

REPORT PREPARED BY EUSKALTEL, S.A.'S REMUNERATION COMMITTEE REGARDING THE PROPOSED AGREEMENT TO AMEND THE COMPANY'S DIRECTOR REMUNERATION POLICY REFERRED TO IN ITEM 7 OF THE AGENDA FOR THE COMPANY'S ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 2 JUNE 2021 ON FIRST CALL AND ON 3 JUNE 2021 ON SECOND CALL.

I. Introduction

Article 529 *novodecies* of Royal Legislative Decree 1/2010 of 2 July, approving the consolidated text of the Spanish Companies Act (the "**Spanish Companies Act**"), stipulates that the Director Remuneration Policy shall be approved by the General Meeting of Shareholders at least every three years as a separate item on the Agenda.

The proposed Remuneration Policy, which must be duly justified and submitted to the General Meeting by the Board of Directors, must also be accompanied by a specific report by the Remuneration Committee. Both the proposed Policy and the specific Committee report must be made available to shareholders on the Company's website from the date of call to the General Meeting.

The Remuneration Policy thus approved shall remain in force for the three years following the year in which it is approved by the General Meeting.

The same procedure must be observed if the current Remuneration Policy is amended or replaced at any time, whereby any amendment to or replacement of the policy within this period of time shall require the prior approval of the General Meeting of Shareholders in accordance with the procedure in place for approval thereof.

Thus, any proposal by the Board of Directors to amend or replace the current Remuneration Policy shall be duly justified and must be accompanied by a specific report by the Remuneration Committee. These documents shall be published on the company's website from the date of call to the General Meeting of Shareholders and shareholders may request that this documentation be delivered or sent to them free of charge, a right that shall be expressly stated in the publication of the call to meeting.

At the Annual General Meeting of Shareholders held on 2 June 2020, the amended Remuneration Policy was approved in accordance with the proposal submitted by the Board of Directors, following a report from the Appointments and Remuneration Committee. This amendment included the new wording of article 62 of the Bylaws, containing the new remuneration items for the Non-Executive Chair of the Board of Directors, eliminating the 2017-2019 Incentive Plan and providing for the new 2020-2022 Incentive Plan for the CEO and the Non-Executive Chair, and updating the final annual remuneration and short-term variable remuneration parameters for the CEO.

Pursuant to the foregoing, and in accordance with the provisions of aforementioned article 529 *novodecies* of the Spanish Companies Act, at its meeting on 27 April 2021, the Remuneration Committee of Euskaltel, S.A. ("**Euskaltel**" or the "**Company**") prepared and approved this report regarding the proposal to amend Euskaltel's Director Remuneration Policy for the years 2019, 2020 and 2021 (the "**Remuneration Policy**") which, if approved, would replace in full the policy approved by Euskaltel's General Meeting of Shareholders on 1 April 2019, amended

by the resolution adopted by Euskaltel's General Meeting of Shareholders on 2 June 2020, notwithstanding the effects produced and consolidated under its term (the "**Report**").

II. Grounds for amending the Remuneration Policy

The Annual General Meeting of Shareholders held on 1 April 2019, approved the Remuneration Policy in accordance with the proposal submitted by the Board of Directors, following a report by the Appointments and Remuneration Committee. The Remuneration Policy was amended by resolution adopted by Euskaltel's General Meeting of Shareholders on 2 June 2020, in accordance with the proposal submitted by the Board of Directors, following a report by the Appointments and Remuneration Committee.

Furthermore, the resolution adopted by Euskaltel's General Meeting of Shareholders on 2 June 2020 approved a new wording of Articles 45, 62, 63, 64 and 65 of the Company's Bylaws and the inclusion of a new article (Article 65 *ter*) in order to bring the Bylaws in line with recommendation 48 of the Good Governance Code for listed companies, to provide for the existence of an Appointments Committee and a Remuneration Committee.

The Remuneration Committee Regulations were approved by resolution of the Board of Directors on 2 June 2020. Complying with the functions contained in its Regulations, the Committee regularly reviews the Remuneration Policy to check its coherence with the Company's short-, medium- and long-term strategy and position and to propose improvements and amendments, where appropriate.

The proposal to amend the Remuneration Policy is justified on the following grounds:

On 27 January 2021, the Board of Directors' meeting approved a proposal from the Remuneration Committee to increase non-executive external director's pay.

Pursuant to the Company's Bylaws, the Board of Directors shall determine the specific amount corresponding to each of the directors who are not entrusted with executive duties for the bylaw-mandated items of remuneration. Therefore, the Board of Directors may take into account, among other issues, the positions held by each director on the board itself.

The proposal submitted by the Remuneration Committee and approved by the Board of Directors is based on market criteria. The market analysis used public information and, specifically, the 2020 Spencer Stuart Board Index. In accordance with the analysis presented in this index, the Board-approved proposal is in line with pay for board and committee members, taking into account the type of directors and the Company's capitalisation (between Euros 1 and Euros 2.5 billion).

The Remuneration Policy includes the amounts relating to external independent and proprietary directors; specifically, an annual amount for membership of the Board of Directors and a fixed annual amount for membership of each Board committee. These amounts were approved by the Board of Directors and have not been amended since 2016.

It is therefore necessary to amend the Remuneration Policy, including the amounts relating to the pay increase approved by the Board on 27 January 2021. The Remuneration Policy is likewise amended to bring it in line with the new statutory regulation providing for the existence of a Remuneration Committee.

Furthermore, the 2021 references to CEO and Non-Executive Chair remuneration are updated, as neither the references to the remuneration system nor the references to the quantum have been updated compared to 2020.

III. Key amendments to the Remuneration Policy

The following amounts approved by the Board of Directors' meeting held on 27 January 2021 are included in the Remuneration Policy:

- A fixed annual amount for membership of the Board of Directors in accordance with market standards.

The fixed amount for this item in 2021 is Euros 80,000.

- A fixed annual amount for membership of each Board committee, based on market standards.

The fixed amount for this item in 2021 is Euros 20,000.

In accordance with the above, the proposal to amend the Remuneration policy submitted to the General Meeting of Shareholders updates these remuneration amounts.

In addition, some wording has been improved and, where necessary, references to the Remuneration Committee and 2021 director remuneration have been updated.

IV. Validity

The proposed amendment will not affect the validity of the Remuneration Policy, which shall continue in force, including the aforementioned amendments, until 2021.

Any other amendment to or replacement of the policy whilst it remains in force shall require the prior approval of the General Meeting of Shareholders.

V. Conclusions

In accordance with the details of this Report, Euskaltel's Remuneration Committee believes that the amendment to the Remuneration Policy on the grounds detailed above is valid.

In addition to including the references required by applicable legislation, the Remuneration Committee also believes that the proposed content of the Remuneration Policy is in line with applicable legislation, meets the criteria regarding prudent risk taking, good governance and transparency and is aligned with shareholders' interests.

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Derio, 27 April 2021