

## ANNUAL ACTIVITIES REPORT OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE OF EUSKALTEL, S.A. FOR 2020

### 1. Introduction

The Appointments and Remunerations Committee of Euskaltel, S.A. is an informative and consultative body, without executive powers, which is authorised to inform, advise and propose certain actions within its remit.

This scope of application applies both to the parent company and the subsidiaries comprising the Euskaltel Group.

The main task of the Appointments and Remunerations Committee is to assist, inform and prepare proposals for the Board of Directors on matters assigned thereto at any given time, both by virtue of the Company's Articles of Association and the Board of Directors Regulations and those of the Appointments and Remunerations Committee.

The Board of Directors of Euskaltel established the Group's permanent Appointments and Remunerations Committee on 19 March 2013, i.e. prior to the entry into force of Act 31/2014 of 3 December, which amends the Spanish Companies Act in order to improve corporate governance and makes such committees obligatory for all listed companies.

In accordance with Articles 4 and 26 of the Company's Board of Directors Regulations, the Board will perform annual assessments, using the external and internal means it deems necessary in each case, on the performance of its committees based on the reporting they issue.

On the one hand, Article 23 of the Regulations of the Appointments and Remunerations Committee establishes that it is this Committee's obligation to report at the General Shareholders' Meeting on those issues raised thereat by shareholders regarding matters within its purview. It shall prepare an annual report on its activities, 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 Shareholders' Meeting.

This Annual Activities Report of the Euskaltel Appointments and Remunerations Committee for 2020 has been prepared as part of the aforementioned assessment process and is intended for the perusal of the Company's shareholders.

It should be noted that as agreed by shareholders at the Annual General Shareholders' Meeting held on 2 June 2020, the Company's Articles of Association were amended with the new wording of Articles 45, 62, 63, 64 and 65, and the inclusion of a new article (Article 65 *ter*) in order to bring the Articles of Association into line with Recommendation 48 of the Code of Good Governance for listed companies, to document the existence of an Appointments Committee and a Remunerations Committee.

At its meeting on 2 June 2020, the Company's Board of Directors unanimously adopted the resolution to amend certain articles of the Board of Directors Regulations to bring the content thereof into line with the content of the Articles of Association. In doing so, the amendment of the Articles of Association referring to the existence of two committees – the Remunerations Committee and the Appointments Committee – and the approval and entry into force of the regulations of these two

committees has been incorporated into the wording of the Board of Directors Regulations. For the purposes of this report, the actions taken by the Appointments and Remunerations Committee until the aforementioned date are set out hereon. Meanwhile, the actions taken by the two committees as from that date are included in separate reports on each one.

## **2. Regulatory framework**

The Appointments and Remunerations Committee is currently governed by the following:

- Article 529n of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July.
- Articles 63 and 65 of the Articles of Association.
- Article 18 of the Board of Directors Regulations.
- Appointments and Remunerations Committee Regulations.
  
- Technical Guide 1/2019 of the National Securities Market Commission on Appointments and Remunerations Committees

### 3. Main functions and competencies

Pursuant to article 5 of its Regulations, the Appointments and Remunerations Committee performs the following basic duties with respect to the Company itself as well as the subsidiaries of the Group:

- a) Assess the necessary competencies, knowledge and experience on the Board of Directors. For these purposes, it shall define the functions and skills necessary in candidates for vacancies and assess the time and dedication needed to effectively perform their tasks.
- b) Set a target for gender balance on the Board of Directors and draw up guidelines on how to reach this target.
- c) Raise to the Board of Directors the proposed independent director appointments for designation by co-option or for their submission to the General Shareholders' Meeting, as well as proposals for re-election or dismissal of these directors by the General Shareholders' Meeting.
- d) Report on the proposed appointment of the remaining board members for designation by co-option or for their submission to the General Shareholders' Meeting, as well as proposals for their re-election or dismissal by the General Shareholders' Meeting.
- e) Report on the proposed appointment or dismissal of senior management and the basic conditions of their contracts.
- f) Examine and organise the succession of the Chair of the Board of Directors and the Company's CEO and, if applicable, propose candidates for the Board of Directors in order that succession be conducted in an orderly, planned fashion.
- g) Propose to the Board of Directors the remunerations policy for directors and general management or senior management posts reporting directly to the Board, executive committee members or board members, as well as the individual remuneration and other contractual conditions of executive directors, ensuring their compliance.

The specific functions of the Appointments and Remunerations Committee are the following (articles 6, 7, 8, 9 and 10 of the Regulations of the Appointments and Remunerations Committee):

#### **Powers regarding the composition of the Board of Directors and of the committees thereof and regarding the process of appointments to internal posts within the Board of Directors and of executive officers**

- Advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and balance among the various classes of directors existing at any given time. To that end, the Committee shall review the structure of the Board of Directors and of its committees on a regular basis, particularly when vacancies occur within such bodies.
- Report on the proposal for the individual representative of a corporate director.
- Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, defining their required duties and abilities and evaluating the time

and dedication required for the proper performance of their work, taking care to ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implicit bias involving any kind of discrimination, and particularly from any bias that may hinder the selection of female directors, establishing a goal for the representation thereof on the Board of Directors and preparing guidelines on how to achieve this goal.

- Endeavour to ensure that the persons to be appointed to the office of director by means of any procedure meet the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to their duties and that they are not affected, directly or indirectly, by any of the instances of disqualification, prohibition, conflict or opposition of interests to the corporate interest as set forth in provisions of a general nature.
- Report on and make proposals regarding the appointment or removal of the members of each of the committees, verifying and confirming compliance with the requirements of knowledge and experience in connection with the purview of the committee in question, and particularly as regards the Audit and Control Committee.
- Report on or formulate proposals relating to the appointment or removal of the Chair of the Board of Directors and any CEO of the Company.
- Examine or organise the succession of the Chair of the Board of Directors and the CEO of the Company and, if applicable, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.
- Report on or formulate proposals from the Chair of the Board of Directors relating to the appointment or removal of the Deputy-Chair of the Board of Directors.
- If the Chair of the Board of Directors performs executive duties, submit to the Board of Directors a proposal for the appointment of a lead independent director and report on proposals for such director's removal.
- Report on proposals from the Chair of the Board of Directors or formulate proposals relating to the appointment or removal of the Secretary and Deputy-Secretary of the Board of Directors.
- Ensure that non-executive directors have sufficient time available to properly perform their duties.
- Report on proposals relating to the appointment, promotion, or removal of senior executives, as well as proposals to revise and amend the organisational chart and allocation of responsibilities within the Company.
- On an annual basis, verify compliance with the Director Selection Policy and report thereon in the Annual Corporate Governance Report.
- Investigate and report, when appropriate, to the Board of Directors on the selection, appointment and remuneration of directors and senior executives of the Company and its group.
- Issue such reports and take such actions within its purview as are requested by the Board of Directors or the Chair thereof.

#### **Powers regarding the selection of candidates for director**

- Select possible candidates who might be appointed as directors of the Company and submit its proposals or reports, as applicable, to the Board of Directors through its Chair.
- Submit to the Board of Directors proposals for the appointment of independent directors (for appointment by co-option or for submission to a decision of the shareholders at a General Shareholders' Meeting).
- Verify compliance with the specific requirements for independent directors provided by law and the internal rules of the Company, and gather adequate information regarding their personal qualities, experience and knowledge as well as on their actual availability.
- At the request of the Chair of the Board of Directors or any other member of the Board of Directors, report on the proposed appointment of other directors (for appointment by co-option or for submission to a decision of the shareholders at a General Shareholders' Meeting).

#### **Powers regarding the evaluation and re-election of directors**

- Establish and supervise an annual programme for continuous evaluation and review of the qualifications, training, and, if applicable, independence, as well as of ongoing compliance with the requirements of respectability, suitability, expertise, competence, availability and commitment to their duties that must be satisfied in order to serve as director and as a member of a particular committee, and propose to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate to such end.
- Participate in the annual process of evaluation of performance of the Chair of the Board of Directors and of any CEO of the Company.
- Prior to the end of the term for which a director has been appointed, examine the advisability of the director's re-election, as well as the director's continuance, if applicable, on the committees of the Board of Directors of which such director is a member.
- Verify that the director to be re-elected continues to comply with the general requirements applicable to all directors of the Company pursuant to law, as well as evaluate the quality of work and dedication to office of the director in question during the preceding term of office, and specifically such director's respectability, suitability, expertise, competence, experience, qualifications, availability and commitment to the duties entrusted thereto.
- Once the procedures described in the preceding sub-sections have been completed, submit to the Board of Directors its proposal (in the case of independent directors) or report (in the case of the other directors) regarding the re-election of directors.

#### **Powers regarding the removal and termination of directors**

- Report to the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or termination.

- Propose the removal of directors in the event of disqualification, prohibition, structural conflict of interest or any other grounds for resignation or termination, pursuant to law or the internal rules of the Company.
- For the purposes set forth in the preceding sub-sections, request the information or documents it deems necessary or appropriate of the directors, the individuals that are to represent the corporate directors and, in the case of proprietary directors, the shareholders that have proposed, requested or determined the appointment thereof.

#### **Powers regarding remuneration**

- Periodically review the remuneration policy applied to directors and senior executives, including share-based remuneration systems and the application thereof, as well as guaranteeing that the individual remuneration thereof is proportionate to that paid to the other directors and senior executives of the Company.
- Propose to the Board of Directors amendments and updates to the remuneration policy applied to senior executives.
- Propose to the Board of Directors amendments and updates to the remuneration policy applied to directors, for submission to the shareholders at a General Shareholders' Meeting, as well as the amount of their annual remuneration.
- Propose for approval by the Board of Directors the individual remuneration of the executive directors and the other basic terms and conditions of their contracts, including any compensation that may be set for early termination of office and the amounts to be paid by the Company for insurance premiums or savings plan contributions, in all cases in compliance with the internal rules of the Company, and particularly in accordance with the remuneration policy approved by the shareholders at the General Shareholders' Meeting.
- Report on and submit to the Board of Directors the proposals of the Chair of the Board of Directors or the CEO regarding the structure of the remuneration payable to senior officers and the basic terms and conditions of their contracts, including any compensation or severance pay provided in the event of removal.
- Report on and formulate incentive plans and pension supplements for the Group's entire workforce.
- Conduct a periodic review of the general remuneration programmes for the Group's workforce, evaluating the suitability and results thereof, and formulate proposals for amendment or update.
- Endeavour to ensure compliance with the Company's remuneration programmes and report on the documents to be approved by the Board of Directors for general disclosure regarding remuneration-related information, including the Annual Director Remuneration Report and the applicable sections of the Company's Annual Corporate Governance Report.
- Endeavour to ensure that potential conflicts of interest do not prejudice the independence of the outside advice provided to the Committee.
- Verify the information on director and senior executive remuneration contained in the various corporate documents, including the Annual Director Remuneration Report.

#### 4. Committee members

Until 2 June 2020, the Appointments and Remunerations Committee was composed of the following seven external Directors (four independent and three proprietary):

Name	Post on the Committee	Information on their function as director		
		Type	Date of first appointment	Date of last appointment
Mr Miguel Ángel Lujua Murga	Chair	Independent	27/06/2016	27/06/2016
Mr Luis Ramón Arrieta Durana	Member	Proprietary	26/06/2017	26/06/2017
Mr Eamonn O'Hare	Member	Proprietary	10/07/2019	10/07/2019
Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso	Member	Proprietary	01/06/2018	01/06/2018
Ms Belén Amatriain Corbi	Member	Independent	31/03/2015	01/04/2019
Mr José Ángel Corres Abasolo	Member	Independent	08/03/2013	27/06/2016
Mr Iñaki Alzaga Etxeita	Member	Independent	31/03/2015	01/04/2019

Independent Director, Mr Miguel Ángel Lujua Murga, has served as Chair of the Appointments and Remunerations Committee since 26 June 2017.

The Non-Executive Secretary of the Committee continues to be the Non-Executive Secretary of the Board of Directors, Mr. José Ortiz Martínez.

In addition, on 25 February 2020, a new Non-Executive Deputy-Secretary was appointed to the Board of Directors, Ms. Cristina Sustacha Duñabeitia, holding the post of Deputy-Secretary of the Committee, replacing Mr. Gonzalo Silveiro Regulez.

#### 5. Meetings held, reports analysed and appearances

Article 17 of the Regulations of the Appointments and Remunerations Committee provides that the Committee must meet from two to four times per year for the ordinary review and evaluation of the status of the matters within its purview and whenever called by its Chair if appropriate for the proper performance of its duties.

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 itself.

The Appointments and Remunerations Committee formally met on three occasions during 2020.

Meetings were held at the registered office of Euskaltel (Parque tecnológico, Edificio 809, Derio (Biscay)) and via conference call, due to lockdown restrictions caused by the Covid-19 outbreak, in accordance with Royal Decree 463/2020 of 14 March, which declared the state of alarm and personal health risk situation. A total of three meetings were held, with all members of the Committee attending all sessions.

All sessions were held in the presence of the Chair, Secretary and Deputy-Secretary of the Committee.

The meeting dates and matters addressed are detailed below:

Date	Matters addressed
08/01/2020	<ul style="list-style-type: none"> <li>• Report by the CEO on the possible hiring of new directors and approval thereof, as the case may be.</li> <li>• Report by the Secretary on the execution of resolutions adopted by the Board of Directors on 17 December 2019.</li> </ul>
25/02/2020	<ul style="list-style-type: none"> <li>• Approval, if applicable, of the proposed settlement of the 2019 annual bonus.</li> <li>• Approval, if applicable, of the proposed targets for the 2020 annual bonus.</li> <li>• 2019 Annual Corporate Governance Report.</li> <li>• 2019 Annual Director Remuneration Report.</li> <li>• 2019 Annual Activities Report of the Appointments Committee and the Remunerations Committee.</li> <li>• Approval, if applicable, of the proposal to the Board of Directors to appoint the new Head of Internal Audit, and their remuneration package.</li> <li>• Approval, if applicable, of the proposal to allocate the 2020-2022 Incentive Plan to a number of directors.</li> <li>• Approval, if appropriate, of the proposal to the Board of Directors for the appointment of a new Deputy-Secretary.</li> </ul>
22/04/2020	<ul style="list-style-type: none"> <li>• Approval, if appropriate, of the proposals to the Board of Directors to renew Kartera 1, S.L. as proprietary director represented by Ms Alicia Vivanco González and to ratify the appointment of Mr Xabier Iturbe Otaegi as external director.</li> <li>• Approval, if appropriate, of the proposal to the Board of Directors for the settlement of the 2017-2019 Long-Term Incentive Plan (beneficiaries and amounts).</li> <li>• Approval, if appropriate, of the proposal to the Board of Directors to assign a group of executives as beneficiaries of the 2020-2022 Special Plan.</li> <li>• Approval, if appropriate, of the proposal to the Board of Directors for the Director Remuneration Policy for 2019, 2020 and 2021.</li> </ul>

In view of the various matters dealt with throughout 2020, the Appointments and Remunerations Committee reported favourably to the Board of Directors on the following matters:

**Regarding the composition of the Board of Directors and of the committees thereof and regarding the process of appointments to internal posts within the Board of Directors and of senior executives**

- Report by the Appointments and Remunerations Committee favourably assessing the proposed reappointment of Kartera 1, S.L. as proprietary director represented by Ms Alicia Vivanco González.
- Report by the Appointments and Remunerations Committee favourably assessing the proposed appointment by co-optation of Mr Xabier Iturbe Otaegi as external director.
- Report by the CEO on the proposed appointment of Mr Angel Olabuenaga as the Group's new Finance Director.
- Report on the proposed appointment of Ms Ruth Quintela as the Group's new Head of Internal Audit.

#### **Regarding remuneration**

- Payment of the 2019 annual bonus and setting of the 2020 annual bonus for the Euskaltel Group's entire workforce.
- Proposal to allocate the 2020-2022 Long-term Incentive Plan to a number of directors.
- Proposal to pay out on the 2017-2019 Long-term Incentive Plan to a number of beneficiaries.
- Proposal to the Board of Directors for the Director Remuneration Policy for 2019, 2020 and 2021.