

REGULATIONS OF THE AUDIT AND CONTROL COMMITTEE



PRELIMINARY CHAPTER

Article 1. Nature of the Committee

The Audit and Control Committee (the “**Committee**” or the “**Audit and Control Committee**”) established by the Board of Directors of Euskaltel, S.A. (the “**Company**”) in accordance with the provisions of article 64 of the Company’s Bylaws is an informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action, which shall be governed by the provisions of the Company’s Bylaws, the Regulations of the Board of Directors and these Regulations of the Audit and Control Committee (the “**Regulations**”).

Article 2. Object of the Regulations

These Regulations are intended to determine the Committee’s principles of conduct, as well as the basic rules of organisation and operation thereof.

Article 3. Approval and amendment

1. These Regulations must be approved by resolution of an absolute majority of the members of the Board of Directors on the initiative of the Board itself, of its Chair or of one-third (1/3) of the directors. The Regulations shall enter into force on the date of their approval.
2. Amendments thereto must be approved by resolution of an absolute majority of the members of the Committee on the initiative of the Committee itself, of its Chair or of one-third (1/3) of its members, and must subsequently be approved, if appropriate, by the Board of Directors. Amendments shall enter into force on the date of their ratification.

CHAPTER I. SCOPE AND DUTIES

Article 4. Scope of powers

The duties of the Committee shall be performed thereby with respect to both the Company and the subsidiaries making up its group.

Without prejudice to the provisions of article 5 below, the core competencies of the Committee extend to the following areas:

- (i) internal and external audit;
- (ii) reporting and risk management systems; and
- (iii) compliance and good governance.

Article 5. Duties of the Committee

1. The main task of the Committee is to assist, inform and make proposals to the Board of Directors on matters that at any time are assigned thereto by the Company’s Bylaws, the Regulations of the Board of Directors and these Regulations.
2. Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors, or that are vested therein by applicable legal provisions, the Committee shall perform the following basic duties:

- (i) Report to the shareholders at the General Meeting of Shareholders on the issues raised by the shareholders that are within the Committee's purview.
- (ii) Monitor the effectiveness of the internal control of the Company and of its Group as well as their systems for managing financial and non-financial risks, including operational, technological, legal, social, environmental, political, tax and reputational risks and risks relating to corruption.
- (iii) Analyse with the external auditors any possible significant weaknesses in the internal control system detected when the audit was performed.
- (iv) Supervise the process of preparing and presenting regulated financial and non-financial information.
- (v) Propose to the Board of Directors, for submission to the shareholders at the General Meeting of Shareholders, the appointment, re-election or replacement of the external statutory auditor in accordance with applicable legal provisions, as well as the terms of engagement thereof, and regularly collect information therefrom on the audit plan and the implementation thereof, in addition to preserving its independence in the performance of its duties.
- (vi) Supervise the internal audit activity of the Company.
- (vii) Establish appropriate relations with the external statutory auditors to receive information on those issues that might risk the independence thereof, for examination by the Committee, and any others related to the audit process, as well as such other communications as are provided for in the laws on auditing and in auditing rules.

In any case, it must annually receive from the external auditors written confirmation of their independence from the entity or entities directly or indirectly related thereto, as well as information on additional services of any kind provided to these entities by said auditors or companies, or by persons or entities related to them in accordance with the laws on auditing of accounts.
- (viii) On an annual basis, and prior to the issuance of the audit report, issue a report expressing an opinion on the independence of the external auditors and summarising the activities of the Committee. This report must in all cases make a pronouncement regarding the provision of the additional services referred to in the preceding subsection, considered individually and as a whole, other than the legal audit, and in relation to the rules on independence or the legal provisions governing audit activities.
- (ix) Provide an advance report to the Board of Directors on all of the matters provided by law, the Bylaws and the Regulations of the Board of Directors, and particularly regarding (i) the financial and non-financial information that the Company must periodically publish; (ii) the creation or acquisition of interests in special purpose entities or entities domiciled in territories or countries considered to be tax havens; (iii) related-party transactions; and (iv) the financial terms and accounting impact of structural and corporate changes that the Company plans to carry out, and especially the exchange ratio for the proposed transaction.

3. In particular, and without prejudice to the generality of the preceding section, the Audit and Control Committee shall be responsible for the following specific duties:
- (i) With regard to internal reporting and control systems:
 - a) Monitor and evaluate the preparation and the integrity of financial and non-financial information, as well as the systems for the control and management of financial and non-financial risks related to the Company and, where appropriate, the group, including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption, checking compliance with legal provisions, the accurate demarcation of the scope of consolidation and the correct application of accounting principles.
 - b) Analyse the annual accounts following the close of each financial year, examine the draft opinion of the external auditors, discuss with them the content of the annual accounts and the audit report, and submit recommendations to the Board of Directors regarding the formulation of the annual accounts. In particular, it shall endeavour to ensure that the annual accounts that the Board of Directors submits to the shareholders at a General Meeting of Shareholders are prepared in accordance with accounting rules and regulations. In those instances in which the statutory auditor has included a qualification in its report, the Chair of the Audit and Control Committee shall clearly explain to the shareholders at the General Meeting the opinion of the Committee regarding the content and scope thereof, making a summary of said opinion available to the shareholders at the time of publication of the call to meeting, along with the rest of the board's proposals and reports.
 - c) Endeavour to ensure the independence and effectiveness of the internal audit function; propose the selection, appointment and removal of the head of the internal audit department; propose the department's budget; approve the direction and annual work plan of internal audit, ensuring that its activity is mainly focused on significant risks, including reputational risks; receive periodic reports on its activities; and verify that senior management takes account of the conclusions and recommendations of its reports.
 - d) Establish and supervise a mechanism that allows employees to report, and other persons related to the Company, like Directors, Shareholders, suppliers, contractors and subcontractors, to report potentially significant improprieties of a financial, accounting or any other nature relating to the company that they observe within the Company or its Group. This mechanism must ensure confidentiality and, in any case, provide for instances in which anonymous reporting is allowed, respecting the rights of the accuser and the accused.
 - e) Generally endeavour to ensure that the internal control policies and systems are effectively applied in practice.
 - (ii) With regard to the external auditor:

- a) Submit to the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as of the terms of engagement thereof.
 - b) Endeavour to ensure that the remuneration of the external auditor for its work does not compromise the quality or independence thereof.
 - c) Ensure that the external auditor holds an annual meeting with the full Board of Directors to report thereto on the work performed and any changes in the accounting and risk situation of the Company.
 - d) Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes into account the recommendations thereof.
 - e) Ensure the independence of the external auditor and, to that end, (i) that the Company reports a change of auditor to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same; (ii) that the Company and the auditor comply with applicable legal provisions regarding the provision of non-audit services and, in general, the other rules established to ensure the independence of auditors, and (iii) that it investigate the circumstances giving rise to any resignation of the external auditor.
 - f) Encourage the assumption by the auditor of the consolidated group of responsibility for auditing the companies of the group.
- (iii) With regard to the risk policy and risk management:
- a) Identify the various types of financial and non-financial risk, including operational, technological, legal, social, environmental, political and reputational, including risks relating to corruption, facing the Company, including, among financial or economic risks, contingent liabilities and other off-balance sheet risks.
 - b) Determine a risk control and management model based on varying levels.
 - c) Identify the risk levels that the Company deems acceptable.
 - d) Identify the measures planned to mitigate the impact of identified risks in the event that they materialise.
 - e) Identify the internal reporting and control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.
- (iv) With regard to obligations specific to listed companies:
- Report to the Board of Directors, prior to the latter making the corresponding decisions, on:
- a) The financial and non financial information that the Company must periodically make public due to its status as listed company. The Audit

- Committee must ensure that the half-yearly financial reports and the interim management statements are drawn up using the same accounting standards as those for the annual accounts and, to that end, consider the appropriateness of a limited review of the half-yearly financial reports by the external auditor.
- b) The creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the group.
 - c) Related-party transactions as defined by the law from time to time in effect.
 - d) The financial terms and accounting impact of structural and corporate changes that the Company plans to carry out, and especially the exchange ratio for the proposed transaction.
- (v) With regard to the Company's environmental, social and corporate governance obligations:
- a) Conduct a periodic review of the Company's internal corporate governance rules, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Meeting of Shareholders, as applicable, such amendments and updates as may contribute to the development and ongoing improvement thereof.
 - b) Promote the Company's corporate governance strategy, supervising compliance with the corporate governance rules and the internal codes of conduct of the Company, while endeavouring to ensure that the corporate culture is aligned with its purpose and values.
 - c) Periodically evaluate and review the Company's corporate governance system and environmental and social policy, so that they may fulfil the mission of promoting the Company's interest and take account, as appropriate, of the legitimate interests of other stakeholders.
 - d) Ensure that the Company's environmental and social practices conform to the strategy and policies that have been established and report thereon to the Board of Directors or to the Executive Committee, if any.
 - e) Know, promote, guide and supervise the Company's actions on corporate social responsibility and report thereon to the Board of Directors or to the Executive Committee, if any.
 - f) Ensure the application of the general policy regarding the reporting of economic/financial, non-financial and corporate information as well reporting to shareholders and investors, proxy advisors and other stakeholders. It shall also monitor the manner in which the Company communicates with and relates to small- and medium-size shareholders.
 - g) Supervise and evaluate the stakeholder relations processes.

- h) Coordinate the process of reporting non-financial and diversity-related information in accordance with applicable legal provisions and international benchmarks.
- i) Report on the Company's Annual Corporate Governance Report prior to the approval thereof, obtaining for such purpose the reports of the Appointments Committee and Remuneration Committee with respect to the sections of such report that are within its purview.

CHAPTER II. COMPOSITION AND OPERATION

Article 6. Composition

1. The Committee shall be made up of a minimum of three (3) and a maximum of seven (7) external (i.e. proprietary and independent) directors. A majority of the members of the Committee shall be independent directors.
2. Within these limits, the Committee may submit to the Board of Directors, through the Appointments Committee, a proposed change in the number of its members when more appropriate for efficient operation.

Article 7. Appointment

1. The members of the Committee shall be appointed by the Board of Directors from among the external directors upon a proposal of the Appointments Committee.
2. The Board of Directors shall endeavour to ensure that the members of the Committee as a whole, and particularly the Chair thereof, have expertise, qualifications and experience in the areas of accounting, audit, and management of both financial and non-financial risks.

Article 8. Distribution of positions

1. The Committee shall elect a Chair from among the independent directors forming part of the Committee.
2. The Committee shall also appoint a Secretary, who may be one of its members or the Secretary or Deputy Secretary of the Board of Directors, and may appoint a Deputy Secretary, who may be one of its members or the Deputy Secretary of the Board of Directors, who shall replace the Secretary in cases of vacancy, absence, illness or disability.

Article 9. Duties of the Secretary

The Secretary shall have the following duties:

- (i) Maintain the documentation of the Committee, reflecting in the minute books the proceedings of the meetings of the Committee, attesting to the resolutions adopted thereby, and ensuring the formal and substantive legality of the actions of the Committee.
- (ii) Certify the minutes and resolutions adopted by the Committee. The certificates shall be issued and signed by the Secretary of the Committee or, in the absence thereof, by the youngest member of the Committee, with the approval of the Chair or, in the absence thereof, the oldest member of the Committee.

- (iii) Channel and coordinate the relations of the Committee with the other bodies, departments or third parties referred to in these Regulations. following the instructions of the Chair of the Committee.
- (iv) Such other duties as are assigned by these Regulations, as well as those governed by the Company's Bylaws and the Regulations of the Board of Directors.

Article 10. Term of office

1. The members of the Committee shall be appointed for a maximum term of four (4) years and may be re-elected on one or more occasions for terms of the same maximum length.
2. The position of Chair of the Committee shall be held for a maximum term of four (4) years, after which the director holding said position may not be re-elected as Chair until the passage of one (1) year from ceasing to act in that capacity, without prejudice to the continuance thereof as a member of the Committee.
3. The Secretary of the Committee shall hold office for a maximum term of four (4) years, and may be re-elected on one or more occasions for terms of the same maximum length.

Article 11. Cessation of office

Committee members shall cease to hold office:

- (i) When they cease to be directors of the Company.
- (ii) When they cease to be external directors.
- (iii) By resolution of the Board of Directors.
- (iv) Due to the director's resignation from membership on the Committee.

The Secretary of the Committee, if the non-member Secretary or Deputy Secretary of the Board of Directors, shall cease to hold office if they cease to be Secretary or Deputy Secretary of the Board of Directors.

Article 12. Meetings

1. The Committee shall meet two (2) to four (4) times per year for the review of economic/financial and management information that must be sent to third parties, prior to the presentation thereof, and whenever called by its Chair if appropriate for the proper performance of its duties.
2. In all cases, the Chair shall also call a meeting of the Committee whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals, or whenever requested by one-third of the members of the Committee.

Article 13. Call to meeting

1. Meetings of the Committee shall be called by letter, fax, telegram or email by the Chair or the Secretary by instruction of the Chair.
2. The call to meeting shall be provided at least five (5) working days in advance, except in the case of emergency meetings. The call to meeting shall always include the agenda for the meeting and duly summarised and prepared information shall be attached thereto.

3. No prior call to a meeting of the Committee shall be required if all of its members are present and they unanimously agree to the holding of the meeting.
4. The provisions of the Company's Bylaws and the Regulations of the Board of Directors shall apply to the meetings of the Committee as regards the ability to call extraordinary sessions and to vote in writing without a meeting.

Article 14. Formation

1. The Committee shall meet at the registered office or at the place indicated in the call to meeting.
2. The Committee shall be validly in session with the attendance, in person or by proxy, of more than one-half of its members. Absences that occur once the Committee is validly in session shall not affect the validity of the meeting.
3. Meetings of the Committee may also be held by video conference or conference call, and the meeting of the Committee shall be deemed held at the location shown as the principal place in the call to meeting. In the absence of said indication, the meeting shall be deemed held at the location of the director chairing the meeting.
4. Any member of the Committee may grant their proxy in writing to another member specifically for each meeting, providing notice thereof by any of the means described in section 1 of the preceding article to the Chair or to the Secretary of the Committee.
5. The Chair shall lead the discussion, give the floor and end presentations when he/she finds that an issue is sufficiently debated. Voting shall be by a show of hands.
6. In the event of vacancy, illness or disability of the Chair, the meeting shall be chaired by the member having the longest length of service, and if equal lengths of service, by the oldest. In the event of vacancy, illness or disability of the Secretary, the member having the shortest length of service, and if equal lengths of service, the youngest, shall act as Secretary.

Article 15. Resolutions

1. Resolutions shall be adopted by an absolute majority of the members present at the meeting. In case of a tie, the Chair shall have the tie-breaking vote.
2. The deliberations and resolutions of the Committee shall appear in minutes to be signed by the Chair and the Secretary or those acting in the place thereof. The minutes shall be approved by the Committee at the end of the meeting or at the beginning of the next meeting.

Article 16. Conflict of interest

If matters to be dealt with at a meeting of the Committee directly affect one of its members or persons connected thereto and, in general, if said member is subject to a conflict of interest, said member must leave the meeting until a decision is made, and shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

Article 17. Attendance

1. At the request of the Chair or of any two (2) members of the Committee, any member of the Board of Directors, officer or employee of the Company or of the group may attend the meetings thereof, as may any member of the management bodies of investee companies whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.
2. The Committee may at any time request the presence at its meetings of the external auditor or any outside consultant.

CHAPTER III. RELATIONS OF THE AUDIT AND CONTROL COMMITTEE

Article 18. Relations with the General Meeting of Shareholders

1. The Committee must report at the General Meeting of Shareholders on those issues raised thereat by shareholders regarding matters within its purview.
2. Further to the provisions of the preceding paragraph, the Committee shall prepare an annual report on the activities of the Committee, which shall be made available to the shareholders, following the approval thereof by the Board of Directors on occasion of the call to the Annual General Meeting of Shareholders.

Article 19. Relations with the Board of Directors

The Chair of the Committee shall report the activities thereof to the Board of Directors at the first meeting of the Board of Directors to take place after each of the meetings of the Committee.

Article 20. Relations with the internal audit department of the Company

1. The Company shall have an internal audit department, under the supervision of the Audit and Control Committee, that endeavours to ensure the proper operation of the internal reporting and control systems. If appropriate, the Board of Directors shall propose to the Committee the selection, appointment or removal of the Director of Internal Audit.
2. If appropriate, the Committee shall adopt the proposal and, following a report from the Appointments Committee, shall submit the proposal to the Board of Directors for approval thereof.
3. The main task of the Company's Director of Internal Audit shall be to inform, advise and directly report to the Committee with respect to the following issues:
 - (i) Application of generally accepted accounting principles, along with any material change in said principles.
 - (ii) Risks relating to the balance sheet and the Company's functional areas of activity, with the existing identification, measurement and control thereof.
 - (iii) Transactions of the Company with third parties when they entail a conflict of interest or are transactions with shareholders owning significant interests (as legally defined at any given time).
 - (iv) Financial information that the Committee regularly or periodically sends to investors and market players as well as to the agencies that so request.

- (v) Activities of the Committee itself.
4. The Director of Internal Audit must submit an annual work plan to the Audit and Control Committee for approval thereby. It must also inform the Committee of the implementation thereof, including any incidents and limitations to the scope arising during the performance of its internal audit duties, the results thereof and the follow-up on its recommendations, and must submit an activities report to the Committee at the end of each financial year. The internal audit unit shall functionally report to the Chair of the Board of Directors, or if the Chair is an executive position, to the chair of the Audit Committee.
 5. The Director of Internal Audit shall be the normal body of communication between the Committee and the rest of the Company's organisation, and shall be responsible for preparing the information required at meetings, and attending them, if the Committee so deems appropriate.

Article 21. Relations with the external auditor

1. The Committee shall propose the appointment of the external auditor to the Board of Directors, for submission to the shareholders at a General Meeting of Shareholders.
2. The Committee shall refrain from proposing to the Board of Directors, and the Board of Directors shall refrain from submitting to the shareholders at a General Meeting of Shareholders, the appointment of those audit firms with respect to which it is aware that (i) they are affected by grounds for disqualification under applicable legal provisions on auditing, or (ii) the fees expected to be paid to said firms for all items are greater than five per cent (5%) of their total revenues for the previous financial year.
3. The Committee shall cause the external auditor to appear before it at least two (2) times per year, once during the preliminary stage of the auditor's work and the other on a date near the completion of such work, in order to report on the progress of its work and to submit its conclusions. The Committee may also at any time request the attendance of the auditor at its meetings.
4. Pursuant to the provisions of article 5.3 (ii) of these Regulations, the Committee shall request the external auditor to provide annual written confirmation of the independence from the Company and the companies of its group of both the audit firm as a whole and the individual members forming part of the work team.
5. The provision by the external auditor of non-audit services for the Company, or any company of its group, shall require the approval of the Committee, following confirmation by said external auditor that the potential work to be performed is in accordance with applicable legal provisions regarding the provision of non-audit services. In this regard, the external auditor shall inform the Committee on an annual basis regarding additional services of any kind that it has provided to the group.
6. The Committee shall receive information regarding personnel from the audit firm joining the Company or companies of the group, and regarding personnel from the group joining the audit firm.

Article 22. Relations with the management of the Company and of its group

1. The Committee, through its Chair, may obtain information from and request the assistance of any officer or employee of the Company and of its group. Therefore, officers or employees of the Company shall be required to attend meetings of the Committee and to cooperate therewith and provide access to the information available to them when requested to do so.
2. In any case, the Chair of the Committee shall inform the Chair of the Board of Directors and the CEO, if any, regarding any requests for attendance made by the Committee.

CHAPTER IV. POWERS OF THE COMMITTEE, ADVICE AND DUTIES OF THE MEMBERS THEREOF

Article 23. Powers

The Committee, through the secretary of the Board of Directors, may freely access any information or documentation available to the Company relating to the matters within the Committee's purview and that it deems necessary to perform its duties.

Article 24. Advice

1. In order to be assisted in the performance of the duties entrusted thereto, the Committee may request the hiring of legal, accounting or financial advisers or other experts at the Company's expense.
2. The assignment must relate to specific issues of certain significance and complexity arising during the performance of the duties thereof.
3. The request for assistance must be made to the Chair of the Company's Board of Directors, who may object thereto if the Chair finds:
 - (i) that it is not necessary for the proper performance of the duties entrusted to the Committee;
 - (ii) that the cost thereof is not reasonable in view of the significance of the problem and the assets and income of the Company;
 - (iii) that the technical assistance sought may be adequately provided by the Company's own experts and technical personnel; or
 - (iv) that it may pose a risk to the confidentiality of the information that must be handled.

Article 25. Duties of the members of the Committee

1. Members of the Committee must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Committee members shall be subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the duties discharged by the Committee.

CHAPTER V. COMPLIANCE, DISSEMINATION AND INTERPRETATION

Article 26. Compliance and dissemination

1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have an obligation to know and comply with these Regulations.
2. The Secretary of the Board of Directors shall provide a copy of these Regulations to all of the directors.
3. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 27. Interpretation

1. The Regulations shall be interpreted in accordance with the legal standards from time to time in effect, the provisions contained in the Company's Bylaws and the Regulations of the Board of Directors that are applicable thereto, and the principles and recommendations of good governance prepared at the request of the regulatory bodies.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by majority vote within the Committee itself, and in the absence of such resolution, by the Chair thereof, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of any questions or disputes that have arisen.
3. In the absence of a specific legal provision, the provisions of the Regulations of the Board of Directors regarding the operation of the Board, and particularly as regards the call to meetings, granting of a proxy to another director, valid formation, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
4. The provisions of law, the Company's Bylaws and the Regulations of the Board of Directors shall prevail in the event of contradiction with the provisions of these Regulations.

Article 28. Calculation of time limits

For purposes of these Regulations, all days of the calendar year other than Saturdays, Sundays and any holidays in the city of Bilbao shall be calculated as working days.