreko bezeroak - Aurrez ordaintzekoak (lineak)	33.247	0	35.400	-	42.605	-
Sare propioko telefonia finkoko bezeroak	275.122	45.075	277.520	43.702	282.220	43.536

### Enhancing the user experience and product innovation to maintain market leadership in the Basque Country

On the strength of the technological advantage afforded by our Optic Fibre network and our capacities as a comprehensive mobile virtual network operator, we continued to develop our product catalogue throughout 2015.

### Mobile communications

Throughout 2015 we continued our strategy of adapting to the greater needs of our customers for increasingly rapid browsing on their mobile devices. We achieved this through Euskaltel Wifi, the company's main launch in 2015. Street deployment (Community) was carried out in March 2015, with 120,000 locations available. The number of access points will be increased in 2016, with a target of 160,000 active accesses. Approximately 75,000 lines are activated daily.

This year Euskaltel Wifi was and will continue to be an innovative, revolutionary, ground-breaking service.

The mobile relaunch was accompanied by a policy of increased browsing in our prices, and launch of the 4G Service. When



the 4G networks had been consolidated and coverage had exceeded 60% of the population of the state, in October we carried out a smooth launch of our 4G service - there was no need for customers to take any action or change their cards, and the service was automatically incorporated in our commercial offer at a rate for a reasonable browsing service (in excess of 1.5GB). We also made the multi-line Family Rate more flexible with specific optional 4G modules for customers to add to the lines of their own choice.

In October we also launched a new mobile browsing service to enable users to continue high-speed browsing after they had exhausted the service contracted. This service and the possibility of the same rate for several devices give customers more scope to continue their high-speed browsing.

### Internet

As part of our commitment to all our customers, to enable them to take full advantage of Internet at home, we increased the connection speed to give more than 82% of our customers speeds in excess of 50Mbps, 7 times the average speed of ADSL. Almost 40% of our customers operate with more than 150 megas, making Euskadi the State's fastest community and one of the fastest communities in Europe.

In June 2015 we redeployed Broadband, and put 4 new offers on the market: 15Mbps, 50Mbps, 150Mbps and 350Mbps.

Moreover, well aware of the exponential growth of household devices using Wifi systems, we developed our customers'



Internet connectivity portfolio by introducing a new Cablemodem Wifi AC system with speeds of up to 350Mbps. We also sold additional equipment such as specific heavy-duty routers, repeaters and PLCs to adapt home Wifi systems to the needs of our customers.

### Television

In 2015 we deployed a strategy of topping up our TV offer with the latest technological services.

In the wake of the Videoclub and Edonon services launched in 2014, we have now added a new recording service. This is one of the services most actively sought by our customers, who wish to see their favourite programmes and series whenever they want and not only when they are actually broadcast.



We also developed Edonon to enable customers to watch television wherever they want, on a tablet, a computer or a mobile on a Wifi connection. The service has some new functions to make it even more customer-friendly, for example: watching contents that have already begun from the beginning (start over), pause a programme being broadcast live (timeshift), linking up all episodes in a season of a series, channel type searches in accordance with customer preferences and, of course, a recording service.

In addition to the launch of new services, we have also stepped up our offer of contents, with two major à la carte channels, a Film Premiere Channel and a Series Channel for those wishing to watch the latest box office hits or series that have been a resounding success with viewers and the critics. Other channels have been added such as "Somos"

and "Extreme Sports", and our Videoclub has been enhanced to allow customers to choose from a wide selection of contents - film premieres and adult films, in addition to a large amount of free content.

### **Knowledge of customer: ONE2ONE Marketing**

In 2015 we made greater inroads into knowledge of our customers, generating value proposals in accordance with the needs and realities of each individual customer. A segmented up-selling and cross-selling procedure is implemented for each new customer, to generate the highest levels of satisfaction and loyalty among all Euskaltel customers.

Better and more extensive multi-channel marketing (with a greater focus on online) has created products that are better suited to



all needs, processing response in each case to enhance knowledge of the customer and step up value proposals.

Proactive and reactive action is also taken to boost customer retention, seeking to adapt the situation of each customer to new realities by adjusting products to facilitate the best possible balance between services and price.

## Businesses

In 2015 we set about selling our “Tarifa Equipo”, a multi-line team rate targeting businesses with a number of employees, offering unlimited calls and 2GB on each line and a price with no competitors. We also created a new convergent services packages for businesses known as Euskaltel PRO. The package covers all the needs of the small-businesses segment, with a high-performance connectivity solution (Voice and Broadband), with added-value features for small companies such as a converging fixed-mobile voice service, mail services and internal business calls.

## Companies

In the companies segment, we concentrated on improvements to our offer of security products to become the main IT security reference for SMEs. We launched a service to safeguard against DoS attacks to complete our perimeter security services, where the product most prized by customers is the Cloud Firewall. Nor did we forget work station security services, thanks to agreements with Panda, which adds a mobile antivirus system to our offer.

In a bid to provide customers with management tools to boost their productivity, we struck an agreement with IBM to include their Remote Management of Mobile Devices (MaaS360) in our product catalogue. The service gives customers complete control of their mobile devices, a permanently updated inventory, control of any applications permitted by corporate regulations, and a remote feature to delete all corporate contents on the device in the event of loss or theft, among many other functions.

We maintained our goal of reducing costs for customers, and are continuing to develop our offer of outsourced corporate services by consolidating our datacenter services with the assistance of our own DPC infrastructures.

## **Maintaining a disciplined approach to investment in infrastructure to carry through a successful commercial strategy**

We use our own fully developed new-generation cable network, one of Europe’s most advanced, providing us with a clear competitive edge to maintain and boost our expansion.

Our network is fully developed, and maintenance and replacement work account for approximately 84% of investment. We intend to continue investment on the criteria of maintenance, customer teams and, where necessary, improvements to boost our commercial strategy. For example, while the present network can produce speeds of up to 500 Mbps, it could be enhanced to 800Mbps if demand evolves in



this direction.

A fully developed network is the result of steady investment in recent years (46.9 million euros in 2015, 42.2 million euros in 2014 and 41.5 million euros in 2013), and expectations are that future investment will be in accordance with commercial success. We intend to continue to apply a disciplined approach to investment, with future deployment of fixed and mobile networks. Investment is expected to total 40-45 million euros in 2016, and to account for 13%-14% of total income.

### **Continuing to optimise the efficiency of our processes and drive forward digitalisation to push profitability even higher**

Adjusted EBITDA, which does not include expenditure on the IPO or the R Cable purchase, stood at 158.1 million euros in

2015, up by 1.5% against 2014, with margin over revenue at 48.2%. These results point to successful management of operating costs and the efficiency measures established in previous years.

In this endeavour, as we continue to assess our internal processes to pinpoint streamlining opportunities, we have clearly identified several areas of major growth. Our "online first" strategy aims to boost digital interaction with customers and a number of internal business processes to produce a smaller, more flexible costs structure.

### **Looking ahead to 2016**

As our strategy states, Euskaltel is making real progress in offering its customers high-speed access at any location with its fibre network, Wifi accesses and future deployment of the 4G network.



We are also driving up growth by extending our customer base, capturing latent demand by ADSL customers for optic fibre.

Another avenue is the optimisation of the efficiency of our processes to increase profits and maintain cash flow, with flexibility to offer attractive returns to shareholders and undertake strategic value-creation acquisitions.

Euskaltel is still working to boost customer lifetime value through up-selling and cross-selling on our current customer base, capturing new value-package customers, promoting mobility and helping ADSL users to switch to a fibre-based system.

The Strategic Reflection carried out in 2016 is continuing with some ambitious targets to keep growth moving upwards in the years ahead:

## ECONOMIC AND FINANCIAL ISSUES: A SUSTAINABLE PROJECT

Euskaltel's economic issues are managed

by the Economic-Financial Decision Centre, which has also created a corporate reporting procedure to assist management by Decision Centres and increase the company's transparency by sharing information with its stakeholders.

With regard to risk management, Euskaltel's business and the sector in which it operates lead it to use financial risk assessment methods suited to its activities and areas of operation for best possible management. The main risks faced by the company are:

- Credit risk. Some of the policies and practices to address this risk include scoring-customer acceptance, continuous monitoring of customers' available credit to reduce the possibility of non-payment of any major receivables, and collection and recovery of unpaid debts.

For any debtors with occasional major balances outstanding, the company operates a policy of guarantees, and to safeguard against debtors that may present simultaneous outstanding balances, contracts are drawn up with an automatic

2016 TARGET		TARGET VALUE
GROWTH	Total income from management and larger customer base	30.0% (*)
PROFITABILITY	EBITDA and FCF	30.0% (*)
INNOVATION	Number of state-of-the-art products launched and net number connected	15.0% (*)
SYNERGIES – EUSKALTEL/R MERGER	Amount of synergies (expenditure + investment)	25.0% (*)

(\*) Weighted percentage of the total for each target.



balance compensation clause.

- Liquidity risk. Euskaltel matches its debt repayment profile to its ability to generate cash flows. The company establishes triannual financing plans to this end. It conducts annual reviews and fortnightly analyses of its financial position, including long-term projections and daily monitoring of balances and bank transactions.

- Market risk. Euskaltel has established several policies for procurement and contracts to incentivise its regional scope, and policies to mitigate concentration of balances and transactions as far as possible, and to reduce the likelihood that operations will be concentrated in very few parties.



<b>SPECIFICATION</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>CONSOLIDATED ECONOMIC DATA (thousands of euros)</b>			
Total income	334,891	321,161	327,756
Income from operations	329,148	315,109	322,292
Net borrowings	325,962	236,910	1,369,142
Operating cash flow	113,602	113,640 (*)	111,266
Profit/loss in the year	50,092	36,783 (**)	6,781
Total tax paid	81,832	79,707	97,643

(\*) Defined as EBITDA less investment

(\*\*) Results for 2014, restated (see annual accounts)



The table below shows the results of targets for 2015:

2015 TARGET (*)	Percentage proportion	Result	Level of achievement
Total management income	35.0%	99.5%	34.8%
EBITDA	50.0%	98.8%	49.4%
Free cash flow	15.0%	96.8%	14.5%

(\*) The Board considered rewarding considerable effort by the entire organisation, producing a corporate targets result of 100%.

## ENVIRONMENT

Euskaltel's activities have very little impact on the environment. This affects the scope of our environmental goals, and enables us to ensure there are no issues constituting a risk to the company's activity that are not being addressed. The Department of Organisation and Quality coordinates all issues in connection with the environment.

The table below shows the definition, monitoring and results of environmental targets in 2015. This item is addressed at more length in Chapter 5 addressing environmental issues.



ENVIRONMENTAL TARGETS		2015		DEFINITION		MONITORING				
TARGETS AND INDICATORS		GOAL	UNIT	REDUCTION or IMPROVEMENT	VALUE 2014	Cumulative	% improvement	Does it comply?		
EMISSIONS	Obj.	<b>Reduce GHG emissions</b>								
	Indic..	GHG emissions (scopes 1+2) per customer	< 5,084	kg CO <sub>2</sub> /bezero	2% s/dato 2014	5,188	5,810	-12,0%	NO(1)	
Hazardous	Obj.	<b>Reduce lead battery waste generated by faults</b>								
	Indic.	Weight of lead battery waste generated by faults	< 6,194	gr/bezero	5% s/dato 2014	6,520	5,696	12,6%	yes	
Management	Obj.	<b>Obtain verification of EMAS Environmental Statement (as per EMAS III)</b>								
	Indic..	Environmental statement verified	100%	%	---	100%	100%	---	yes	
Management	Obj.	<b>Obtain the footprint of the Euskaltel Wifi service/product offered by Euskaltel</b>								
	Indic.	LCA of the final Euskaltel Wifi service/product	100%	%	---	100%	100%	---	yes	

(1) The "Reducing greenhouse gas emissions" target was not met in 2015 because indirect electricity consumption emissions account for 96.7% of Euskaltel's total emissions, and are directly proportional to the value of the national electricity mix. This parameter depends on the various energy sources (coal plants, hydroelectric plants, nuclear facilities etc.) used to generate electricity nationwide, and is therefore beyond the control of any company, including Euskaltel. This figure rose by 25.8% in 2015 with respect to 2014.



## SOCIAL ISSUES

Euskaltel believes that assisting social and economic development in our community is an essential part of its business, and has established this in its Mission statement (see next section).

The company's contribution is chiefly coordinated by various departments of the General Secretariat and External Relations Decision Centre, and by Organisation, Personnel and Quality. They manage relations with shareholders, institutional sponsorship and patronage, social responsibility policy, safety and health, training and professional development for Euskaltel employees, fostering quality use of the Basque language, and learning English. As part of our commitment to the society in which we conduct our business, Euskaltel has set up R+D projects and schemes to promote Euskera. The incidence and increase of our projects are reflected in the volume of grants we have received for them. Grants awarded in 2015 totalled 367,192.54

euros. Most of this was accounted for by R+D, 56.66% of the total in 2015, 6.34% to promote Euskera, 14.65% was allocated to training, and 22.34% to deployment.

The table below shows a breakdown of the 2015 targets defined in this area. Further details are provided in Chapter *Commitment to people* and Chapter *Our social commitment*.

2015 TARGETS	HELB. BAL.	EMAITZA	BETE-TZE-MAILA
<b>Prevention of occupational hazards</b>			
Managing a new framework for the coordination of activities.	%100	%50	NO (1)
<b>Personnel</b>			
Progress on the concept of a healthy business.	%25	%25	YES
Progress in the application of conciliatory measures through flexibility.	%100	%100	YES
<b>Human rights</b>			
Courses of action arising from the Equality and Diversity Plan (see Chapter 6).	%100	%100	YES
<b>Social issues</b>			
Defining sponsorships in line with the strategy for Euskaltel's natural market.	%100	%100	YES
Cooperating with institutions to generate new projects for rollout of ultra-fast networks or alternative technology in the Basque Country (see Chapter 7).	%100	%100	YES
Upgrading and communication of EKT Konekta (Euskaltel Foundation) as a link between people, ideas and companies working with technology by and for people (see Chapter 7).	%100	%100	YES
Developing the crime prevention management system (see Chapter 2).	%100	%100	YES
Developing a corporate volunteer scheme at Euskaltel.	%50	%100	YES
Working on the concept of the company's social value and its monetisation.	%50	%100	YES

(1) The relations framework arising from outsourcing network management and the new subcontracting model caused some difficulties in coordination with a number of suppliers. This meant that document coordination was not carried out properly in all cases. However, field inspections have continued to prevent any decrease in work safety levels.

# CORPORATE GOVERNANCE

This chapter addresses Principles 1, 2, 8 and 10 of the United Nations Global Compact

Euskaltel considers that deployment of its Good Governance policy is inextricably linked to proper administration of the company, to safeguard its legitimate interests, guarantee its sustainability, supervise and direct its operations, with due adherence to legal stipulations, ethics and the rights of those who, albeit not proprietors, have a direct or indirect interest in the behaviour and performance of the company (customers, suppliers, shareholders, employees, authorities, competitors and the public at large), in connection with issues such as, for example, the environment, IT security or the prevention of corruption.

This Corporate Governance System is based on the commitment undertaken by Euskaltel to the best practices of good governance, business ethics and social responsibility in all its areas of activity, with reference to the National Securities Market Commission's Good Governance Code for

listed companies, and its components are as follows:

- Mission, vision and values
- Corporate policies
- Internal codes and regulations
- Euskaltel's corporate profile (Euskaltel's Governance)

## MISSION, VISION AND VALUES

Our **Mission** focuses on creating value:

*"Furnishing a comprehensive response to people's communication needs and helping businesses boost their productivity by providing them with information management and communication tools, thereby making a contribution to social and economic development in our Community".*

Our **Vision** of the future is an ambitious vision, with a major commitment:



*“A leading Basque company providing global ICT solutions to match the needs of the market and provide services for customers, focusing on attention to detail, commitment and assistance, ready to take up opportunities for growth and development in new business and other geographic markets”.*

**Corporate Values:** our identity markers

*“Corporate values are our identity markers - they determine the ways in which we operate and understand the framework of interrelation with internal and external parties”.*

## **CORPORATE POLICIES**

Euskaltel has established policies that implement the principles set out in its Corporate Governance System, and these contain the standards governing the action

taken by the Company, its administrators, directors and professional employees:

### **Good Governance Policy**

This establishes the principles of good governance for Euskaltel, in order to achieve the company's objectives efficiently and in accordance with its obligations, in due compliance with Euskaltel's business purpose and social interests. Corporate Governance is structured as a system of relationships among Shareholders, the Board of Directors and Management, and is implemented in processes for the three bodies to interact, direct and control the future of the organisation, on the assumption that all companies must be responsible and sustainable, but they must also be governed with clearly defined ethical, transparent criteria.



## Corporate Defence Policy

This policy constitutes a reference framework as a guarantee to shareholders, authorities and other stakeholders and judicial bodies that Euskaltel exercises the proper control as required by law over administrators, directors, employees and other persons or companies dependent on the Company, basing Euskaltel's activities on the principle of adherence to the rule of law and the promotion and defence of Corporate Values.

Under this Policy, work has continued to deploy a Crime Prevention Management System - on the basis of a definition of a map of criminal risks and assessment of these risks, a risk prevention manual is drawn up based on controls to mitigate the risks, paying close attention to the establishment of measures to prevent corruption and the deployment of monitoring and assessment mechanisms, and a whistleblowing system through the ethics channel, thereby continuing to extend and improve the Euskaltel Risk Management System, which includes risks in connection with Human Rights. An internal training plan was set up throughout the company to ensure this policy is properly deployed.

The Intranet also contains the Code of Ethics and Conduct, addressing both the organisation's ethics and conduct that must be rejected by employees, with a special focus on anti-corruption issues. There are, however, other channels to report any

impacts that could affect Euskaltel, such as the corporate website, the Corporate Responsibility Report's own e-mail address ([memoriarc@euskaltel.com](mailto:memoriarc@euskaltel.com)); or the open questions in the company's survey. No communications in this regard were received in 2015.

In 2015 there were no incidents concerning any serious infringements of the regulations or good governance established at the Company.

Euskaltel has established policies addressing risk management at the Company:

### *Risk Control and Management Policy*

This policy establishes the basic principles and general action framework to control and manage all the risks facing Euskaltel: financial risk, market risk, risk of fraud, environmental risk, employment risk, information risk, technology risk, operating risk and legal risk.

### *Information Risk Management Policy*

This establishes directives for regular information risk management, consisting of an analysis of risks and treatment of any risks the Company considers unacceptable. An analysis of information risk was performed in 2015, and this produced a treatment plan establishing courses of action considered unacceptable.



### *Information Security Policy*

This establishes a reference framework defining action directives with a preventive, detective and corrective approach to ensure that the integrity, availability and confidentiality of corporate information and information concerning customers, suppliers and associates are not compromised. As a result of the deployment of this policy, work continued in 2015 to improve the Information Security Management System, addressing issues such as Business Continuity as one of the key factors in guaranteeing business sustainability.

Euskaltel's Information Security Management System is certified to ISO 27001. It has been certified externally since 2012, and the renewal audit was carried out in 2015. The system addresses the Data Protection policy containing specific procedures to carry out this policy.

The procedures concern the management and maintenance of personal data, in accordance with the legal principle of data quality, exercise of customers' rights (access, rectification, cancellation and objection), pursuant to the principle of consent granted by the party concerned, and access to personal customer data for the provision of services by third parties permitting compulsory control of their usage. An essential component of this policy is the application of security measures at the level

required by law. In compliance with Spain's Personal Data Law, the two-yearly audit was performed in 2015 to ascertain compliance with the law by Euskaltel's management system. The next audit is due in 2017.

2,305 queries and 42 claims by customers were received in 2015, and no fines were administered for failure to comply with laws or obligations concerning individuals. The data protection and systems security training module remained available to Euskaltel staff on the corporate intranet in 2015. This ensures that employees are aware of their obligations, and of their duty concerning the security and secrecy of the personal data they access when carrying out their functions.

Confidentiality is one of the ethical principles exercised by employees, and is set out in their code of ethics and conduct.

Euskaltel has established a number of policies to encourage a culture of advanced management and individual responsibility among its employees, in a bid to improve welfare, drive social and economic development and create value for stakeholders, including society at large and the environment:

### *Integrated Management System Policy (Quality, Environment, Prevention of Occupational Hazards)*

On the basis of advanced management



as a key feature of competitiveness, the Management System contains company policies, broken down into the processes necessary to obtain customer satisfaction, protect and improve the environment, manage all kinds of risks and boost the welfare of people. The policy implies that Euskaltel acquires, among other undertakings, a commitment to continually improve our products, services and work methods.

### *Social Responsibility Policy*

This establishes the commitments and general guidelines for the Company's management system, which centralises work towards responsible action by the company and transforms its commitment as a sustainable business into value for stakeholders and for the organisation itself. In connection with this policy, in 2015 we renewed our commitment to the United National Global Compact signed in 2003, which led to the 2014 Progress Report (Advanced).

The Euskaltel Corporate Responsibility Report was also drawn up pursuant to the GRI (Global Reporting Initiative) and submitted for verification by an officially recognised third party (the certification body AENOR), obtaining a score of A+ on 15 September 2015.

### **INVOLVEMENT OF STAKEHOLDERS**

This report contains many demonstrations of Euskaltel's commitments and



communications with its stakeholders on the criterion of its policy of social responsibility. One clear exponent of the involvement of stakeholders is management of their perceptions, which are made known in satisfaction surveys, among other methods. Euskaltel's management system avails itself of an approach that gathers knowledge of the perceptions of stakeholders, taking this on board in order to establish areas of improvement to move forward policies of commitment to our social habitat.

In 2015, following the Euskaltel IPO and the purchase of the Galician cable operator R at the end of the year, we consolidated our leadership of the north as a telecom operator, and therefore in 2016, as both organisations merge, we wish to seek the opinion of our stakeholders on this new business venture. We have a number of tools to help us do this:

### **Company Survey**

Euskaltel carries out regular company surveys, and the latest was completed at the end of 2013. The main purpose of the Company Survey is to gain an insight into "the demands of stakeholders to be subsequently included in company strategy, and analysis of the current reaction by Euskaltel to these



STAKEHOLDER	PERCEPTION TOOL	INTERACTION	REGULARITY
Company	Company survey	Jarraitua	Bi urtez behingoa
People	Climate survey / Company survey	Jarraitua	Bi urtez behingoa
Suppliers	Company survey	Jarraitua	Bi urtez behingoa
Contractors/Fitters	Company survey	Jarraitua	Bi urtez behingoa
Distributors	Company survey	Jarraitua	Bi urtez behingoa
Corporate customers	Customer satisfaction survey	Jarraitua	Jarraitua
	Company survey	Jarraitua	Bi urtez behingoa
Household customers	Customer satisfaction survey	Jarraitua	Jarraitua
	Company survey	Jarraitua	Bi urtez behingoa
Directors / Shareholders	Board meetings	Aldizkakoa	Gutxienez, hiru hilean behin
	General Shareholders' Meetings	Aldizkakoa	Gutxienez, urtean behin
	Company survey	Jarraitua	Bi urtez behingoa

demands". The survey is based on 25 attributes; until the next consultation has been carried out, Euskaltel bases its CSR Master Plan on the expectations identified in the previous round of surveys, the results of which were posted in the 2014 Corporate Responsibility Report.

### Customer Surveys

This chiefly consists of surveys targeting household customers:

- surveys to find out why customers left the company and why they did not take up certain services. In both cases, the objective is to ascertain what we can do to resolve this situation/prepare ourselves for similar situations subsequently. Improvements could consist of changes to the product, the price or communication.

- another format we frequently use is the conjoint survey, which enables us to make changes to offers or products we wish to launch in consideration of various customer

and non-customer targets. Depending on the outcome, we make changes to the characteristics of the product, price etc.

- qualitative surveys (focus groups) are mainly used for product testing, or as a communication campaign pretest, and we can make changes to the message, creativity or the product itself.

Throughout the year we tracked advertising and the company image, enabling us to perform an analysis of the impact of our communication and developments in Euskaltel's image on specific criteria. This survey was carried out on customers and non-customers.

Customer satisfaction is also gauged through a survey performed whenever a customer contacts the helpline.

The results show a high level of satisfaction with the services requested among both corporate customers and household customers, and in general with all helpline services, as shown in the table below:



		2013	2014	2015
Households	Information	9.20	9.10	9.04
	Technical service	9.20	9.10	9.03
Corporate	Information	8.80	8.90	8.90
	Technical service	9.20	9.20	9.20

In the case of interaction with the corporate segment when businesses have rated the service as poor (a score of less than 5), the customers are contacted again to ascertain the reason for their dissatisfaction and make good any shortcomings in the service. For households, the typology, phases, products and causes in connection with dissatisfaction are analysed in search of areas of improvement to boost customer satisfaction.



## Surveys of People

In the light of the transformation process it undertook in 2015, Euskaltel felt it was time to conduct a survey of people in 2016 on completion of the integration process.

However, in the Company Survey launched in 2016 using the work café tool, as employees are also stakeholders, the following results were obtained in the categories this group considered most important:

Order	Attributes	Importance (*)	Results (*)
1	Guaranteeing the long-term survival of the organisation	4,55	3,73
2	Achieving financial robustness and solvency	4,45	4,18
3	Establishing differential relations and proximity to customers	4,36	2,73
4	Improving the organisation's products and services	4,27	3,09
5	Improving the organisation's corporate image and reputation	4,27	3,45
6	Being true to the organisation's mission, vision and values	4,18	2,82
7	GENERAL IMAGE of Euskaltel in society	4,18	3,18
8	Improving the employment conditions of staff	4,00	3,09
9	Boosting the organisation's economic results	4,00	4,00
10	Boosting professional development	4,00	2,27
11	Being a driving force in developing the information society	4,00	2,82



Satisfactory Compliance



Neutral Compliance



Unsatisfactory Compliance



Taking account of all the attributes considered in the survey, employees judged the following as Euskaltel's best points: "achievement of financial robustness and solvency", "improvement of the economic results achieved by the organisation", "guaranteed long-term survival of the organisation" and "improvement of the organisation's reputation and corporate image", and the following as areas for improvement: "improvement of professional development" "establishment of differential relations and proximity to customers", "loyalty to the organisation's mission, vision and values" and "a driving force in developing the information society".

To assist with development of these policies and Euskaltel's commitment to social responsibility, Euskaltel has joined forums to gain knowledge and share good practices for corporate sustainability - for example: the Global Compact's Spanish Network, Izaite, Euskalit, Innobasque, Basque Ecodesign Center etc. In 2011 we signed up to the Principles for the empowerment of women, a joint UNIFEM/Global Compact initiative. Some examples of sharing good practices are as follows:

During the XXI European Week of Advanced Management, the representatives of a number of companies attended the "Committed to environmental traction" conference, at which Euskaltel presented its crime prevention management system.

Euskaltel also spoke at an informative conference organised by Aenor and Prysmat at Deusto University. This event discussed

the benefits of the implementation and certification of crime-prevention measures in organisations.

### Prizes, awards and certifications

Euskaltel undergoes regular audits by officially recognised bodies in various fields of activity, and renewed its certificates:

- Quality Management System Certificate (ISO 9001)
- Environmental Management System Certificate (ISO 14001)
- Listing in the EMAS III Community System Register
- Occupational Safety and Health Management System Certificate (OHSAS 18001)
- Information Security Management System Certificate (ISO 27001)
- Crime Prevention Management System Certificate

These certificates are available to the general public on our website ([www.euskaltel.com](http://www.euskaltel.com))





Euskaltel received the following prizes and awards in 2015:

- Prize for the altruistic company of the year, awarded by Getxo Town Hall in recognition of its sponsorship of the Bowlzilla skateboarding event.
- Prize for the “WiFi is in the Air” campaign.
- PesMes 2015 Specific Marketing Prize: “WiFi is in the Air” communication campaign - <http://www.asociacionmarketing.com/pesmes-2015/>
- Marketing Master Prizes; award by the Graduates’ Association of the Marketing and Business Management Master at the University of the Basque Country and the University’s “Economía Financiera II” Department’s Institute of Applied Economics, for Basque businesses and professionals operating in this area.
- Finalists in the Basque section of the Quality Innovation of the Year (QIY) award for our launch of Euskaltel Wifi.

## INTERNAL CODES AND REGULATIONS

Euskaltel has defined the following as tools to lay down the codes of conduct to act as guidelines for decisions taken by the company and people within the organisation, which are also to be used to improve the company’s reputation:

### Euskaltel Code of Ethics and Conduct

In 2015 the Euskaltel Board approved a new

code of ethics and conduct laying down the principles for courses of action and rules for the conduct of Euskaltel, its people and those working on its behalf, in their internal and external relations as they go about their daily business.

The code has now been defined, and is available for consultation by our stakeholders on the corporate website ([http://www.euskaltel.com/CanalOnline/nosotros/conozcanos/Responsabilidad\\_Social](http://www.euskaltel.com/CanalOnline/nosotros/conozcanos/Responsabilidad_Social)), in order to inform parties working in the supply chain of our policy concerning Corporate Social Responsibility (CSR), and to promote good Social Responsibility practices both internally and externally.

### Euskaltel’s internal rules of conduct on securities markets

In 2015 the Euskaltel Board approved Internal Rules of Conduct on Securities Markets, pursuant to the stipulations of Article 80.2 of Securities Market Law 24/1988 of 28 July. These rules set out to regulate the conduct of the Company, its administrative bodies, employees and representatives in their activities in connection with the securities market, as laid down in Royal Decree 1333/2005 of 11 November implementing the Securities Market Law, with reference to abuse of the securities market.

## GOVERNANCE AT EUSKALTEL

### Our shareholders

At 31 December 2015 Euskaltel’s share capital totalled 455.5 million euros, with a



share premium of 207.6 million euros.

Shareholders' Equity totalled 702.1 million euros.

### Administrative Bodies

Euskaltel's Administrative Bodies are the General Shareholders' Meeting and the Board of Directors.

### General Shareholders' Meeting

As stipulated in current legislation, Euskaltel's General Shareholders' Meeting is convened within the first six months of each year to approve the Financial Statements for the preceding year, assess corporate management and decide the distribution of profits (Ordinary General Shareholders'



Meeting).

The General Shareholders' Meeting is also convened if the specific circumstances at any given time so require (Extraordinary General Shareholders' Meeting), and the General Meeting may be convened as many times as necessary during the year.

### Major stakes in Euskaltel at 31 December 2015

Shareholder name/business name	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Direct holder of the stake	Number of voting rights	
KUTXABANK, S.A.	38.087.977		0	25,08%
CORPORACIÓN FINANCIERA ALBA, S.A	0	Alba Europe, S.à.r.l.	15,186,055	10,00%
ABANCA CORPORACIÓN BANCARIA, S.A.	0	Abanca Corporación Industrial y Empresarial, S.L.U.	8,004,960	5,27%
BLACKROCK INC.	0	Black Rock Investment Management (UK) Ltd	7,771,437	5,11%
FRANKLIN MUTUAL ADVISERS, LLC	0	Frankin Mutual European Fund	6,100,000	4,01%



## Board of Directors

Euskaltel is run by a Board of Directors. The Euskaltel Bylaws stipulate that the Board will be composed of at least 5 Directors to a maximum of 15, and Directors will be appointed by the General Shareholders' Meeting. Directors may be individuals or legal entities, and need not be shareholders.

The composition of the Euskaltel Board of Directors is as follows:

MEMBERS	POST	CATEGORY	DATE OF LAST APPOINTMENT
Mr. Alberto García Erauzkin	Chairman	Executive	20-12-2012
Mr. José Ángel Corres Abasolo	Vice-Chairman/Coordinating Director	Independent	08-03-2013
Ms. Alicia Vivanco González	Member	Proprietary	08-03-2013
Mr. Alfonso Basagoiti Zavala	Member	Proprietary	08-03-2013
Mr. Javier Fernández Alonso	Member	Proprietary	12-11-2015
Mr. Richard David Alden	Member	Independent	08-03-2013
Ms. Bridget Cosgrave	Member	Independent	20-12-2012
Ms. Belén Amatriáin Corbi	Member	Independent	31-03-2015
Mr. Iñaki Alzaga Etxeita	Member	Independent	31-03-2015
Mr. Francisco Javier Allende Arias	Non-Director Secretary	-	20-12-2012
Mr. Javier Ruiz-Cámara Bayo	Non-Director Vice-Secretary	-	08-03-2013

All members of the Board are external Board members, with the exception of its Chairman, Mr. Alberto García Erauzkin, who is an executive member.

The independent Director Mr. José Ángel Corres Abasolo is Board Vice-Chairman and Coordinating Director, with the attributions stipulated in Article 18.4 of the Company's Board Regulations.

The Board of Directors has two Committees: the Audit and Control Committee and the Appointments and Remuneration

Committee.

These Committees have no executive functions and act as informative and consultative bodies, and are entitled to inform, advise and submit proposals within their own areas of competence, which are governed by the Bylaws and by their own Internal Regulations (Audit and Control Committee Regulations and Appointments and Remuneration Committee Regulations).

Their main function is to assist, inform and



submit proposals to the Board in the areas allocated to them at any given time by the Bylaws, Board Regulations and their own Regulations.

The General Shareholders' Meeting has determined that the Euskaltel Board is composed of 10 Directors.

The Euskaltel Board is currently composed of 9 Directors (6 men and 3 women), all of whom are full voting members, with one vacancy.

3 of the 9 Board Members are External Proprietary Directors representing Company shareholders, and 5 are External Independent Directors not subject to Company management or Company capital.

Within the context of maximum transparency amid the Company's IPO in 2015 supervised by the National Securities Market Commission ("CNMV"), for the purposes of corporate governance the Chairman of the Board was designated as an "executive Board member".

Following the designation of the Chairman as an executive Board member, the Board appointed a Coordinating Director to take up all the functions legally attributed to the post.

By virtue of the provisions of Article 15 of Board Regulations, the powers of the Chairman are as follows:

- To convene and lead meetings of the Board of Directors and, where necessary, of the Executive Committee, drawing up the agendas of meetings and directing the discussions and deliberations.

- To lead General Shareholders' Meetings

and direct any discussions and deliberations.

- To submit any proposals to the Board that the Chairman may deem relevant for the proper functioning of the Company, particularly proposals for the functioning of the Board itself and other corporate bodies.

- To assist with the work of the Board's consultative committees and ensure they carry out their functions and responsibilities in an effective manner and with the necessary coordination, with the proper organisation to this end.

- To ensure that Directors receive sufficient prior information to enable them to discuss items on the agenda.

- To draw up and submit to the Board a schedule of dates and items to be discussed, propitiating debate and active involvement of Directors at meetings, and safeguarding free adoption of postures.

- To organise and coordinate regular assessment of the Board and, where applicable, of the Company's chief executive member (as defined in Article 2 of the Regulations) and, as the party responsible for management of the Board and its effective functioning, to ensure that sufficient time is allocated to the discussion of strategic issues.

- To draw up and revise schedules for the update of information for each member of the Board, when circumstances make this advisable.

In addition to the functions in connection with the post, the Chairman of the Board carries out the following executive functions in the Euskaltel Group:

- Definition of corporate strategy.



- Supervision of management of the company and executive management.
- Executive management of the organisational structure used to define future strategy, Corporate Development, Investor Relations, Internal Audit and the General Secretariat (including Legal Affairs, Communications, Institutional Relations and the Euskaltel Foundation).

Directorships are remunerated. The Board secretary is not a Director.

On 1 June 2015 the Euskaltel Board agreed to approve new Board Regulations to adapt them to the change made to Spain's Corporate Enterprises Law ("Ley de Sociedades de Capital") by Law 31/2014 of 3 December, modifying the Corporate Enterprises Law with improvements to Corporate Governance, and to the Recommendations of the Good Governance Code for Listed Companies, approved by the National Securities Market Commission on 18 February 2015.

All issues concerning management of any conflicts of interests in the senior governance body are regulated by the Internal Rules of Conduct on Securities Markets ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_interno\\_conducta\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_interno_conducta_es.pdf)) and by Board Regulations ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_consejo\\_administracion\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_consejo_administracion_es.pdf)) at Euskaltel, both of which are available for consultation in the Investors section of the Company's corporate website, which addresses situations involving a conflict of interests.

Section D6 of Euskaltel's 2015 Annual Corporate Governance report ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/informe\\_anual\\_gobierno\\_corporativo\\_2015.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/informe_anual_gobierno_corporativo_2015.pdf)) sets out the mechanisms established to detect, determine and resolve any conflicts of interests between the company and/or its group, and its directors, managers or major shareholders.

### **Function of the senior governance body to identify and manage impacts, risks and social, economic and environmental opportunities, and its role in the application of due diligence processes and consultations with stakeholders**

The Euskaltel Risk Management System operates comprehensively via the procedures established in the Company's areas of operation, and these procedures are coordinated by the Management Committee.

In the planning of Company objectives, each area of Euskaltel has procedures and systems to identify, control and manage the risks to which it is exposed, in order to achieve these objectives.

These processes are also supervised by the Internal Audit Department, and by the Board and the Audit and Control Committee.

The Euskaltel Risk Management System forms part of the policies approved and implemented at the Company in January 2014 (Good Governance Policy and Risk Management Policy), and also the latest version of the Corporate Defence Policy of November 2015. The Board's Committees are



responsible for supervising management of the Company's social, economic and environmental performances.

**Function of the senior governance body to supervise the effectiveness of risk management processes concerning social, economic and environmental issues**

The Board reserves full powers for approval of the policy to control and manage risks, including tax risks, and regular monitoring of internal information and control systems.

The Audit and Control Committee is responsible for supervising the effectiveness of internal control at the Company and its Group and systems to manage risks, including tax risks.

The functions of the Audit and Control Committee are set out in Article 5 of its internal rules, available in the Investors section of the Euskaltel corporate website ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_comision\\_auditoria\\_control\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_comision_auditoria_control_es.pdf)).

The Risk Management System is defined by Company Management through the Management Committee, composed of the Heads of operating areas. The Heads of the different areas establish the coordinated objectives of the Company, and identify and manage the specific risks detected in each area. The operating areas are responsible for identifying and managing their risks, and defining and applying measures to prevent their occurrence.

In accordance with this decentralised

Management System, the Internal Audit Department is responsible for general supervision and assessment of Company risks. To carry out these functions, the Internal Audit Department draws up an Audit Plan which is submitted for approval by the Audit and Control Committee. The Internal Audit Department is responsible for advising and reporting directly to the Audit and Control Committee in connection with the risks identified.

The Company also has a Corporate Defence Committee to supervise and monitor the regulatory framework (general and sectoral) applicable to Euskaltel's business activities, with the specific attribution of vigilance and control to mitigate any criminal risk.

The Corporate Defence Committee is responsible for ensuring that the Company's different areas are aware of the obligation to manage the risks detected in each area, and also for defining the information and internal control systems that must be used to control and manage risks.

The Committee is composed of the Chairman of the Board, the Chief Executive Officer and the General Secretary. The Head of the Internal Audit Department may also take part in Committee meetings as part of his supervisory functions, but cannot vote in the proceedings.

Pursuant to the Corporate Defence Programme for which the Committee is responsible, Euskaltel has a Code of Ethics and Conduct, compliance with which is mandatory, and a Whistleblowing Channel (Ethics Channel) to notify the Internal Audit Department of any irregularities and potential infringements of the Code of Ethics



and Conduct, and specific training in this area is given throughout the Company.

### **Frequency of supervision by the senior governance body of impacts, risks and social, economic and environmental opportunities**

The Board will meet with the frequency required for it to carry out its functions properly, at least eight times a year (six ordinary Board meetings and two extraordinary Board meetings), and must meet at least once every calendar quarter.

Each Board member may suggest other items for the agenda not originally stipulated, when the request is made not less than three (3) business days before the intended date of the meeting.

The Board will also be convened at the request of the Chairman whenever the latter deems this necessary for the proper operation of the Company, and also when meetings are called in the terms stipulated in section 5 below.

Directors making up at least one third of the Board may call a meeting, stating its agenda, to be held at the location of the business address if, when a request has been issued to the Chairman to hold a meetings, and the Chairman has failed to convene same within one month for no justifiable reason. The Board met on 15 occasions in 2015.

### **Senior body revising and approving the Sustainability Report**

The Board is the body responsible for revising

and approving this 2015 Sustainability Report, after it has been verified by an officially recognised third party (Aenor).

Procedure for transmitting major concerns to the senior governance body

At Euskaltel the Chief Executive Officer is responsible for transmitting all information concerning developments at the Company to the Board.

### **Nature and number of concerns transmitted to the senior governance body**

In general, in 2015 the Board was informed of issues concerning the preparation of the financial statements and proposed distribution of profits, periodic public information, budgets and definition of targets, powers of attorney, the remuneration of the Board and of senior management, approval of the various annual reports, notices convening the General Shareholders' Meeting, preparation of proposed agreements and of reports by directors, updating of corporate policies, implementation of the share capital increase agreed by the General Shareholders' Meeting, co-opting of Board members, appointment of the auditors of the consolidated group, the Company IPO and the acquisition of R Cable y Telecomunicaciones Galicia, S.A.

### **Remuneration policies for the senior governance body and senior management, and criteria concerning levels of performance affecting remuneration policy with social, economic**



## and environmental targets

The 2015 Annual Report on Directors' Remuneration provides details of the individual remuneration received by each Director, and stipulates the parameters concerning the variable remuneration of the Chairman.

In keeping with the policy concerning the management of people, the salaries of senior management are individual, i.e. each person is remunerated in accordance with their responsibility, performance and contribution of value to the company, and no differences are established on the basis of sex, age etc.

### **Processes determining remuneration, stating whether any independent consultants are employed**

Information concerning this indicator may be consulted in the 2015 Annual Report on Directors' Remuneration, available for consultation in the Investors section of the Euskaltel corporate website ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/informe\\_anual\\_sobre\\_remuneraciones\\_2015.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/informe_anual_sobre_remuneraciones_2015.pdf)). The report provides details of the individual remuneration received by each Director, and stipulates the parameters concerning the variable remuneration of the Chairman.

Delegation of authority by the senior governance body to senior management and other employees

As the core component of the Company's

mission, the Board approves its strategy and the specific organisation to implement it, and also acts as supervisor to ensure that senior management meets the targets set and adheres to the Company's business purpose and interests.

Article 4 of Board Regulations ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_consejo\\_administracion\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_consejo_administracion_es.pdf)) describes its competences. The Company, however, has a power structure which it believes meets its operating and management needs:

- The Board grants powers to the Chairman, the Chief Executive Officer and Senior Management.
- The Chief Executive Officer grants power of attorney to certain Directors and employees, depending on their fields of activity and responsibility at the Company.

Power of attorney is issued jointly or severally, depending on the powers granted (powers of decision, organisational or representational powers) and on their economic value. An upper limit is established beyond which the only body authorised to commit the Company is the Board of Directors.

Executive posts or posts with responsibility for social, economic and environmental issues In addition to the Chief Executive Officer, in terms of responsibility for social, economic and environmental issues the three major Departments with authorisation in these areas are as follows:

- Economic-Financial Department:



economic issues.

- Board Secretary: social issues.
- Department of Organisation, Personnel, Organisation and Quality: social issues (Personnel) and environmental issues.

These Departments form part of the Company's Management Committee along with the Chief Executive Officer. The Chief Executive Officer regularly reports to the Board of Directors on these issues.

### **Consultation processes between stakeholders and the senior governance body**

The main general channel of information furnished by the Company to shareholders, institutional investors and the markets in general is the National Securities Market Commission (CNMV), whereby the information sent to this body is immediately made available to the general public on its website, and is simultaneously posted on the Company's corporate website.

Another essential channel for Company information to shareholders, investors and the markets in general is the corporate website ([www.euskaltel.com](http://www.euskaltel.com)).

Among other purposes, this instrument channels the Company's relations with all its stakeholders, boosts their involvement and sense of belonging, and promotes the Euskaltel brand.

The website has a specific "Investors" section with all the information provided for shareholders and investors by the Company. Economic and financial information and institutional and general Company information, after it has been sent to the CNMV if this is mandatory, is distributed to financial analysts, the media and international, national and regional information agencies via the corporate website.

Finally, pursuant to the stipulations of current legislation and the Regulations of the General Shareholders' Meeting, on its corporate website the Company provides shareholders with an IT tool (Electronic Shareholder Forum) for communications ahead of each General Meeting.

The Board Secretariat, assisted by the Investor Relations Office, is responsible for maintaining communications with proxy advisors, addressing their queries in connection with the proposed agreements to be submitted at the General Shareholders' Meeting and providing any appropriate clarifications.

The Board encourages the utilisation of the corporate website to facilitate the exercise of shareholders' rights to information and participation regarding the General Shareholders' Meeting, and provides them with an IT tool to enable them to be represented by proxy and vote remotely.

For the General Meeting, the Euskaltel website also features the Electronic Shareholder Forum to be used by shareholders as a



better means of communication ahead of the General Meeting.

The General Shareholders' Meeting is also broadcast live by the corporate website.

These measures set out to create an open environment to facilitate the participation of shareholders in the General Meeting and help them exercise their rights as shareholders.

Euskaltel has a channel to announce presentations of quarterly results and other major market communications, and this is available to shareholders, investors, analysts and any parties wishing to do so as yet another way of keeping abreast of the Company's performance. This channel is also available in broadcasting format at the corporate website.

Euskaltel's General Secretariat has a Department of Steering Bodies and Corporate Governance specifically for the Company's relations with shareholders. This is a global function responsible for coordinating, analysing and managing relations and contacts with Euskaltel shareholders, making it the natural channel for communications between the Company and its shareholders. This Department will be staffed by the employees in the organisation which, at any given time, depending on service requirements, are deemed necessary to carry out the function properly.

In carrying out its functions, the Department

of Steering Bodies and Corporate Governance will obtain any information that may be required for market communications from the various areas concerned, thereby guaranteeing the consistency and homogeneity of the information furnished.

Its main function, therefore, will be to serve as a communication channel with all Company shareholders, allowing them to make proposals and remarks on Company management and business performance by e-mail ([accionista@euskaltel.com](mailto:accionista@euskaltel.com)), keeping the Company in touch with shareholders who are registered voluntarily in its database. As far as possible, giving absolute priority to the corporate interest and complying with current legislation, good governance recommendations and internal Company regulations, this Department will strive to reply to any queries and requests sent by registered shareholders, as an information system that may be used by shareholders to gather information and keep abreast of Euskaltel's business. In this regard, pursuant to the principles of transparency, equality and symmetry in the distribution of information, replies and any documentation that may be supplied by the Shareholder Office when it is possible to deal with these requests will be available to the public on the Company's corporate website.

There is also an e-mail address ([investor@euskaltel.com](mailto:investor@euskaltel.com)) for institutional investors to send requests and suggestions.



The Investor Relations Office deals with individual queries by analysts and institutional investors via e-mail ([investor@euskaltel.com](mailto:investor@euskaltel.com)).

Further information on this indicator is available in the Investors section of Euskaltel's corporate website: <http://www.euskaltel.com/CanalOnline/inversores>

### **Functions of the senior governance body and senior management in drawing up, approving and updating of values or mission statements, strategies, policies and targets concerning social, economic and environmental impact**

Euskaltel's mission is "to furnish a comprehensive response to people's communication needs and help businesses boost their productivity by providing them with information management and communication tools, thereby making a contribution to social and economic development in our Community."

As already mentioned, as the core component of the Company's mission, the Board approves its strategy and the specific organisation to implement it, and also acts as supervisor to ensure that senior management meets the targets set and adheres to the Company's business purpose and interests.

([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_consejo\\_administracion\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_consejo_administracion_es.pdf)).

### **Measures taken to develop and improve**

### **the senior governance body's knowledge of social, economic and environmental issues**

Directors may avail themselves of the EKTBOX IT tool to assist them in carrying out their functions and exercising their right to information. They use the tool to gain access to the proper information to prepare for meetings of the Board and its committees as per the agenda, and materials for director training programmes and presentations to the Board.

The tool is available on a permanent basis online from any location, and is a completely secure system that may be used on any Internet browser installed on a PC, and also through specific applications for tablets and smartphones.

### **Board Committees**

Pursuant to the stipulations of Article 63.2 of the Bylaws ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/informacion\\_sociedad/es/estatutos\\_sociales\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/informacion_sociedad/es/estatutos_sociales_es.pdf)) and Article 18.5 of its Regulations ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_consejo\\_administracion\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_consejo_administracion_es.pdf)), the Board has created the following Committees:

### **Audit and Control Committee**

The Audit and Control Committee is a non-executive informative and consultative body, entitled to inform, advise and submit proposals within its own area of competence,



which will be governed by the Bylaws and by its own Internal Regulations.

The Committee's main function is to assist, inform and submit proposals to the Board in the areas allocated to it at any given time by the Bylaws, Board Regulations and its own Regulations.

Further information concerning this indicator may be consulted in the Audit and Control Committee Regulations, available in the Investors section of the Euskaltel corporate website ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_comision\\_auditoria\\_control\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_comision_auditoria_control_es.pdf)).

### **Appointments and Remuneration Committee**

The Appointments and Remuneration Committee is a non-executive informative and consultative body, entitled to inform, advise and submit proposals within its own area of competence, which will be governed by the Bylaws and by its own Internal Regulations. The Committee's main function is to assist, inform and submit proposals to the Board in the areas allocated to it at any given time by the Bylaws, Board Regulations and its own Regulations.

With respect to the procedure for determining the capacitation and experience required of Directors, the Appointments and Remuneration Committee is responsible for ensuring that those to be appointed to directorships meet the requirements of honourability, suitability, solvency,

competence, experience, qualifications, education, availability and commitment to their functions, and are not directly or indirectly affected by any general incompatibilities, bans, or conflicts or opposing interests with respect to the business purpose.

Further information concerning these indicators may be consulted in the Appointments and Remuneration Committee Regulations, available in the Investors section of the Euskaltel website ([http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_comision\\_nombramientos\\_retribuciones\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_comision_nombramientos_retribuciones_es.pdf)).

### **Management Committee and Management Team**

The Management Committee is composed of the Chief Executive Officer and the Heads of Decision Centres. They receive reports from the Function Departments, all but one of which relate to the local community - this centre also relates to the European Union. The Euskaltel Management Team is composed of the Chairman, the Chief Executive Officer, Heads of Decision Centres and Heads of Functions. Euskaltel believes its "open doors" policy deployed via the Management Team, as those ultimately responsible for people within the organisation, is the best way of channelling any of their suggestions in connection with Company business and performance.

### **Holdings in other companies**

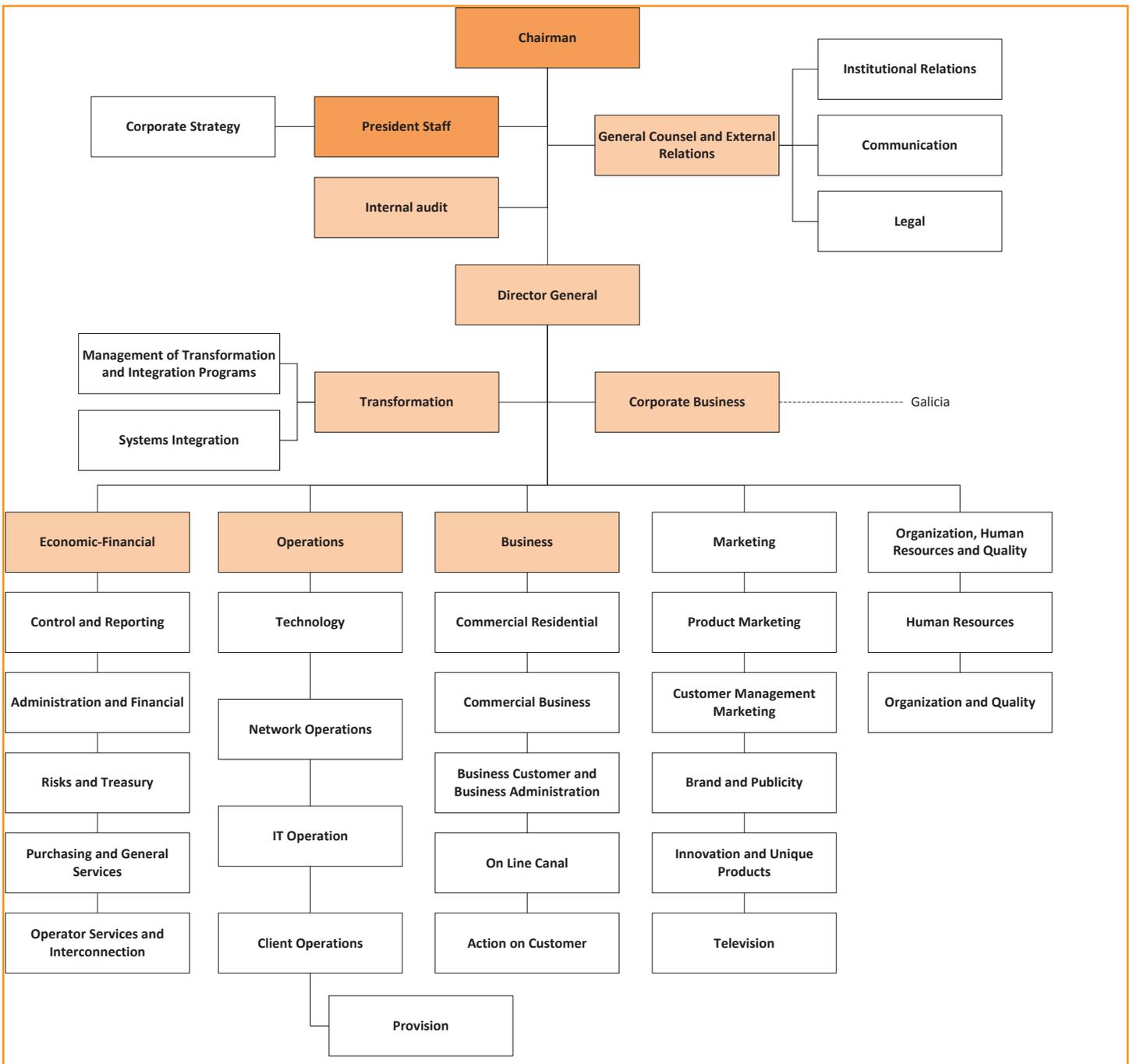
To help achieve its business objectives,



Euskaltel holds a stake in the following companies: Hamaika Telebista Hedatzeko Taldea and Safelayer Secure Communications.

### Organisational chart

At 31 December 2015 the executive setup was as follows:





The organisational changes in 2015 focused on consolidating a position of expansion, transforming the group head into a listed company and converging with Galician telecommunications operator R Cable, bought over at the end of the year. Pursuant to these objectives, a number of organisational changes were made in the course of the year, which may be summarised as follows:

- The Marketing function became a decision centre reporting directly to the Management Committee.
- The Customer Management area became part of the Business unit.
- The Corporate Business area was created - this reports to the Euskaltel Group's General Management, and will focus on management of the business of R Cable, overseeing its integration with the Group and the application of synergies, and developing the organisational and operational aspects of the Company.

## COMMITMENTS

Other courses of action have been identified that will help drive the good governance discussed in this chapter.

### What will we be focusing on in 2016?

- Continuing to deploy courses of action concerning the company's Good Governance policy.
- Taking action in connection with the Good Governance code of listed companies.
- Conducting a review of CSR Policy and establishing a new Corporate Responsibility

Strategy for the years ahead.

- Working to converge the Euskaltel and R Cable organisations.



# RELATIONS WITH THE VALUE CHAIN

**This chapter addresses Principles 1, 2, 8 and 10 of the United Nations Global Compact**

From the very outset Euskaltel has enhanced its management practices by applying a number of concepts extracted from references such as Total Quality, Management Excellence, Innovation and others forming part of the Advanced Management concept that forms the basis of Euskaltel's bid to boost its competitiveness in an economic environment with increasingly globalised value chains and a market teeming with major competitors.

It is impossible to create a positioning that makes a difference through excellent management of customers' emotions if all parties along the value chain are not acting efficiently. This includes design and development of products and services, marketing the products and services, and producing, distributing and guaranteeing the service. This means that management

of suppliers is a key feature of strategy to secure operating efficiency in many of the company's processes.

## **RELATIONS WITH THE CUSTOMER**

We maintain our strategy of excellent management of the customer's emotions, the cornerstone of which is customer service with loyalty schemes.

The Business Decision Centre Department handles all commercial relations with customers.

### **Customer service**

Euskaltel's Customer Service Process handles all information, customer service and management of reported faults, and management of administrative queries by



individual and corporate customers.

To boost its proximity to customers, Euskaltel has a wide range of mechanisms to assist customers however, whenever and wherever they require: telephone assistance platform, sales outlets, website, forums, by e-mail, by fax, by post, in situ information at corporate offices, and through distributors.

When Euskaltel receives a request for assistance from a customer, it resolves the query using the procedures that have been defined and documented for each specific case, in order to provide a complete response to the customer's requirements in the shortest possible time. Whenever it is not possible to meet the customer's requirements immediately, a note is taken of the data required, the ticket is passed on to the department concerned, and the

customer is informed of the probable time it will take for the query to be addressed. In the specific case of faults, if the incident cannot be resolved remotely, a technician is sent to the customer's address.

Euskaltel adapts to the needs of each type of customer in the event of requests for information and in order to manage reported faults and complaints: Individuals, Businesses, SMEs and Major Customers, with specific phone platforms for each segment.

In 2015 the Euskaltel helpline platforms responded to a total of 1,687,402 calls by household and corporate customers. The sales outlet network provided direct personal assistance to customers throughout the Autonomous Community of the Basque Country. There is a specific corporate loyalty group for the SME segment, while the Business



segment operates a loyalty platform. Each company in the Major Customers segment is assigned a Commercial Manager for personal assistance.

*Euskaltel helpline platforms responded calls.*

	2013	2014	2015
Households	1.492.786	1.696.365	1.370.895
Businesses	325.174	345.851	316.507

Euskaltel's sales outlet network has:

- 47 outlets for sales and exclusive specialist services - 25 in the province of Bizkaia, 17 in Gipuzkoa, and 5 in Araba.
- 8 outlets for sales and specialist services shares with other companies - 6 in Bizkaia and 2 in Araba.
- 3 "Corners" in Bizkaia.

The sales outlets are managed by one of our major stakeholders: our distributors. As mentioned above, distributors are responsible for some of our processes such as customer services and sales of our products and services.

The Euskaltel company survey attempts to pinpoint the expectations of distributors running sales outlets, and the last survey was conducted in 2013. Until the next consultation has been carried out, Euskaltel bases its CSR Master Plan on the expectations identified in the previous round of surveys, the results of which were posted in the 2014 Corporate Responsibility Report (in the chapter addressing relations with suppliers, page 35).





Customer service was also a prime feature in 2015 via the Euskaltel website and forum, and on its Twitter and Facebook pages. More than half our broadband customers habitually use the private section of the website for their queries and administrative tasks.

Complaints are mainly dealt with via hotline platforms and at the Euskaltel sales outlets, where management focuses on fast solutions and compiling information to eliminate the causes of incidents. Euskaltel also has specific contacts for queries and complaints at municipal consumer offices and consumer associations, and subscribes to the Basque Government’s Consumer Department’s arbitration system.

In 2015, 544 complaints were received through consumer bodies, broken down as follows:

- 26 from the Basque Consumer Arbitration Body, where they were dealt with.
- The remaining 518 complaints were dealt with at other consumer bodies.

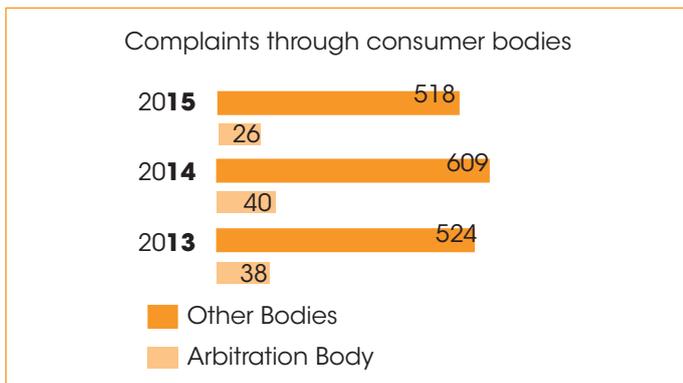
The Legal Function contrasts the texts of Euskaltel’s public commercial communications against the directives

of consumer protection and anti-trust legislation and telecommunications legislation. Euskaltel has not been fined by the authorities in this regard.

Euskaltel uses regular means to notify customers of the current rates for the services provided. All information in this regard is posted on the website, and is also available from helpline platforms and sales outlets. Any rate changes are notified to customers at least one month before they come into force. These operations are audited annually by an independent external body as part of the Billing Quality audit established by the Quality Order issued by the State Secretariat for Telecommunications and the Information Society (“SETSI”).

### Gaining an insight into the customer’s opinion

By way of a source of information to sound out needs, expectations and opportunities, data are compiled from customers (through direct or indirect remarks following commercial operations, focus groups with customers, complaints, suggestions, opinion surveys, perception of needs etc.), suggestions by employees, the market observatory (customers and non-customers), the technology observatory and ideas from suppliers of technology.





Euskaltel operates a number of channels to gather information from its customers and from the market in general in a structured format:

- **Image and publicity tracking**, on the basis of online surveys gauging perception of the image of the company's brand and of competitors, and the impact of communication on TV, in the press, on the radio and on Internet.
- **Satisfaction surveys** after each phone call seeking information and requests, and following faults and complaints.
- **Qualitative surveys** (pre-testing of products, advertising campaigns etc.) to discern direct opinions and ascertain whether the product or service is suited to the customer's needs, and use the best channel and method to carry out the process.
- **Ad hoc surveys**: conjoint surveys (pricing, suitability of the offer etc.), quantitative surveys (market share panel, customer

departure surveys, listening to users on Internet, opinions of customers on internal surveys etc.).

## RELATIONS WITH THE SUPPLIER

One essential component of Euskaltel's advanced management system with a clear focus on the customer is cooperation in our strategy by all parties in the value chain, and by suppliers in particular. The various components of this group of stakeholders carry out a portion of our processes, and therefore we work to produce strategies to maintain a long-term relationship based on mutual transparency and trust, on the basis of truthfulness in selection and contracting processes.

### Supply chain

Relations with suppliers are coordinated by the Department of Purchases and General Services. In 2015 Euskaltel made purchases from a total of 627 suppliers, of which 345 could be considered major suppliers (with procurement volumes in excess of 6,000 €). Purchases are shown in the table below in geographic terms. Procurement outside the Autonomous Community of the Basque Country fell into the following categories: technology purchases (HW, SW) 68% and TV contents 15%, for which there are no local suppliers.

SUPPLIERS	Unit	2013	2014	2015
<b>VOLUME PURCHASED</b>				
Major (purchases > 6,000 €)	kop.	364	281	345
<b>ORIGIN</b>				
Basque Country	%	54,3%	49,3%	49,9%
Other geographic areas	%	45,7%	50,7%	50,1%



In 2015 Euskaltel's suppliers were located in the EU with the exception of ten, in Australia (1), China (1), Colombia (1), Switzerland (2) and the US (5). An assessment was performed of the corporate risks involved in their activities, and it was not considered necessary to conduct a specific analysis of human rights risks or social repercussions. No purchases were made from any supplier in excess of 10% the total volume of procurement in 2015.

From our beginnings as a telecommunication services operator we have worked to develop the capacities and strengths of our suppliers, encouraging them to adopt Advanced Management concepts and methodologies in order to boost their competitiveness. The Euskaltel management system strives to identify the expectations of company stakeholders. The company survey contains questions on the satisfaction of our suppliers, and the results are used to pinpoint areas for improvement. Euskaltel carries out regular company surveys, and the latest was completed at the end of 2013. Until the next consultation has been carried out, Euskaltel bases its CSR Master Plan on the expectations identified in the previous round of surveys, the results of which were

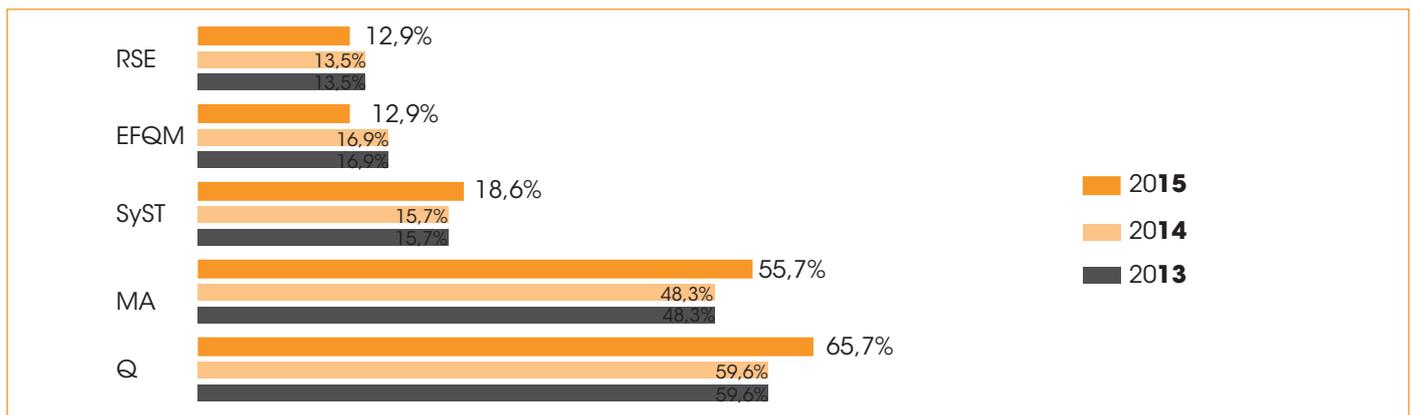
posted in the 2014 Corporate Responsibility Report (in the chapter addressing relations with suppliers, page 35).

In 2016, in the wake of the progress made with the integration of Euskaltel and R Cable in Galicia, we intend to ascertain the opinion of our stakeholders in this new business venture through the Company Survey.

The Euskaltel management system contains various procedures for suppliers: registration and certification; procurement procedure; assessment and appraisal; training, control and monitoring of subcontracting in connection with the provision of the Company's services and also with activities stemming from the construction and maintenance of our Network, pursuant to a range of policies for the supply chain, depending on sectoral characteristics.

In order to carry through its policies, Euskaltel considers it essential for suppliers to share its policy of social responsibility, which includes the implementation of recognised standards for the management of quality, environmental protection, safety and health in the workplace etc., an attitude it fosters in its process of certification and continuous

*Euskaltel suppliers with certified Management Systems (Quality, Environment etc.)*





assessment.

The company also uses an IT application to notify suppliers of its good environmental practices to enable the services contracted to be provided in the proper manner. The graph above shows the percentages of suppliers with certified Management Systems (using the comparison with suppliers considered as main suppliers, i.e. from which 85% of purchases are made, plus waste managers).

In 2015 Euskaltel continued its policy of notifying the contents of its code of ethics and conduct, in a bid to spread awareness throughout the supply chain and create a relationship shunning corruption and bribery, which would impair the objectivity and independence of both parties.

In this regard, Euskaltel's contracts and subcontracts stipulate that when the service so requires "contractors may not assign or transfer to third parties any obligations or rights arising from this Contract without Euskaltel's written consent. When contracts are assigned, Euskaltel will issue approval of the assignee or subcontractor chosen. In this regard, the Contractor will expressly state in the Contract with the assignee or subcontractor the obligation of the assignee or subcontractor to meet all the requisites stipulated in the contractual documentation between Euskaltel and the Contractor, including Euskaltel's right to inspect the subcontractor's facilities".

Work continued in 2015 on systematic regular assessment of suppliers in order to identify any areas for improvement in the provision of products or services. The Euskaltel

management system has a tool accrediting 100% of the suppliers and their employees carrying out work for Euskaltel in connection with the creation and maintenance of our infrastructures. This sector of the supply chain accounts for the largest number of staff. This accreditation process, which is carried out prior to authorisation for work to commence, entails a commitment signed by suppliers in relation to their employees which confirms the following:

- That they have conducted the Risk Assessment and have made plans for prevention.
- That employees have been registered in the Social Security system and that their contracts are current.
- That they have the information and training required to provide their services.
- That they have the tools, machinery and individual protection gear required to carry out their tasks in safety.
- That they have a medical certificate for these tasks, issued by an official doctor or a Medical Inspection entity or body.
- That they have preventive resources, with minimum basic training for all tasks which entail special risks, or which include activities that may be aggravated by simultaneous or successive activities.

All these conditions will be extended to the employees of subcontractors or freelancers, if the service undertaken with Euskaltel is not provided with the company's own employees.



In 2015 the company worked on the new model of coordination of activities defined with contractors, as the result of the relations arising from the outsourcing of network management in 2014, pursuant to which field inspections continued in a bid to maintain safety levels during tasks. In 2015 no new suppliers were taken on in direct connection with the business of Euskaltel in the Autonomous Community of the Basque Country; in the wake of the CSR strategy with the supply chain, in 2016 the current certification procedure will be reviewed and assessments will be carried out of suppliers with regard to environmental issues and human rights.

However, pursuant to the occupational hazard prevention policy:

- Assessments were carried out of the employment practices of 5 suppliers (of the 11 current suppliers providing network construction, installation and maintenance services, 5 underwent regular inspections).
- No significant real and potential negative impacts were detected in connection with employment practices.
- No significant real and potential negative impacts were detected in connection with employment practices in the supply chain.
- It was not necessary for any improvements to be established following the assessment.
- It was not necessary to curtail relations with any suppliers as a result of the assessment.

## COMMITMENTS

### What will we be focusing on in 2016?

- Developing and improving customer service and customer management via the website.
- Boosting customer satisfaction in relation to the service.
- Taking action to boost customer loyalty.
- Monitoring proper implementation of the outsourcing contracts signed up in 2014.
- Assessing the supply chain in terms of Euskaltel's policies concerning the environment and human rights.
- Reviewing the supplier certification process.



# THE NETWORK

This chapter addresses Principles 1 and 9 of the United Nations Global Compact

## OUR NETWORK

Euskaltel bases its aspirations as a comprehensive telecommunications operator with a guaranteed future on the deployment of its own high-performance network and capillarity to provide a wide range of added-value services.

The table below provides details of our infrastructure and equipment:

SPECIFICATION	2013	2014	2015
DEPLOYMENT OF TELECOMMUNICATIONS NETWORKS			
Investment	13,062	16,971	18,735
N° of operating points (general deployment nodes)	1,421	1,426	1,426
Landlines on our own network	385,604	381,279	380,424



This network of infrastructure and cutting-edge technology, with connectivity based on extensive use of optic fibre, covers all locations where Euskaltel provides direct-access services, with interconnections between locations and links to the main nodal centres.

The network contains a range of different technologies to furnish all the services required by our broadband, landline phone, cable TV and mobile phone customers.

In addition to its own infrastructure, used to reach end customers, Euskaltel has a large number of interconnections with other national and international operator to enable customers to communicate with any other location in the world as easily as they can locally.

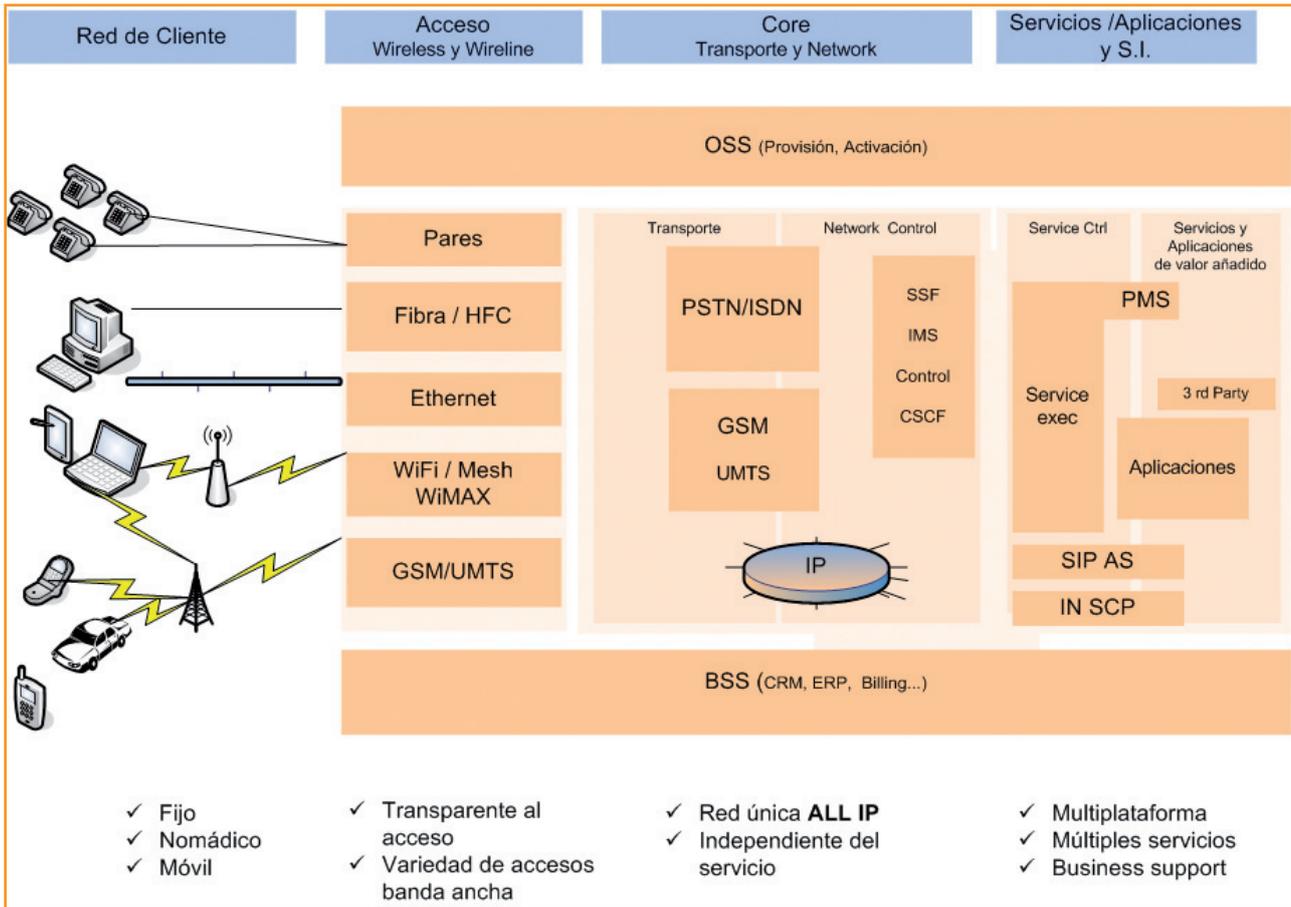
The Euskaltel network is run by the Operations

Decision Centre.

### **Reliability**

The design of our network has given priority to system security since Euskaltel began its operations, because we are aware of how important it is for customers to place their trust in a company that can provide them with a guarantee for their personal and commercial communications.

This means that the topology of Euskaltel's optic fibre network is essentially a ring design that protects services in the event of an outage or a fault in a specific section of the network due to accidents, sabotage or even our own scheduled shutdowns to carry out maintenance and/or improve our network. In addition to this physical path redundancy, many of the main features and



equipment in the network are duplicated and/or interconnected in meshed systems so that, in the event of a fault or saturation phenomena in one of them, traffic is automatically rerouted to other systems with no breaks in the service and customers do not even notice.

Network security projects are also undertaken every year to eliminate risk spots.

The suppliers used by Euskaltel for its equipment and facilities are companies recognised on the international stage. Even when this calls for a major economic effort on many occasions, Euskaltel prefers to guarantee the best possible service quality and reliability, and better development and future upgrading of its network.

### COVERAGE ON THE DIRECT-ACCESS NETWORK

Euskaltel is certain of its future as a global

telecommunications operator for its customers, and is hard at work extending its own network from its nodes to the homes and premises of its customers and potential customers.

This strategy clearly sets it aside from most other market operators, which rely on third-party infrastructures and/or networks. Although this entails heavy investment, hard work and a considerable amount of time, it is the only way to ensure that the services we provide can develop after the proper fashion, and offer more advanced services that other operators cannot furnish. This has made us the leading operator in the Basque Country in terms of broadband (with ultra-high speed products) and also pay-to-view TV (digital high-definition television).

By year-end 2015, approximately 846,986 homes and 157,359 businesses and commercial premises in the Basque Country were potential beneficiaries of the

Euskaltel network infrastructure. In addition to provincial capitals and larger towns, the network has been extended further to towns with populations of less than 5,000 and even in some cases with populations of less than 1,000; by the end of 2015, the network had been rolled out for 110 municipal areas, accounting for 95% of the population of the Basque Country.

Euskaltel makes no social or economic discriminations in rolling out its network, and considers all areas equally important. Deployment will continue in the years ahead, as we have detected unsatisfied demand for telecommunications services and have also ascertained that an alternative network has improved the standard of living in areas which hitherto had no real alternative, or even a reasonable service.

Growth of broadband data traffic in recent years has been exponential. More and more customers are connecting their televisions to Internet, their computers are downloading more than ever before, they are visiting more pages with visual contents, and have more home-connected devices such as tablets and smartphones. The increased demand calls for continuous extensions to the capacity of access networks and backbone systems. Euskaltel repositioned broadband speeds on its commercial offers in 2015. As a result, it also had to resize the transmission capacity of its optic fibre, splitting up the network. In other words, technical equipment had to be duplicated to absorb increased demand for broadband.



## MOBILE NETWORK COVERAGE

Euskaltel has all the central network features to provide services and develop its own products for mobile telephony (mobile voice and data), and is the State's largest mobile virtual network operator (MVNO) in terms of numbers of customers. In 2014, in order to increase geographic access within the State and also to secure 4G technology, Euskaltel made a change to radio network operations (host) which had previously provided radio access to our mobile phone service. This process involved much hard work, especially by technical divisions, to implement the new system without customers perceiving any changes. Preparations for the task, i.e. unblocking most handsets and resetting all users' smart cards (SIM), was carried out remotely with no service interruptions at the beginning of January 2014. The migration process continued until the end of June 2014, until more than 325,000 SIM cards had been reprogrammed. Roaming agreements with international operators were maintained to enable the mobile phone service to be used on journeys.



As it is a fully-equipped mobile virtual network operator, since Euskaltel has provided services as an enabler of other landline operators. This means that non-mobile telecommunications operators have become mobile virtual network operators through their use of Euskaltel's infrastructure and network resources; services and location database managers, messaging centres, switching centres, payment control machines etc.

In 2015 Euskaltel decided to take further steps in improving the coverage and capacity of its mobile phone network by undertaking the implementation of own-access LTE technology. Deployment commenced of the first 4G base stations, using the 2.6 GHz frequency mobile communications licence secured in 2011. The process will continue in 2016 and beyond, and will substantially increase 4G coverage in the Basque Country, and also considerably increase the capacity of the radio access network.

### **COVERAGE ON THE WIMAX NETWORK AND SATELLITE SYSTEMS**

Euskaltel has continued to provide voice and broadband services since 2006 in many different environments, mainly rural locations, across the Basque Country's 251

towns, using wireless WIMAX technology on a contract obtained following a public Basque Government tender through Itelazpi S.A.

Customers using these services - approximately 2,924 at year-end 2015 - live or work at locations where there was no alternative possibility of broadband services.

In addition to the Wimax system, to provide Internet access for customers in areas where access was difficult even with this technology, in 2015 Euskaltel started up



a broadband Internet access service by satellite. To do so it arranged a cooperation agreement with Hispasat, one of the leading satellite data transmission companies. This technical solution succeeded in extending broadband to mostly rural areas. 465 customers were using this service by the end of 2015.

### **EUSKALTEL WIFI SERVICE**

In 2015 Euskaltel launched the Euskaltel WiFi service on an extensive WiFi network to give its customers free Internet access.

The network consists of more than 150,000 access points across the Basque Country. Euskaltel customers can use their phones and tablets to browse with no giga limitations, and this does not use up data on their mobile rate. All they have to do is download a special application on their handset. By year-end more than 116,264 customers were using the high-speed Internet access service.

### **OTT SERVICES**

A major contribution was also made to the



# EDONON

LA TELE DE EUSKALTEL DONDE QUIERAS Y CUANDO QUIERAS

TV

PC

TABLET

SMARTPHONE

Si eres cliente de TV e Internet, disfruta de EDONON GRATIS para siempre

Para disfrutar de EDONON, descárgate la aplicación

En tu tablet o smartphone Android

En tu iPad o iPhone

En tu ordenador

increasing need for network capacity by the launch of new Over The Top television services: Edonon and Video on Demand (VoD). Edonon allows customers to see the contents of the Euskaltel digital TV offer on any portable device such as a computer, a mobile phone or a digital tablet, wherever they may be located. Video on Demand gives instant access to a television video club with a large selection of films, documentaries and series. Users have access to over 1,000 of these and also to 50 channels. At the present time the Edonon scheme has 46,247 registered customers, 5,669 active Edonon customers and 3,069 active VoD customers.

## SERVICE QUALITY

One tool to manage the quality of products and services is the monitoring of Service Quality Indicators.

Euskaltel compares telecommunication functions (management of contracts, maintenance, connection, billing etc.) to the criteria used by customers to assess them, and determines a number of parameters to provide an objective, comparable representation of user service quality.

The parameters, regulated by a Ministerial Service Quality Order, are then measured and the results are published quarterly on the Euskaltel website and undergo annual audits by an independent third party approved by the Ministry. To date no claims have been submitted in connection with safety and health problems caused by our products, nor have any fines been announced for failure to comply with the Service Quality Order.

All products supplied by Euskaltel are



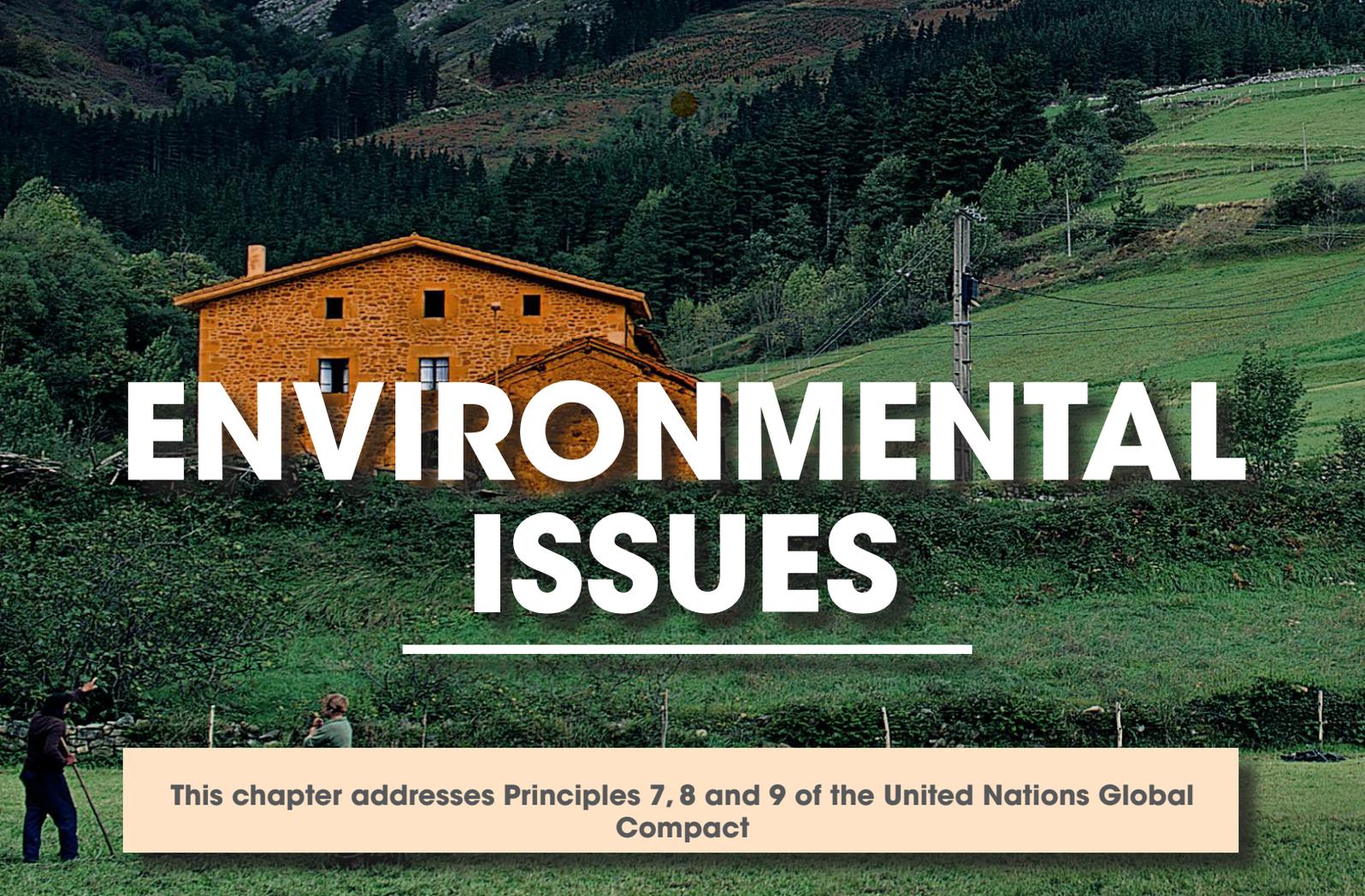
certified, and meet the requirements established by various national and international bodies. The company meets the legal requirements for the labelling of the packages of equipment it provides for customers, pursuant to Law 11/1997 on packaging and packaging waste. The labels state that the company complies with the law and that it makes a contribution to the future management of waste generated by the packaging. Euskaltel cooperates with the integrated management system organisation Ecoembes for this type of waste.

Intellectual property rights are guaranteed a safeguard in different ways: the establishment of contracts with intellectual property rights entities for payment of property rights in relation to protected contents on television channels; the stipulation in the Policy of Acceptable Usage that no activities infringing the intellectual property rights of third parties are permitted on Internet; the inclusion of specific clauses in contracts with users; protection of third-party designs. The Service Guarantee process takes charge of the supervision, monitoring and preventive and corrective maintenance of all equipment, systems and terminals directly or indirectly affecting the quality of the communication services furnished to customers. The alarms generated by network faults are analysed centrally to enable action to be taken as quickly as possible, and prevent or minimise the impact on customer service. Euskaltel is also working continuously on preventive maintenance to prevent faults in its network.

## COMMITMENTS

### What will we be focusing on in 2016?

- We will continue to deploy the direct-access network on a three-year plan involving the construction of approximately 51,000 new dwellings.
- Further extensions of the network to boost the capacity of data systems (HFC and backbone aggregation and METRO) to address the expected increase in customers and ultra-broadband products for Ethernet accesses with optic fibre, and improve the service quality and guarantee.
- Commencement of a plan to deploy our own 4G network.
- Deployment of the FTTH solution to industrial complexes.



# ENVIRONMENTAL ISSUES

This chapter addresses Principles 7, 8 and 9 of the United Nations Global Compact

## ENVIRONMENTAL RESPONSIBILITY

### Environmental Policy and Strategy

Making risk management a factor in business decisions is essential to create value for stakeholders and to operate a strategy to produce success and a sustainable business along with a sustainable environment in the long term. One of the risks that must be managed is environmental risk.

Euskaltel seeks to make environmental risk management part of its general management system, on the assumption that protection of the environment concerns all its people and activities, and that this is a key issue for the sustainability of the business, and to this end it defines and employs an Environmental Master Plan as its main tool. The general objectives of the 2014-2016 Environmental Master Plan are as follows:

- To establish the strategic environmental focus at Euskaltel during this period.
- To make environmental sustainability a full component of the management system.
- To make our stakeholders aware of environmental sustainability, with a special focus on our people.
- To produce a comprehensive environmental vision of Euskaltel.

Euskaltel has defined the following strategic areas to carry out the Master Plan:

### • Excellence in Environmental Management (Green Organisation)

Implementation of policies to reduce the environmental impact of the company's activities, through the encouragement of good environmental practices and analysis of the organisation's environmental footprint.



The following courses of action were taken in this regard in 2015:

- o An audit was performed of the Management System to UNE-EN ISO 14001 and EMAS III, and certificates were renewed.
- o The organisation carbon footprint (OCF) was calculated, and the result was verified during the EMAS audit conducted by AENOR.
- o The OCF was registered with the Ministry of Agriculture, Foodstuffs and the Environment.
- o A project commenced to design a tool to calculate the Corporate Environmental Footprint (CEF).

• **Legal compliance (Green Compliance)**

Analysis of any environmental legislation introduced to determine its impact on Euskaltel's activities, products and services,

seeking to guarantee compliance with the law.

The following courses of action were taken in this regard in 2015:

- o Improvements were made to communication of the legal requisites applicable to network management contracts, with access to the app used by Euskaltel.
- o An internal assessment was performed of the legal requisites, and no discrepancies were found.

• **Communication of environmental performance (Green Reputational)**

Communication and dialogue with all parties concerned (stakeholders) based on transparency, truthfulness, commitment and



declarations of the activities carried out, in both the Corporate Responsibility Report and the EMAS Environmental Statement.

The following courses of action were taken in this regard in 2015:

- o The EMAS Environmental Statement and the Corporate Responsibility Report were posted on the company's website.

- o A number of presentations were made on sustainability, environmental innovation and LCA in external forums: Deusto University, First Lego League etc.

- o The analysis of materiality continued, with ad hoc surveys of employees and parties concerned by CSR.

#### • **External Participation (Green Reputational)**

Dissemination of environmental protection and the sharing of good practices on forums and external initiatives (Basque Ecodesign Center, Global Compact, Izaite etc.).

The following courses of action were taken in this regard in 2015:

- o Participation in the Basque Ecodesign Center's technology watch activities.

- o Active involvement in drawing up the Izaite Activity Report.

- o Involvement in decisions taken by the Environmental Committee of the Basque Business Confederation Confebask.

#### • **Environmental Dimension of Products (Green Product)**

Analysis of the environmental impact of

products at launch, and analysis of the environmental footprints of products.

The following courses of action were taken in this regard in 2015:

- o Analysis continued of the environmental impact of products during the prelaunch process.

- o A life cycle analysis (LCA) was conducted of the company's most emblematic products, such as: Euskaltel WiFi (completed), LTE-4G (this analysis has commenced, and should be completed in 2016).

The Master Plan is fully aligned and provides a response to the direct internal and external environmental commitments undertaken over the years by Euskaltel:

- UNE-EN-ISO 14001:2015, Environmental Management Systems. Requisites.
- EMAS III: Community Environmental Management and Audit System.
- Basque Sustainable Development Environmental Strategy (2002-2020).
- Progress report on the 10 Principles of the Global Compact.
- Transparency with stakeholders through the Corporate Responsibility Report (GRI).





Expenditure on environmental management systems is not recognised separately, and is included in the budgets of each area responsible.

The table below sets out environmental expenditure (€).

<b>ENVIRONMENTAL EXPENDITURE</b>	2013	2014	2015
<b>COSTS OF ENERGY AND MATERIALS</b>			
Electricity	3,467,932	3,138,967	3,474,634
Diesel	109,421	93,827	29,313
Water and sanitation	9,587	11,523	12,402
Cables	355,132	355,794	493,932
Materials (excluding cables) and customer equipment	4,335,154	5,733,092	7,126,107
Paper and office equipment	117,131	95,699	76,548
<b>COSTS OF PROCESSING OF WASTE AND EMISSIONS</b>			
Waste management (waste managers and means)	20,925	23,040	20,960
<b>COSTS OF ENVIRONMENTAL PREVENTION AND MANAGEMENT</b>			
Consultancy and audits	32,116	28,253	28,780

The Department of Organisation and Quality is responsible for defining and encouraging the Company's environmental policy. For further information and data on Euskaltel's environmental work, see the Environmental Statement verified against the current EMAS Regulation at our website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

### Control of environmental impacts

From the very outset, Euskaltel has paid close attention to the environmental implications of new products, in order to minimise their impact straight from the design stage. For example, analyses were conducted of the following products sold in 2015:

Product	Description	Customer segment
Euskaltel WiFi	Free exclusive wifi network for give Euskaltel customers access to Internet outside the home	Households and Companies
4G service	Launch of the 4G mobile data service	Households and Companies



Control of environmental impact is based on an analysis of activities that have or may have an effect on the environment. Subsequently each environmental aspect is identified and assessed on the basis of the criticality of the environmental impact associated with it. Criticality is gauged on three criteria - seriousness, quantity or frequency or probability and relevance.

This appraisal is used to determine any aspects considered significant. Work to minimise and control environmental impacts focuses on significant aspects, and this is taken into account in the definition of environmental targets.

In order to cause as little inconvenience as possible to local residents and premises, Euskaltel gives priority to opportunity work (projects involving work requested by third parties) in the deployment of its network. Euskaltel also uses underground routings for all the cable infrastructure in its horizontal network, which considerably minimises the visual impact. For the vertical network, either internal channels are used on buildings, or black cables are discarded in favour of other colours to blend in with the facades of buildings.

Euskaltel is also a founding associate of INKOLAN, an economic interest grouping of the main public utilities (water, gas, electricity and telecommunications) in the Basque Country. This now covers the entire State (with the exception of Catalonia and Navarra), and coordinates the online distribution of plans of the underground systems of all associates, to the associates themselves, and also to Town Halls, designers and construction companies. This assists

with initial designs and proper management and realisation of projects, preventing any breakdowns in existing networks, and reducing the environmental impact of the work carried out.

It should be noted that Euskaltel does not own any land in major biodiversity habitats, nor has it had any effect on biodiversity or protected areas, areas of natural heritage or biosphere reserves. It therefore has no effect on areas featuring the habitats of species in danger of extinction.

Euskaltel uses equipment manufactured by third parties and is responsible for placing this equipment on the market. In general, it is the third parties which invest heavily in research into electromagnetic fields. Euskaltel ensures that both the equipment it purchases and the items it sells meet current legislation with regard to electromagnetic fields.

Concerning radio-frequency emissions, Euskaltel pays close attention to compliance with current legislation in the deployment of its LTE network (4G), the emissions of which are measured and reported to the proper bodies. The customer helpline also informs users of the Euskaltel policy concerning electromagnetic fields in connection with the equipment installed by the company.

Also, although Euskaltel is not an equipment manufacturer, all the mobile handset models sold are subjected to a certification process, and suppliers must meet the requirements of European Directive 1999/5/EC (R&TTE) which, among other stipulations, includes compliance with the specific absorption rate and EMC electromagnetic compatibility tests.



All new suppliers are assessed on environmental criteria, since one of the issues appraised for the purposes of initial certification is the operation of an environmental management system. In 2016 Euskaltel intends to extend the environmental concerns considered to the initial certification of suppliers and also to their periodic assessments. Following the assessments carried out, Euskaltel has not detected any suppliers with any major adverse environmental impacts.

Our company also has an external service to identify and update all legislation concerning the environment and the prevention of occupational hazards. We have complied totally with environmental legislation, and have not been fined for failure to meet the current local, regional or national environmental regulations. In 2015 Euskaltel received a total of 20 environment-related complaints from customers and non-customers through the usual platforms - 17 of these concerned noise and 3 concerned waste, and none were of any significance with respect to current laws. The average period for resolving issues was 7.5 days, and by year-end 2015 all issues had been resolved.

## ENVIRONMENTAL BEHAVIOUR

As part of its deployment of “Excellence in environmental management”, Euskaltel has established operational controls and monitoring of major areas of consumption, waste and emissions in relation to our activities, irrespective of whether they concern significant environmental issues. Trends and results of Euskaltel’s environmental behaviour in relation to consumption of

materials, energy and natural resources, waste generated and emissions are set out in the table below - “Table of Basic Indicators”. However, all issues concerning Euskaltel’s Environmental Management and the company’s environmental attitude are described in the Euskaltel 2015 Environmental Statement, drawn up and verified on the criteria of European Regulation (EC) 1221/2009, or “EMAS III”, available for consultation on Euskaltel’s corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

*Basque Government award for the EMAS European Environmental Management System - Silver Diploma*



*First Lego League event held at Euskaltel*



## Table of Basic Indicators

ASPECTO		2013	2014	2015	Unidades
<b>ENERGY CONSUMPTION</b>					
Electricity consumption	Corporate Consumption	1.923,31	1.790,74	1.799,82	Mwh
	Production Consumption	26.372,56	26.973,12	26.868,88	Mwh
Diesel consumption	Generators	50,33	107,06	29,96	Mwh (*1)
	Company cars	733,48	604,97	246,65	Mwh (*1)
	Employees' cars	414,20	267,49	267,00	Mwh (*1)
Total energy consumption	Total (electricity + fuel)	29.493,89	29.743,38	29.212,31	Mwh
Energy intensity	Relative (Total/customers)	27,80	26,82	23,82	kwh/customer
<b>CONSUMPTION OF RESOURCES</b>					
Water	Corporate Consumption	2.510	2.727	3.087	m3
	Production Consumption	1.426	1.627	1.477	m3
<b>PAPER CONSUMPTION</b>					
Paper	Invoices issued	35,36	30,12	27,54	Tonnes
	Magazines published	12,39	0,00	0,00	Tonnes
	Publicity mailshots	93,63	107,05	53,97	Tonnes
	Materials (envelopes, printed matter)	0,41	0,24	0,23	Tonnes
	Printing equipment (office)	6,60	6,90	5,01	Tonnes
<b>CONSUMPTION OF MATERIALS</b>					
Cables	Optic fibre cable	11,74	9,96	8,73	Tonnes
	Twin cables	18,88	22,82	46,03	Tonnes
	Coaxial cable	26,52	31,16	34,95	Tonnes
	Siamese cable	7,50	6,95	8,00	Tonnes
Apparatus	Broadband apparatus	29,54	39,42	29,81	Tonnes
	TV apparatus	35,68	38,88	75,87	Tonnes
	Phone apparatus	9,85	1,45	3,58	Tonnes
<b>WASTE</b>					
Non-hazardous waste	Cellulose (paper and cardboard)	12,73	22,87	31,11	Tonnes
	Electrical/electronic waste	37,87	40,72	32,32	Tonnes
	Alkaline batteries	0,12	0,11	0,17	Tonnes
Hazardous waste	Button-cell batteries	430	325	380	Grammes
	Lead-acid batteries	6,68	7,23	6,99	Tonnes
	Fluorescent tubes	0,61	0,39	0,66	Tonnes
<b>EMISSIONS</b>					
Direct GHG emissions (scope 1)	CO2	189,85	172,78	67,06	Ton. CO2 eq. (*2)
	CH4	0,25	0,22	0,09	Ton. CO2 eq. (*2)
	N2O	2,84	2,39	0,96	Ton. CO2 eq. (*2)
	HFC	140,44	106,47	137,45	Ton. CO2 eq. (*2)
	PFC	0,00	0,00	0,00	Ton. CO2 eq. (*2)
	SF6	0,00	0,00	0,00	Tonnes of CO2 equivalent(*2)
Indirect GHG emissions (scope 2)	CO2	4.926,21	5.445,96	6.850,63	Tonnes of CO2 equivalent (*2)
Indirect GHG emissions (scope 3)	CO2	101,91	65,81	65,69	Tonnes of CO2 equivalent(*2)
Intensity of GHG emissions	CO2	4,96	5,16	5,75	kg. CO2 e./cli.
Other atmospheric emissions	SO2	0,0010	0,0009	0,0003	Tonnes (*4)
	NOX	0,78	0,71	0,28	Tonnes (*4)
	Solid particles	0,07	0,06	0,02	Tonnes (*4)
Carbon footprint	Greenhouse gases (GHG)	5.258,54	5.727,82	7.056,20	Tonnes of CO2 equivalent

(\*1) For the calculation of fuel consumption, the system used is conversion of m3 to Gjoules and Mwh as stipulated in GRI Guideline 3.1.

(\*2) The Ihobe Stop CO2 tool conversions and method are used to calculate greenhouse gas emissions.

(\*3) For the calculation of emissions of HCFC, HFC and SF6 in tonnes of CO2 equivalent, the data used are the Global Warming Potential (GWP) data published in European Regulation (EC) No 517/2014.

(\*4) For the calculation of emissions of SO2, NOx and PM, the data used are as stipulated in the European Environmental Agency Guidebook, "EMEP/EEA air pollutant emission inventory guidebook 2013".



## Energy consumption

### • Electricity consumption by the organisation

Internal and external electricity consumptions and courses of action to reduce these consumptions are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

To calculate energy intensity, Euskaltel divides total energy consumption (composed of consumption of electricity and fuel) by the number of customers for the various services. The figures are included in the Table of Basic Indicators in this chapter.

### • Fuel consumption by the organisation

Internal and external fuel consumptions and courses of action to reduce these consumptions, in addition to the environmental impacts of transportation, are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)). For the purposes of calculating fuel consumption external to the organisation, Euskaltel takes account of all journeys by its employees in their own cars in connection with their jobs, and these are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website.

In 2015, the consumption of fuel (internal and external) used in car journeys fell by 41.1% compared to 2014.

### • Electricity consumption by products

Although this item is external to the

organisation, Euskaltel takes account of energy consumptions at customers' homes by the equipment it sells (decoders, Internet access and mobile handsets).

This calculation produced the following results concerning electricity consumption per unit installed: a 9.6% increase in Internet access equipment, due to higher levels of performance (wifi connections) and browsing speeds of new models, and an 11.3% decrease in TV decoders; as yet insufficient data are available to calculate movements in consumption by mobile handsets.

## Water consumption

Consumption of water and the uses to which it is put are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

All the water used is supplied by the Greater Bilbao Water Consortium and other municipal systems. No recycled water is used.

Euskaltel does not use groundwater under any circumstances, nor has it affected any protected ecosystems, including the wetlands stipulated on the Ramsar List.

## Consumption of materials

### • Consumption of consumer equipment and materials

Due to the nature of Euskaltel's activities as a telecommunications operator, most consumption of materials is accounted for by the different types of cable used to deploy the network, in addition to the handsets and equipment used to provide customers with



the service. The “Basic Indicator” table shows the amounts of these materials used.

Euskaltel purchases only new items from its suppliers, and does not purchase upgraded materials under any circumstances.

- **Paper consumed and usage of recycled paper**

Consumption of paper and the measures taken to reduce consumption and mitigate its environmental impacts are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel’s corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

All paper used in offices (in printers) contains recycled fibre, and therefore the percentage of recycled paper with respect to the total amount of paper used in all activities is 5.8% (see “Basic Indicator” table).



## Waste control

- **Construction waste and installation waste**

Control of this type of waste, mostly categorised as inert waste, is described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel’s corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

- **Lead-acid batteries**

The control and management of waste from lead-acid batteries are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel’s corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

All hazardous waste, including waste from lead-acid batteries, is delivered to authorised waste managers located in the Autonomous Community of the Basque Country. Euskaltel does not therefore import or export this type of waste.

- **Electrical and electronic appliance waste**

Management of this type of waste, chiefly that generated by customer equipment, the measures taken at the end of its lifespan, and the criteria and results of reuse of equipment, is described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel’s corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

The percentage of customer equipment reused in 2015 with respect to the total amount of equipment supplied was 91% in the case of decoders and 74% for routers. Landline handsets are not reused, and are delivered to waste managers for recycling.

Euskaltel assists the ALBOAN NGO on the “Mobiles for the Congo” campaign, providing locations for the collection of mobile phones free of charge at Euskaltel sales outlets and offices. The campaign sets out to provide information, create awareness and collect used mobile phones in the Basque Country to generate economic resources by



selling and reusing the handsets collected, which will be used to fund international cooperation projects in the Democratic Republic of the Congo through the Jesuits' Refugee Service ("Servicio Jesuita a Refugiados"). (See the ALBOAN campaign: [www.tecnologialibredeconficto.org](http://www.tecnologialibredeconficto.org)).

- **Cellulose waste**

Cellulose waste management is described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

- **Other waste**

In addition to the waste categories described above, Euskaltel also generates other types of waste such as fluorescent tubes, lithium-ion batteries, alkaline batteries, button-cell batteries, CDs and DVDs, packaging and plant waste. Management of these types of waste is described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

All these types of waste are recycled by fully authorised waste managers, with the exception of plant waste, which is composted.

## Control of emissions and waste disposal

- **Emission of greenhouse gases (GHG)**

Direct emissions of GHG (scope 1) and indirect GHG emissions caused by energy consumption (scope 2), plans and measures to reduce emissions and the actual reductions obtained are described in

the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

Euskaltel also calculates the indirect emissions caused by consumption of the fuel used in cars owned by its employees (scope 3) in their functions at the company. To calculate the intensity of GHG emissions, Euskaltel divides the total GHG emissions (scopes 1 and 2) by the total number of customers for the various services. The figures are set out in the Table of Basic Indicators in this chapter and in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website.

Euskaltel also calculates the organisation's carbon footprint on an annual basis, and to draw up its GHG Emission Reports it uses a method established with Ihobe (a Basque Government environmental management company), which quantifies both direct and indirect emissions.

After consolidating a systematic procedure to measure Euskaltel's carbon footprint as an organisation, Euskaltel undertook a project in 2014 as an associate of the Basque Ecodesign Center in order to:

- o establish a system to calculate the product/service carbon footprint.
- o calculate the environmental impact of the products/services supplied, thereby estimating the potential climate change of this impact.

In 2014 the company calculated the carbon footprint of the OSOA product/service (landline, mobile phone, cable Internet,



mobile Internet, cable TV), and in 2015 it analysed the life cycle of the Euskaltel WiFi product, the new WiFi system giving Euskaltel customers free Internet access away from home.

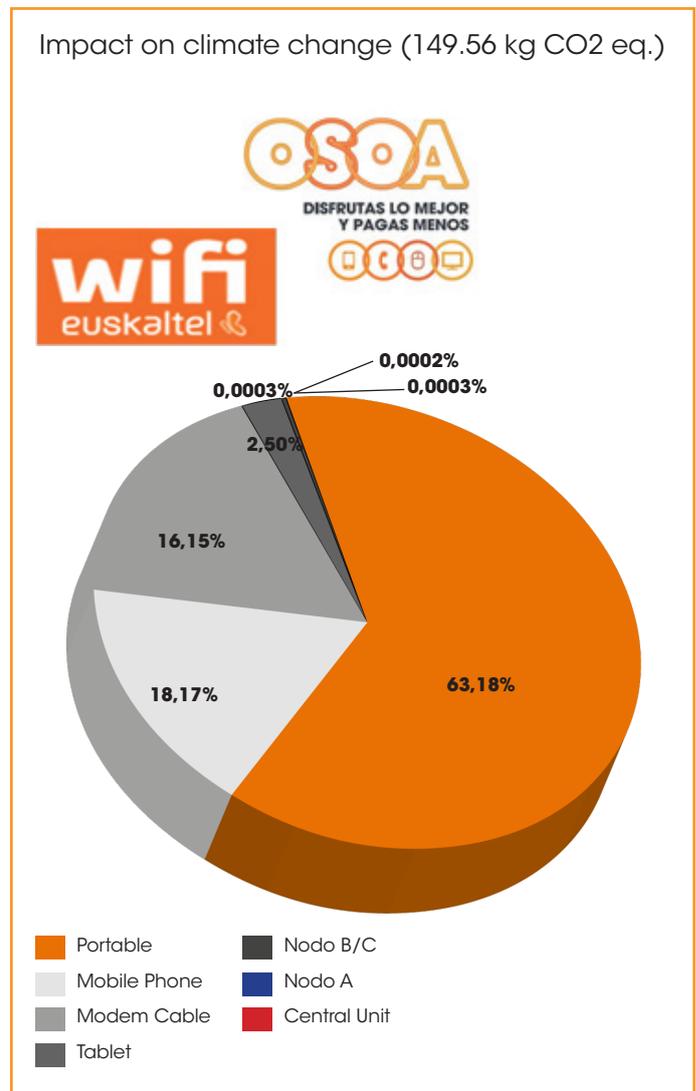
This entailed calculating GHG emissions over the full life cycle from manufacture of the unit until the end of its lifespan, taking account of its impact on the manufacturer and on the Euskaltel network, and also on the waste management company and the customer's home. The process required information to be compiled from a number of different sources: internal information, equipment suppliers and other organisations.

Looking ahead to 2016, plans have been made to analyse the life cycle of the mobile Internet product known as LTE (4G), the fourth generation of mobile technology, allowing our customers to browse up to 10 times faster than they could using 3G technology.

• **Emissions of coolant and insulation gases**

The origins and management of coolant and insulation gases are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website ([www.euskaltel.com/conocenos/Responsabilidad\\_Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social)).

In 2012 Euskaltel established an R-22 gas replacement plan whereby, when a leakage of the gas occurs, the unit is either reloaded with other coolant gases that do not affect the ozone layer (R-434.A or R-424.A), or the



unit is changed.

Euskaltel does not produce, import or export gases that deplete the ozone layer.

• **Other major atmospheric emissions**

Major emissions of other gases by Euskaltel are: SO<sub>2</sub>, NO<sub>x</sub> and particles (PM). Their origins are described in the Euskaltel 2015 Environmental Statement, available for consultation on Euskaltel's corporate website, and the amounts produced may be consulted in the "Table of Basic Indicators".



- **Accidental disposal and spillage**

Euskaltel does not have any wastewater disposal facilities, and sanitation water is disposed of by the Greater Bilbao Water Consortium's facilities.

There were no accidental spillages in 2015, and therefore no water sources or ecosystems were affected.

## **COMMITMENTS**

### **What will we be focusing on in 2016?**

- Analysing how to offset emissions in connection with the CO2 Emissions Reduction Plan.
- Introducing the 2016 Energy Efficiency Plan.
- Continuing to analyse the life cycles of Euskaltel products/services.
- Analysing the requirements of the new ISO 14001 with respect to Euskaltel's Comprehensive Management System.
- Developing the Environmental Master Plan as part of the Company's CSR strategy.
- Calculating the organisation's Environmental Footprint.



# COMMITMENT TO PEOPLE

**This chapter addresses Principles 1, 3, 4, 6 and 8 of the United Nations Global Compact**

We are aware that one major factor in the sustainability of our business is our people, whose knowledge, skills and capacities are essential to guarantee business competitiveness. Euskaltel's Personnel Department coordinates all issues relating to policies for the management of Euskaltel employees.

True to its original criteria, Euskaltel is still committed to the stability and continuity of people. All employees, therefore, have fixed permanent full-time contracts. The company's commitment and proximity to its staff may be observed in the low rates of external rotation - 1.8% in 2013, 9.10% in 2014 and 4.65% in 2015, and in the average length of service, fifteen years.

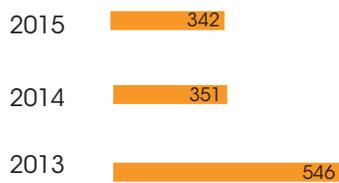
The graph shows the distribution of new arrivals at the company.

	REG- ISTRA- TIONS 2015	30-50 YEARS OLD	OVER 50 YEARS OLD
Male	1	1	0
Female	1	0	1

The graphs below show developments in the staff headcount and external rotation, broken down by age and sex.

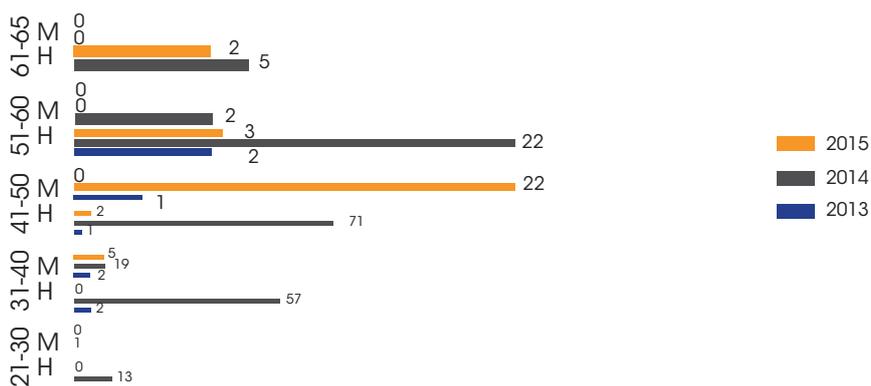


### Employees



**342 employees at  
2015/12/31**

### External rotation by age and sex





The average age of Euskaltel employees is 44.31. They have good qualifications, as 77.41% have university degrees, 15.54% are technical staff, and the remaining 7.05% have other qualifications.

In 2014 Euskaltel undertook a transformation process to create an organisation adapting to the needs of the market, and to this end long-term technology alliances were struck with two companies at the forefront of their sectors:

- GFI, an internationally acknowledged IT specialist, helping Euskaltel boost its competitiveness and maintain cutting-edge IT technology. It can also assist with producing ground-breaking solutions based on a broader knowledge of the sector and usage of the most appropriate technology.
- ZTE, also an internationally renowned telecommunications technology specialist, which boosts the Euskaltel network's transmission capacity, makes the network safer, simplifies maintenance and makes the system more efficient, while allowing the company to implement and adapt the new requirements of telecommunications technology at any given time, making it the perfect ally for Euskaltel in the process of transforming its network and customer services.

In both cases these strategic alliances have involved transfer of a portion of the Euskaltel team to the companies, with employment guarantees to safeguard jobs, current employment conditions, seniority and the

geographic location of posts.

### Remuneration policy

In addition to fixed remuneration, all Euskaltel employees benefit from a variable remuneration scheme with respect to the fixed portion, subject to an individual assessment of their performances. Assessment of employees on the official employment convention is calculated in terms of achievement of the targets set during the year for the company, and by the individual appraisal of their performances. Other employees are assessed on the basis of the targets set for the company (see Chapter **Economic and financial issues:** a sustainable project), for the Decision Centre and Specific Individual Targets (Sales Targets in the case of sales reps) and an appraisal of their performances. During the IPO process, the Euskaltel Board decided to deliver a package of shares to all employees.

Euskaltel's outlay on employees (in thousands of euros) was 34,379 in 2013, 30,318 in 2014 and 26,947 in 2015.

### Average pay discrepancies between Men and Women

In keeping with the policy concerning the management of people, salaries are individual, i.e. each person is remunerated in accordance with their responsibility, performance and contribution of value to the company, and no differences are established on the basis of sex, age etc.



## Ratio of maximum remuneration/average annual remuneration

Data concerning all employees were used - excluding directors - to calculate the ratio of maximum total annual remuneration to average annual remuneration. The ratio stands at 2:1.

Ratio of the percentage increase in maximum remuneration and the increase in average annual remuneration

The pay increase for average salaries was 4.41% more than the increase received by the company's highest paid employee.

## Reconciliation of working life and personal life

As a gesture towards the reconciliation of working life and personal life, Euskaltel approaches employment relations with a principle of flexibility in terms of arrival and departure times, and also in terms of days off or applications for leave for various reasons. This has led to new initiatives in the policy of reconciliation and equality, with a scheme for temporary transfer to the work centre closest to the family home during the summer months, or flexible application of 15 days of unpaid leave for Euskaltel families involved with the summer camps for children from Chernobyl or the Sahara etc. This kind of leave can also be applied in a flexible format in September when children go back to school.

As a result of the more flexible management of Euskaltel employees, 40 people or 10.8%

of the headcount, took up a voluntary reduction of their working hours to look after children, and at 31 December 2015, 37 employees had continued the reduction. Paternity leave is 35 days, 7 of which are flexible during the first nine months of the baby's life. The table shows movements in this indicator during the year.

There were 2 retirements in 2015.

	Leave permit		Waiver of leave		Return after leave	
	Ma-terni-ty	Pa-ter-nity	Ma-terni-ty	Pa-ter-nity	Ma-terni-ty	Pa-ter-nity
Male	1	9	0	0	1	9
Female	10		0	0	7 (*)	

(\*) Three women requested leave to take care of children, but returned in 2015.

## Dialogue with union representatives

Euskaltel's III Collective Agreement was signed in 2015 amid a climate of trust and consensus, with the following improvements: a commitment to the company's sustainability up to 31 December 2018 (5 years); a pay rise in accordance with the company's economic performance: 1% + 2% (depending on EBITDA figures the preceding year); unanimous agreement with the two unions Comisiones Obreras and



ELA: reconciliation of personal/professional life with an increase in working hours to be freely used for personal reasons: 24 hours in 2015, 32 hours in 2016, 36 hours in 2017 and 40 hours in 2018. The percentage of employees on the scheme was 79.82% of the headcount.

### Integration of the disabled

Euskaltel complies with the provisions of Law 13/1982 of 7 April through the creation of direct and indirect jobs at special work centres and also through the establishment of the alternative measures stipulated in the Law.

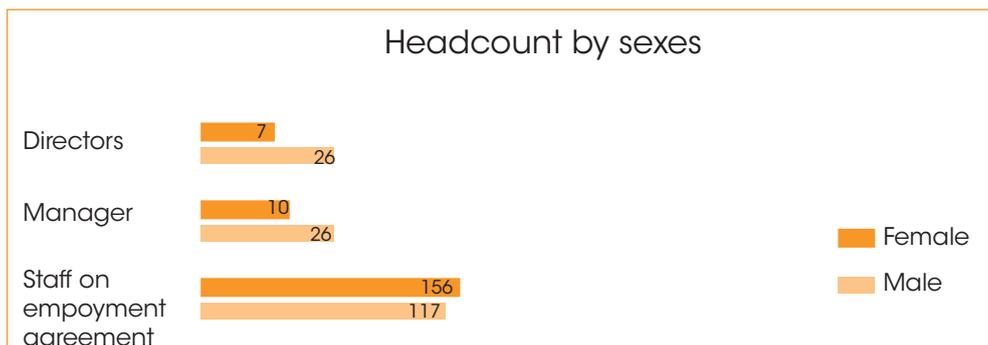
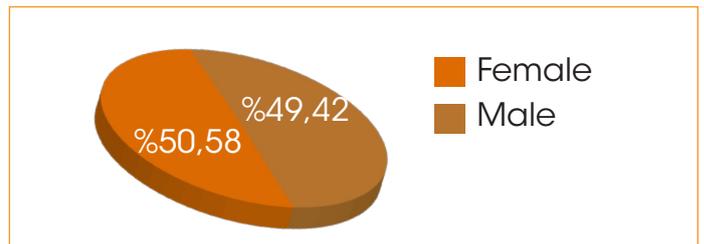
The "AFLORA" Plan devised to focus on any potential disabilities of those already employed by Euskaltel continued. Euskaltel allocates a monthly allowance to these employees for as long as the disability persists. The company organised a number of staff activities to spread awareness of disabilities.

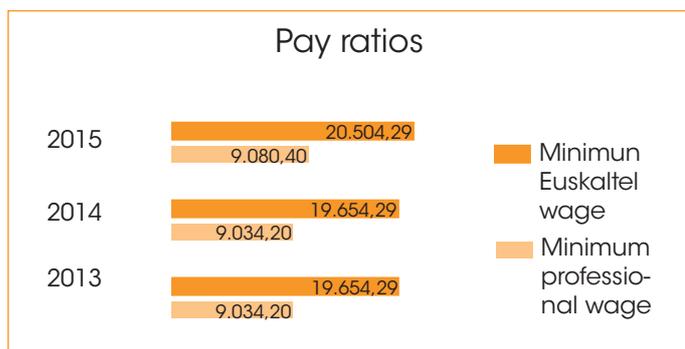
### Equal opportunities

The female/male ratio at Euskaltel is 50.58% female to 49.42% male. This distribution is shown in the pie chart.

Euskaltel manages its human resources in due respect of human rights and rejection of any kind of discrimination, with equal opportunities, freedom of association and the right to collective bargaining, striving within its area of influence to eliminate all forms of forced and compulsory labour, especially child labour. To fulfil this objective we have a new Code of Ethics and Conduct setting out the principles and standards to be observed by Euskaltel staff and anyone working in the name of the company. We can state that no incidents have arisen in connection with discrimination.

Company employee volunteers give talks to various groups at Euskaltel outlets in Bilbao. 4 talks were arranged in the course of the year - 2 for adults (one of which was for a Pensioners' Association) on the hazards and security of social networks, and a further 2 talks for younger people on "children and new technologies, risks and advice".





		Staff on employment agreement	Managers	Directors
>50	Male	19	5	14
	Female	6	0	2
30>=50	Male	97	21	12
	Female	148	10	5
>=30	Male	1		
	Female	2		

Company employee volunteers give talks to various groups at Euskaltel outlets in Bilbao. 4 talks were arranged in the course of the year - 2 for adults (one of which was for a Pensioners' Association) on the hazards and security of social networks, and a further 2 talks for younger people on "children and new technologies, risks and advice".

We can state that no incidents arose in connection with discrimination in 2015. In order to move forward on our equality commitments, the personnel scorecard now includes male/female indicators.

The tables above show the ratio between the standard starting wage at Euskaltel compared to the minimum interprofessional wage, and the age distribution of Euskaltel staff according to work categories.

## PREVENTION POLICY AND TRAINING

A total of 20,222 hours of training courses

were taught in 2015, the equivalent of just over 60 hours per employee. The training plan was divided into four large blocks with respect to objectives and the beneficiaries: training in personal skills; training in management and administration skills; technical training or training for technical staff and technical training for non-technical staff.

YEAR	SEX	Staff on employment agreement	Managers	Directors
2013	(*)	22.592	2.599	2.566
2014	Male	9.420	2.019	2.399
	Female	10.932	689	338
2015	Male	5.896	1.324	1.830
	Female	10.078	528	568

(\*) No segmented training data are available for 2013.

In 2015 these courses produced an average of 73 hours of training per Director, 51 hours per Manager and 59 hours for each Euskaltel on the official employment agreement.

## Basque language courses

The "Euskara Plan" continued in 2015 - it is available to all employees, and is now a consolidated feature of the Company. Internally, 43.9% of employees had a profile equal to or better than levels 2 and 3 of the "HABE" examination model.

The table below shows the hours of Euskara taught.

BASQUE	2013(*)	2014	2015
<b>N° of hours of Basque taught</b>	<b>4.460</b>	<b>6.556</b>	<b>4.991</b>
Male		3.364	2.302
Female		3.192	2.689
<b>N° of participants</b>	<b>70</b>	<b>69</b>	<b>40</b>
Male		40	21
Female		29	19

(\*) No segmented training data are available for 2013.



## Prevention and safety policy

The entire occupational safety and health training policy adheres to the recommendations of the International Labour Organisation (ILO). Our company also succeeded in renewing its OHSAS 18001:2007 as part of its Management System.

Euskaltel also operates a body representing 100% of its employees, featuring five prevention representatives and representatives of the company.

Prevention training is specific to workstations. Euskaltel informs new employees of the hazards associated with their workstations on the day they arrive, and gives them the required training in each case. A general assessment is also made of all the risks that could be entailed by an emergency situation, and Euskaltel arranges evacuation simulations of buildings where its staff work. To enable these situations to be properly handled, in 2015 theoretical and practical training was given to 25 employees in putting out fires, first aid and the action to be taken in emergencies. A total of 246 hours were taught to all those involved. The Self-Protection Plan for Euskaltel head office in Building 809, Derio, was also entered in the Basque Country's General Register of Self-Protection Plan.

Finally, the employee portal provides information on security measures to be taken in the event of fires and other situations, and information on the specific

risks associated with each workstation and the rules for prevention. Internal and external audits are performed to check all aspects relating to protection of the environment, quality and the safety of employees working on field tasks to furnish Euskaltel's services. All Euskaltel's work centres undergo regular inspections to ensure they meet the best possible standards of occupational safety and health.

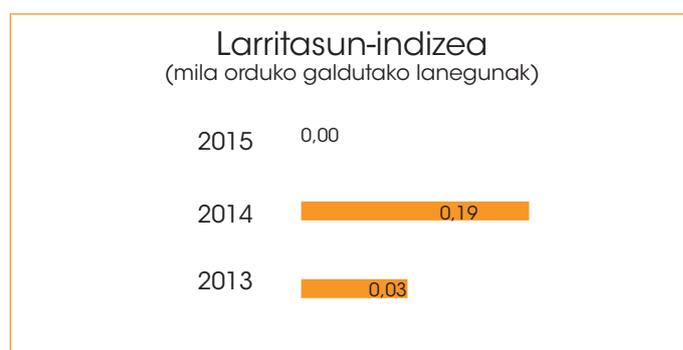
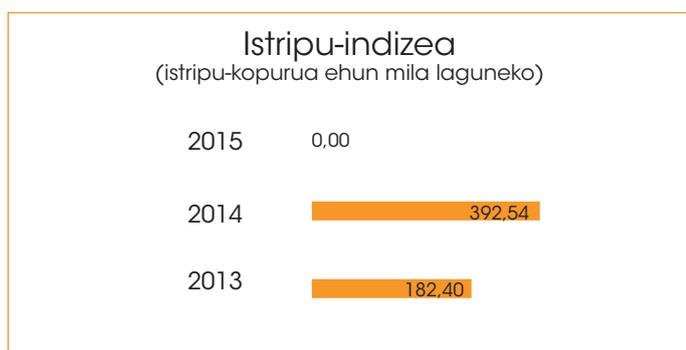
## Accidents in the work place

The management unit responsible for safeguarding professional contingencies and Euskaltel's prevention service have never issued or processed a professional illness report as stipulated in Royal Decree 1299/2006. Nor have any illnesses that could be considered professional illnesses been brought to their attention. Therefore no professional activities or workstations associated with incidents or a high risk of illness among staff have been identified.

In terms of accidents in the work place, there were only 5 in 2015, none of which led to any time off work, and 3 of the accidents occurred "in itinere".

By sexes, the two accidents at the work place involved female staff, and the "in itinere" accidents involved two women and a man. In terms of injuries, in all cases these consisted of slight injuries to lower extremities caused by minor impacts.

Absenteeism, standing at 1.87% in 2015, included the hours off work due to common



illnesses.

Finally, it should be pointed out that since the company was founded, no Euskaltel employees have ever sustained a fatal accident caused by their work.

### Coordination of activities

Work continued on adaptation to the new situation introduced by the outsourcing scheme in terms of Network Development and Management.

### Health care

An analysis of Euskaltel's activities did not reveal any causes of serious illnesses that could affect its employees, their families or the community in general. Health care, however, addresses preventive aspects and medical attention in the event of an accident. On the preventive front, Euskaltel arranges medical inspections in accordance with the risks associated with each workstation. 79.07% of staff underwent a medical inspection in 2015, and 86.03% of their number had also been inspected the preceding year, signifying that healthcare is monitored more carefully.

In 2015 Euskaltel joined the Segurbide Work Group, an employment road safety initiative by the Basque Government's Traffic Department, along with safety and health institute OSALAN, external prevention services and other prevention services at major public and private organisations.

## COMMUNICATION AND INTERNAL RELATIONS

### Internal communication

At Euskaltel, internal communication is an activity that is consubstantial to company life and is undertaken as a process that helps achieve strategic objectives and encourages employees to become part of and identify with the values of the project. There are a number of tools or channels for messages, which foster integration, motivation, professional development and productivity.

In addition to the company intranet, meetings are also arranged (internal team meetings, Decision Centre meetings, meetings with the Chairman and CEO with all parties to announce strategic decisions or organisational changes). Before they are



added to the official organisational chart on the intranet, organisational changes are generally notified to the persons concerned and subsequently to the department concerned, with no minimum period of notice.

Euskaltel's internal communications strive to share objectives and strategies among all its staff, and encourage pride in a sense of belonging. The habitual regular e-mail notifications by General Management of the Company's major projects and achievements continued in 2015.

The Internal Digital Magazine is another tool used to share information concerning the company and its teams and employees.

### Internal social activities

In 2015 approximately 92% of staff attended one of the awareness events organised at Euskaltel on issues such as corporate defence and social responsibility (Corporate Defence: 1h 314 staff, i.e. 314 hours; Code of Ethics and Conduct: 1 hour 199 staff, i.e. 199 hours of training; 1-hour talk on resilience, empathy and awareness of others by Luis Rojas Marcos, attended by 329 staff; i.e. 329 hours of training. The objective is simply to give employees talks or discussions with valid information for both their professional and personal lives. The idea is to create areas for open reflection in a relaxed atmosphere, to

enable us to share the concepts of diversity as a group.

In 2015 a group of volunteers worked at the Bilbao call centre in connection with the EITB solidarity telemarathon. Eight employees experienced a day of solidarity and active sponsorship of a cause.

Other volunteers also worked on training plans for older people and young people across a range of issues, including safety and professional development.

In 2015 Euskaltel employees continued to work on the "Family Plan" in association with the Adecco Foundation, to assist employees with disabled family members and produce employment programmes and leisure activities.

The 11th "Olentzero" Christmas party was held for the children of Euskaltel employees, boosting the connection between staff and their families.

All employees are entitled to certain corporate benefits, either in relation to our products and services or to safety and health. Some of the major benefits are as follows:

- Social security top-ups for temporary disabilities of any kind incurred an annual cost of 91,974.13 euros.



- Accident insurance: an annual premium of 16,054.60 euros.
- Assistance for disabled family members: 165.16 euros/month per family member. As this concerns ten families, the total cost of assistance in the year was 19,819.20 euros.
- "AFLORA" Plan assistance for employees with functional disabilities: 175 euros per month per person, and after three declarations of permanent disability - this concerns one person. Therefore the total cost of assistance is 2,100 euros per year.
- A Flexible Compensation Plan, securing better returns for the income of employees by purchasing or contracting certain products.

## COMMITMENTS

### What will we be focusing on in 2016?

- Carrying out a Diversity Scheme, including an Equality Plan.
- Taking specific action in connection with the "healthy company" project.
- Making progress on the private life/ professional life teleworking plan, and increasing employment flexibility.
- Carrying out a Climate Survey.



# OUR SOCIAL COMMITMENT

This chapter addresses Principles 1, 6, 9 and 10 of the United Nations Global Compact

## OUR SOCIAL COMMITMENT

Euskaltel's institutional activity in 2015 seeks to act responsibly in proximity alongside its stakeholders, shareholders, customers, the general public, suppliers and its own employees.

This philosophy as part of the Euskaltel mission aims to make the company part of a force to drive the Basque economy forward, generate local business opportunities, influence employment and the tax factor, spearhead the Country's entrepreneurial fabric, generate confidence and a sense of belonging, take action on social commitments and the digital positioning of Basque society, and foster competitiveness and cooperation between the public and private sectors.

Businesses are sure that a focus on intense activity within the social and economic framework to project values to their natural market is one of the clearest and most obvious ways to produce a brand and loyalty by customers who can perceive that the product they use is a reputable item with a wealth of social prestige.

All companies focus on the future sustainability of their business, their employees and their development, geared towards maintaining a circular economy. This competitive edge is now being perceived at universities as a clear advantage in the companies of the future. This is what is known as the circular economy or the economy for the common good. The concept does not focus solely on economic earnings, but also on income produced by a strong brand and its intangible assets.



This line of argument reveals the model of interaction with institutions, the context of sponsorships, the associative movement and public relations as tools of interaction with Society. In a bid to enhance the initiatives already carried out by Euskaltel, in 2015 a project was introduced alongside the University of the Basque Country EHU/UPV and Deusto University on the concept of the social value of the company and its monetisation, due to be completed in the course of 2016.

Euskaltel sees this as an opportunity for coordination with strategic projects deployed by institutions, along with potential synergies produced by the company to create value. It entails innovation schemes, accessibility programmes, projects to increase coverage to include public infrastructures, action taken to promote rural

development, environmental innovation or designs or descriptions of the life cycles of products on the market.

A major portion of this objective involves clusters or associations. To this end Euskaltel has created a capillary network of organisations, where it operates at different levels of representation. We act as the chair of Innobasque (Basque Innovation Agency) and Izaite (Basque Sustainability association), we are members of the board at Kontsumobide, EIKEN (Audiovisual Cluster), GAIA (Telecommunications Cluster Association), the Euskalit Foundation, the Basque Ecodesign Center, APD, COAVN (Basque Country/Navarra College of Architects), INKOLAN, Adegí, Cebek and SEA, among others. This map of associations produces much activity and business synergies.



In 2015 we were also involved in cooperations with institutions and sponsorships.

### Families

Family activities remain the focus of sponsorships or in-house events. This has led to activities such as the Bilbao Sports Day or "Kirol Eguna", which brings together thousands of people in families for a day of sport and functional diversity. The success reaped by this event led to the organisation in 2015 of another sports day in the Alderdi Eder Park in Donostia. The repeat experience served to confirm Euskaltel's success amid a large number of customers and families. In our awareness of this market fact we are involved in many family activities, with Acción Familiar Vizcaina, Hirukide in support of large families, ASPANOVAS, ETORKINTZA, FEVAS, Down Syndrome, Ayuda en Acción and a large number of organisations focusing on different aspects of family life.

### Integration and Equality

The focus on social responsibility in terms of equality and diversity continued in 2015, with events to promote the integration of these values in society.

The practices already deployed have made their mark on the business world. The current labour agreement is a clear exponent of reconciliation and equal opportunities at the company. Talks are arranged to spread

awareness and defend diversity, in obvious harmony with the Law of Social Integration for people with different capacities, and work is ongoing at special job centres.

Euskaltel forms part of associations such as the Bizkaia Province Association of Female Businesswomen and Female Directors, it is a regular contributor to the directives and programmes created by the Basque Institute of Women (Emakunde), it is a participant in the Bizkaia Provincial Council's "Denbbora" network, and on the Enpresak Berdin initiative launched by the Cebek business organisation.

The aim is to make businesses aware of concerns and reflections in relation to diversity and equality.

We have again complied with the law governing contracts for people with disabilities, who must carry out their work in accordance with the exceptional measures stipulated by the law of social integration of the disabled ("LISMI").

We held our Sports Days again in Bilbao and Donostia. At both events particular attention was paid to people with mental disabilities in a joint effort by Euskaltel, the Athletic Foundation and the Provincial Council of Gipuzkoa. The teams were composed of people with mental disabilities, veteran plays of Athletic Club de Bilbao and institutional and sporting personalities. In these initiatives



Euskaltel strives to make a small contribution to awareness of disabilities as an example of how hardships can be overcome, with sport acting as a common denominator.

### Sports

Euskaltel is well known for its sponsorship of Basque football clubs: Alavés, Athletic, Eibar and Real Sociedad. Our sponsorship seeks to offer a wide range of experiences to customers, and secure other possible customers who see the brand as something

more than just a commercial relationship. Several initiatives have been taken in this area: signings at sales outlets, trips with clubs to national matches, involvement of children at matches, merchandising prize draws, VIP boxes and administration of the boxes for major companies and customers. These encounters and public relations events at clubs are carried out by the company as their Technology Provider, supplying stadiums with the latest telecommunications services.

There are, however, other events, local



competitions and athletic events, surfing, international skateboarding competitions such as the 2nd Euskaltel Bowlzilla in Arrigunaga, for which Euskaltel was awarded the Local Altruism Prize.

### Experiences

Sponsorship has created a wide range of potential experiences to reach out to customers. This is the world of intangibles, the world of the unobtainable. This is what cannot be easily acquired, or acquired with money alone.

We have maintained our sponsorship because it is a way of finding out from customers whether or not our sponsorships are meeting with success, and also because it boosts our customers' sense of belonging with respect to the company.

Education, culture and the Basque language  
We are still heavily involved in training in the use of technology at Euskaltel sales outlets. We are still committed to the Basque language both internally and externally. We have maintained our agreements with Basque-language schools ("ikastolak") and the national Basque School Day.

We also have cooperation agreements with cinemas and Zinegoak, a clear exponent of modern, diverse, alternative films.

We are also associated with well-known

Basque bands such as Ken Zazpi on their new tour.

### EUSKALTEL KONEKTA FOUNDATION

One of the aims of the Euskaltel Foundation was to drive the digital transformation of society, introducing or encouraging new technologies in groups for which learning is slightly more difficult (the elderly, low-income groups, the disabled etc.) or groups that wish to continue the learning process (young people, teachers etc.).

Activities in 2015 were as follows:

#### Euskal Encounter 23

The 2015 Euskal Encounter stepped up the "Opengune" talks and conferences, and created new spaces for the activities in a number of areas. The agreement with Enpresa Digitala (an initiative by the Basque Government, the Provincial Councils and other public bodies) was maintained to bring about a quantitative and qualitative increase in the encounters, to give them a more international flavour with well-known speakers.

There was close cooperation with Euskaltel/Edonon's suppliers of TV contents at the event, with a Cinema space and featuring the Delorean car used in the film "Back to the Future".



Relations with sponsors were also maintained to extract maximum publicity returns from the event.

### Gipuzkoa Encounter 9

Gipuzkoa Encounter held its annual event in Tolosa. In this case we worked alongside Tolosa Town Hall to manage and boost relations between the people of Tolosa and the rest of the province of Gipuzkoa, seeking ways of turning the ideas of participants into projects, with workshops and initiatives to bring this about.

As in previous Encounters, the event gave priority to the use of Euskara and equal technology opportunities.

The Gipuzkoa Encounter places Euskaltel squarely and explicitly in Gipuzkoa as a message of quality and proper service.

The continuing success of the Gipuzkoa Encounter is gradually outgrowing the Tolosa sports complex for future events. It remains, however, a genuine model and an incomparable test laboratory for new contents and technical challenges for implementation in the Euskal Encounter.

### Gamegune 12

The Gamegune emerged at the Euskalduna Building in Bilbao, as a spin-off from the Euskal Encounter. It has become increasingly popular, and is now the main video games encounter in the Basque Country. This time





it was held during Bilbao's D Week 2015, an event combining design and observation of the city as a massive transformation. Moreover, in view of the increasing popularity of electronic sports, it is considered that the time has come to focus on this area in heavily influential environments.

Gamegune is a European eSports competition. It has earned enormous prestige at the Euskal Encounter over the last 12 years, with CounterStrike 1.6 as the star attraction.

It was held at the Guggenheim Museum, where 16 players competed on 20 and 21 November.

### **Araba Encounter 2**

In the wake of the first Araba Encounter, the second event was held in Vitoria-Gasteiz slightly earlier in October.

After a number of agreements had been struck with various institutions (Provincial Council of Araba, Vitoria-Gasteiz Town Hall

and the Basque Government), the Iradier Arena was chosen as the venue for the Araba Encounter.

Unlike the Gipuzkoa Encounter, the decision was taken to provide the Araba Encounter with an open space for training workshops and public events, while the Euskal Encounter's "Opengune" was also transferred to Vitoria-Gasteiz.

The Araba Encounter completes the Euskaltel Konekta Foundation's operations in all three of the Basque Country's historic provinces.

### **Euskaltel Gaztea Kopa**

In association with the EITB TV network, a preliminary online tournament was organised ahead of the first FiFa 11vs11 video games competition in the Basque Country. The final was held in the BEC conference centre, and the prizes were awarded by stars of the Athletic de Bilbao and Alavés football teams.

### **KBI (centre for entrepreneurship, innovation**



### and creativity of digital environments)

The Euskaltel Foundation acts as sponsor to KBI DIGITAL BILBAO BIZKAIA, which emerged from an agreement between Bilbao Town Hall and the Provincial Council of Bizkaia. Its main purpose in the digital economy is to promote entrepreneurial projects for newly created businesses and companies already up and running.

It intends to act as a major driver of innovation and initiatives in the digital sector.

### Last Tour - Festivals. The Euskaltel Konekta Foundation - WiFi and music

We decided to promote Euskaltel's star product Euskaltel WiFi at the Basque Country's three main festivals to publicise the Euskaltel Konekta brand. All three festivals are organised by Last Tour Internacional, the company that made the BBK Live Festival Europe's biggest music camp. BBK Live is a pop/rock event held in July every year in Bilbao, and it is one the State's largest. Kutxa Kultur is a new event in Donostia, in the idyllic

setting of Monte Igueldo. Finally, Azkena Rock is a festival of underground bands and consolidated groups widely acknowledged in Vitoria-Gasteiz and the rest of the province.

All the events had stands with a WiFi service for all participants and the organisation.

### Foundation website

In December a new website was created with full information on the new Foundation project, with a sub-domain konekta.euskaltel.com.

### Other projects

#### Telemaratoia

The Euskaltel Foundation is a sponsor of the ETB Telemarathon. The Foundation has worked alongside this solidarity initiative from the outset, providing technology and other resources to assist with donations. Euskaltel Konekta has now provided all customers with the EKT application for easy rapid donations of five, ten or fifteen euros to



the cause.

As in previous years, personalities from the world of sports, films and culture will be manning the phones and asking for donations.

### **First Lego League**

Since the event began 7 years ago, Euskaltel has been a strategic associate on this Innobasque project.

Euskaltel is a sponsor of the event, it allows its premises to be used, and also provides training for more than 80 volunteers organising the event.

This is a robotics tournament to encourage school children between the ages of 10 and 16 to use science and technology to carry out projects on a certain theme. The latest theme is waste management and its implications.

### **Buber Sariak**

The 13th Buber Sariak awards, organised by the Internet & Euskadi Association. Here the Foundation forms part of the jury, and is also involved in awarding the prizes to the best Basque websites in various categories.

### **BIME**

In 2015 the Euskaltel Foundation sponsored the music and digital industry's BIME PRO festival and fair, which explores new areas of cooperation through video games, apps and other new technology.

BIME PRO sets out to act as a forum for national and foreign professionals to upgrade their knowledge and explore



new business models through the digital industries.

### **Innobasque - Global Innovation Day**

Global Innovation Day is Basque innovation's main event, an encounter for innovators to make contact and share their experiences, an open, dynamic, participational event furnishing specialist knowledge, connections and opportunities. The Foundation provided economic assistance, and was actively involved in creating the event and organising a stand at the Euskalduna Conference Centre in Bilbao.

### **Fevas**

"Fevas" is the Basque Federation of Associations in support of the mentally disabled. It represents associations of



Basque families providing services for the mentally disabled and assistance for them and their families. Its goal is to boost support and opportunities for the mentally disabled and help their families, and to move towards a more inclusive, fairer and more solidarity-conscious society in which all people can make their plans come true.

### **Etorikintza**

We helped create a blog to encourage and promote the proper usage of new technology and prevent any hazardous usages, through information and advice for families. This is a most interesting blog, which will eventually be enhanced by the interactive questions and answers added to the contents.

### **Digital Encounters**

These focus on the acknowledgement of a number of digital initiatives, with talks by various experts in several areas.

Work was carried out with a number of associations and bodies: Avaim, Kibber, Bakuva, Poción de Héroes, Ayuda en Acción, the telephone distress helpline, Eiken and the Sabino Arana Foundation. These are associations focusing on mental disability, child abuse, social integration of children at risk etc., and technology is an extremely important academic and leisure tool.

All their activities are a combination of technology and social altruistic initiatives. Technology by and for people.

### *In connection with Institutional Relations:*

- Integrating institutional activities and sponsorships by both Euskaltel and R Cable.
- Consolidating our own events.
- Reactivating commercial events to bring in customers and boost customer loyalty.
- Encouraging customer experiences with VIP boxes, tickets, social networks, prize draws etc.

### *In connection with the Euskaltel Konekta Foundation:*

- Specialising in events at Basque "Encounters".
- Focusing on "OpenGune" events as spaces to attract potential Encounter customers.
- Focusing on the social aspect of technology with older people, and training provided by volunteers.
- Identifying social projects in which technology supplies a competitive edge (such as a telephone distress helpline, or the FEVAS ZONADI" social network etc.).

## **COMMITMENTS**

### **What will we be focusing on in 2016?**



# INDICATORS

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## GRI INDICATORS

GENERAL BASIC CONTENTS			
Indicator	Description	Page	External verification
<b>ESTRATEGIA Y ANÁLISIS</b>			
G4-1	Statement by senior party responsible	6	√
G4-2	Main impacts, risks and opportunities	14-15-16-18-19-20-21-22-23-26-27-28-62-73-83-93	√
<b>PROFILE OF THE ORGANISATION</b>			
G4-3	Name	13	√
G4-4	Major brands, products and services	13-15	√
G4-5	Headquarters	13	√
G4-6	Countries of major operations	13	√
G4-7	Ownership and legal formats	13-32	√
G4-8	Markets serviced	13-14-15-48	√
G4-9	Key figures	13-15-32-74	√
G4-10	Employee headcount	75-76	√
G4-11	Employee on collective employment agreements	77	√
G4-12	Description of supply chain	50-52	√
G4-13	Major changes during the year	45	√
G4-14	Precaution principle	21-25-27-32-55-62-67-80	√
G4-15	External initiatives or principles subscribed to or adopted by the organisation	31-64-67-84	√
G4-16	Main associations to which it belongs	86	√
<b>MATERIAL ASPECTS AND COVERAGE</b>			
G4-17	Companies within the scope of financial consolidation and of this report	43-44	√
G4-18	Definition of the contents and scope of the report and of application of GRI principles	8-9-10	√
G4-19	Material aspects identified	10	√
G4-20	Coverage within the organisation	8-11	√
G4-21	Coverage outside the organisation	8-11	√
G4-22	Restatements of information supplied in previous reports	12-45	√
G4-23	Major changes in the coverage or scope of the report	24	√
<b>INVOLVEMENT OF STAKEHOLDERS</b>			
G4-24	Stakeholders linked to the organisation	10-28	√
G4-25	Basis for selection of stakeholders	10-28	√
G4-26	Approaches adopted for relations with stakeholders, including the frequency of contacts, by stakeholder types and categories	10-28	√
G4-27	Key problems and issues arising from participation by stakeholders	10-28-30-48-51	√
<b>PROFILE OF THE REPORT</b>			
G4-28	Period covered by the report	8	√
G4-29	Date of previous report	28	√
G4-30	Report presentation cycle	8	√
G4-31	Contact for queries concerning the report	13	√
G4-32	GRI index in relation to the "conformity" option chosen	95-96-97-98-99-100	√
G4-33	External verification of the report	5	√



## GENERAL BASIC CONTENTS

Indicator	Description	Page	External verification
<b>GOVERNANCE</b>			
G4-34	Governance structure	34-43	√
G4-35	Delegation of authority by the senior governance body to senior management and other employees	39	√
G4-36	Executive posts or posts of social, economic and environmental responsibility	39	√
G4-37	Consultation processes between stakeholders and the Board	40-43-80	√
G4-38	Composition of the senior governance body	33-34-35-43	√
G4-39	State whether the chairman of the senior governance body holds an executive post, and state the reasons why.	35	√
G4-40	Selection and appointment of members of the senior governance body	43	√
G4-41	Procedures to prevent conflicts of interests in the senior governance body	36	√
G4-42	Functions of the senior governance body and senior management in drawing up, approving and updating the corporate vision, mission, values, strategies, policies and targets.	42	√
G4-43	Senior governance body's knowledge of social, economic and environmental aspects.	42	√
G4-44	Performance of the senior governance body	43	√
G4-45	Senior governance body's procedures to supervise the identification and management of social, economic and environmental performances, and its role in the application of due diligence processes and consultations with stakeholders.	33-34-36-42	√
G4-46	Function of the senior governance body in supervising the efficient management of risks and opportunities concerning social, economic and environmental issues.	37	√
G4-47	"Frequency of supervision by the senior governance body of impacts, risks and social, economic and environmental opportunities."	33-34-38-42	√
G4-48	Senior governance body responsible for reviewing and approving the report	38	√
G4-49	Procedure for notifying issues of crucial interest to the senior governance body.	38-40-43-80	√
G4-50	Issues of crucial interest notified to the senior governance body	38	√
G4-51	Policies for remuneration of the senior governance body and of senior management, and how these relate to social, economic and environmental performances.	36-39	√
G4-52	"Procedure for determining the remuneration of the senior governance body and of senior management, stating whether independent consultants are involved."	39	√
G4-53	State how the opinions and expectations of stakeholders concerning remuneration policies were taken into account.	40-43-80	√
G4-54	Remuneration ratios within the organisation	77	√
G4-55	Increases in remuneration within the organisation	52-77	√
<b>ETHICS AND INTEGRITY</b>			
G4-56	Description of the values, principles, standards and regulations with regard to behaviour, such as codes of conduct and ethics.	24-25-32	√
G4-57	Internal and external advisory procedures for ethical and lawful conduct	26-31	√
G4-58	Internal and external whistleblowing procedures for conduct that is unethical, unlawful, or affects the organisation's integrity.	26-31	√



## SPECIFIC BASIC CONTENTS

Material aspects	Indicators	Page	Omissions	External verification
<b>CATEGORY: ECONOMIC CONCERNS</b>				
Economic performance	G4-EC1	13-14-15-21-76		√
Economic performance	G4-EC2	22-71		√
Economic performance	G4-EC3	82-83		√
Economic performance	G4-EC4	23		√
Market presence	G4-EC5	79		√
Market presence	G4-EC6	43-50		√
Indirect economic consequences	G4-EC7	57		√
Indirect economic consequences	G4-EC8	54		√
Acquisition practices	G4-EC9	50		√
<b>CATEGORY: ENVIRONMENT</b>				
Materials	G4-EN1	68-69-70		√
Materials	G4-EN2	68-70		√
Energy	G4-EN3	12-68-69		√
Energy	G4-EN4	12-68-69		√
Energy	G4-EN5	12-68-69		√
Energy	G4-EN6	69		√
Energy	G4-EN7	69-72		√
Water	G4-EN8	68-69		√
Water	G4-EN9	69		√
Water	G4-EN10	69		√
Biodiversity	G4-EN11	66		√
Biodiversity	G4-EN12	66		√
Biodiversity	G4-EN13	66		√
Biodiversity	G4-EN14	66		√
Emissions	G4-EN15	68-71		√
Emissions	G4-EN16	68-71		√
Emissions	G4-EN17	68-71		√
Emissions	G4-EN18	68-71		√
Emissions	G4-EN19	68-71		√
Emissions	G4-EN20	68-71-72		√
Emissions	G4-EN21	68-72		√
Effluents and waste	G4-EN22	73		√
Effluents and waste	G4-EN23	68-70-71		√
Effluents and waste	G4-EN24	73		√
Effluents and waste	G4-EN25	70		√
Effluents and waste	G4-EN26	73		√
Products and services	G4-EN27	66-67-69-70-71-72		√
Products and services	G4-EN28	70		√
Regulatory compliance	G4-EN29	67		√
Transport	G4-EN30	68-69		√
General	G4-EN31	65		√
Environmental assessment of suppliers	G4-EN32	67		√
Environmental assessment of suppliers	G4-EN33	67		√
Environmental complaint mechanisms	G4-EN34	67		√



## SPECIFIC BASIC CONTENTS

Material aspects	Indicators	Page	Omissions	External verification
<b>CATEGORY: SOCIAL PERFORMANCE - EMPLOYMENT PRACTICES AND DIGNIFIED EMPLOYMENT</b>				
Employment	G4-LA1	74-75-78		√
Employment	G4-LA2	76-77-79		√
Employment	G4-LA3	77		√
Relations between staff and management	G4-LA4	81-82		√
Health and safety in the work place	G4-LA5	80		√
Health and safety in the work place	G4-LA6	80		√
Health and safety in the work place	G4-LA7	80		√
Health and safety in the work place	G4-LA8	80		√
Capacitation and education	G4-LA9	79-80		√
Capacitation and education	G4-LA10	Clarification note n°1 (p. 100)		√
Capacitation and education	G4-LA11	60		√
Diversity and equal opportunities	G4-LA12	76		√
Equal pay for women and men	G4-LA13	36-78-79		√
Assessment of the employment practices of suppliers	G4-LA14	76		√
Assessment of the employment practices of suppliers	G4-LA15	51-53		√
Complaint mechanisms for employment practices	G4-LA16	51-53		√
<b>HUMAN RIGHTS</b>				
Assessment	G4-HR1	2. azalpen-oharra (100. orrialdea)		√
Assessment of suppliers in terms of human rights	G4-HR2	82		√
Assessment of suppliers in terms of human rights	G4-HR3	79		√
Human rights complaint mechanisms	G4-HR4	77-78		√
Haurren lana	G4-HR5	3. azalpen-oharra (100. orrialdea)		√
Lan behartua	G4-HR6	4. azalpen-oharra (100. orrialdea)		√
Segurtasun-neurriak	G4-HR7	5. azalpen-oharra (100. orrialdea)		√
Herritar indigenen eskubideak	G4-HR8	10. azalpen-oharra (100. orrialdea)		√
Ebaluazioa	G4-HR9	80		√
Hornitzaileen ebaluazioa giza eskubideen arloan	G4-HR10	51-53		√
Hornitzaileen ebaluazioa giza eskubideen arloan	G4-HR11	51-53		√
Erreklamazioen mekanismoak giza eskubideen arloan	G4-HR12	26-78		√



<b>SPECIFIC BASIC CONTENTS</b>				
<b>Material aspects</b>	<b>Indicators</b>	<b>Page</b>	<b>Omissions</b>	<b>External verification</b>
<b>SOCIETY</b>				
Local communities	G4-SO1	Clarification note n°12 p. 100.		√
Local communities	G4-SO2	Clarification note n°11 p. 100		√
Fighting corruption	G4-SO3	26		√
Fighting corruption	G4-SO4	26-52-82		√
Fighting corruption	G4-SO5	26		√
Public policy	G4-SO6	Clarification note n°6 p. 100		√
Unfair competition practices	G4-SO7	Clarification note n°7 p. 100		√
Regulatory compliance	G4-SO8	27-49-67		√
Assessment of the social repercussion of suppliers	G4-SO9	51		√
Assessment of the social repercussion of suppliers	G4-SO10	51		√
Social impact complaint mechanisms	G4-SO11	26		√
<b>PRODUCT RESPONSIBILITY</b>				
Customer health and safety	G4-PR1	15-28-46-49-61-66		√
Customer health and safety	G4-PR2	60		√
Labelling of products and services	G4-PR3	60		√
Labelling of products and services	G4-PR4	Clarification note n°8 p. 100		√
Labelling of products and services	G4-PR5	28-49		√
Marketing communications	G4-PR6	Clarification note n°13 p. 100		√
Marketing communications	G4-PR7	Clarification note n°9 p. 100		√
Customer privacy	G4-PR8	27		√
Regulatory compliance	G4-PR9	27-49		√



## CLARIFICATION NOTES

Nº 1 - No information on continuous training is provided for employees to assist with arrangements for the end of their professional careers.

Nº 2 - There are no major investment agreements which include human rights clauses or which have been analysed from the perspective of human rights, with the exception of legal compliance with safety stipulations.

Nº 3 - The laws in force guarantee this right. Article 6 of the Employment Statute prevents the employment of under-age children.

Nº 4 - The laws in force guarantee this right. Employment must be offered freely, and employees must be free to leave their employment whenever they choose. Article 49 of the Employment Statute acknowledges the right of employees to leave their employment voluntarily whenever they choose to do so.

Nº 5 - Euskaltel security staff do not carry out functions alongside the general public, they are properly identified and have received proper training in Euskaltel's internal regulations and procedures, the systems and equipment used, and also first aid and data protection.

Nº 6 - Euskaltel has not made any donations to political parties or to their candidates.

Nº 7 - No official decisions have been made in this regard concerning our company.

Nº 8 - No reports or administrative procedures have arisen from any failure to comply with regulations and the voluntary codes in connection with information and the labelling of products and services.

Nº 9 - Euskaltel does not subscribe to any Voluntary Schemes in connection with marketing communications, including advertising.

Nº 10 - In 2015 there were no indigenous groups connected with Euskaltel's business activities.

Nº 11 - Euskaltel does not operate any centres of operations that have had or could have adverse effects on local communities.

Nº 12 - Euskaltel does not carry out any operations at any locations other than the community in which it conducts its business, and it is therefore considered that no reporting is necessary for this indicator.

Nº 13 - Euskaltel does not sell any products that have been banned, or that could be questioned by its stakeholders.



## SUPPLEMENTARY TELECOMMUNICATIONS CONTENT

<b>SUPPLEMENTARY TELECOMMUNICATIONS CONTENT</b>				
<b>Material aspects</b>	<b>Indicator</b>	<b>Page</b>	<b>Omissions</b>	<b>External verification</b>
<b>CATEGORY: OPERATIONS</b>				
Investment	IO1	54		√
Investment	IO2	N.A.		√
Safety and health	IO3	67-80		√
Safety and health	IO4	N.A.		√
Safety and health	IO5	66		√
Safety and health	IO6	66-67		√
Infrastructure	IO7	66		√
Infrastructure	IO8	54-66		√
<b>CATEGORY: PROVISION</b>				
Access to products and services	PA1	57-58		√
Access to products and services	PA2	N.A.		√
Access to products and services	PA3	60		√
Access to products and services	PA4	57		√
Access to products and services	PA5	16-59		√
Access to products and services	PA6	61		√
Access to contents	PA7	61		√
Relations with customers	PA8	66		√
Relations with customers	PA9	66		√
Relations with customers	PA10	49		√
Relations with customers	PA11	61-70		√
<b>CATEGORY: TECHNOLOGICAL APPLICATIONS</b>				
Evidence of resources	TA1	67-69-70-71		√
Evidence of resources	TA2	67-69-70-71		√
Evidence of resources	TA3	N.A.		√
Evidence of resources	TA4	N.A.		√
Evidence of resources	TA5	61		√



## TABLE MATCHING GLOBAL COMPACT PRINCIPLES TO GRI

GLOBAL COMPACT SECTION	PRINCIPLE	DIRECTLY RELEVANT GRI INDICATORS	INDIRECTLY RELEVANT GRI INDICATORS
<b>Human rights</b>	Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights within their area of influence.	(G4-HR1)-(G4-HR8); (G4-HR10)	(G4-11), (G4-12), (G4-13), (G4-SO1)
	Principle 2 - Businesses should ensure that they are not complicit in human rights abuses.	(G4-HR1), (G4-HR10), (G4-HR7)	
<b>Employment</b>	Principle 3 - Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.	(G4-HR4), (G4-11), (G5-LA4)	
	Principle 4 - Businesses should support the elimination of all forms of forced and compulsory labour.	(G4-HR6)	(G4-HR1), (G4-HR2), (G4-HR10)
	Principle 5 - Businesses should support the effective abolition of child labour.	(G4-HR5)	(G4-HR1), (G4-HR2), (G4-HR10)
	Principle 6 - Businesses should support the elimination of discrimination in respect of employment and occupation.	(G4-HR3), (G4-LA1), (G4-LA12), (G4-LA13)	(G4-HR1), (G4-HR10), (G4-EC5), (G4-EC6), (G4-LA2)
<b>Environment</b>	Principle 7 - Businesses should support a precautionary approach to environmental challenges.	(G4-14)	(G4-EC2)
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility.	(G4-EN2), (G4-EN6), (G4-EN7), (G4-EN10), (G4-EN13), (G4-EN19), (G4-EN22), (G4-EN23), (G4-EN27), (G4-EN28), (G4-EN31)	(G4-EC2), (G4-EN1), (G4-EN3), (G4-EN8), (G4-EN9), (G4-EN11), (G4-EN12), (G4-EN14)-(G4-EN17), (G4-EN20), (G4-EN21), (G4-EN24)-(G4-EN26), (G4-EN29), (G4-EN30), (G4-PR3), (G4-PR4)
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.	(G4-EN2), (G4-EN6), (G4-EN7), (G4-EN10), (G4-EN19), (G4-EN27), (G4-EN28)	
<b>Fighting corruption</b>	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.	(G4-SO3)-(G4-SO5)	(G4-SO6)



## **LEVELS OF GRI VERIFICATION**

In due consideration of the level of information it supplies, the Euskaltel Report has obtained “Exhaustive” level verification by an external auditor.



[www.euskaltel.com](http://www.euskaltel.com)