

REPORT ON THE INDEPENDENCE OF THE STATUTORY AUDITORS OF THE EUSKALTEL GROUP'S 2020 ACCOUNTS

1. Introduction

The Audit and Control Committee of Euskaltel, S.A. is an informative and consultative body, without executive powers, which is authorised to inform, advise and propose certain actions relating to issues that fall within the area of its competency, as follows: (i) internal and external auditing, (ii) information and risk management systems (iii) compliance with good governance.

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

Articles 64.3 of the Articles of Association and 5.2 of the Regulations of the Euskaltel Audit and Control Committee attribute it, inter alia, the following functions pertaining to the independence of the Euskaltel Group's statutory auditors:

- **Ensuring the independence of the statutory auditors** in the performance of their functions and ensuring the prevailing regulations on the rendering of non-auditing services and, in general, regulations established to ensure the independence of the auditors, are respected.
- Establishing appropriate relations with the statutory auditors in order to **receive information on any matters that could put their independence at risk.**
- **Receive from the statutory auditors annual confirmation of their independence with regard to the Company** or any directly or indirectly-related entities, as well as information on additional services of any kind rendered by the statutory auditors or persons or entities connected thereto, in accordance with auditing legislation.
- **To issue an annual report, in advance of the auditor's report on the annual accounts, expressing an opinion on the independence of the statutory auditors.** This report shall issue an opinion, in any event, on the rendering of the additional services referred to in the previous paragraph, taken individually or as a whole, other than legal auditing and in relation to the regime of independence or the regulatory standards of the audit.

This report is prepared in accordance with the aforementioned Articles of Association and the Regulations of the Audit and Control Committee and the regulatory framework directly applicable thereto.

2. Regulatory framework

The main standards comprising the regulatory framework directly applicable to the contents of this report are as follows:

- Article 529 (14) of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July.
- Law 22/2015 of 20 July on Statutory Audits.

- Recommendations 6 and 42 of the 2015 Code of Good Governance of listed companies, reviewed in June 2020.
- Article 64 of the Articles of Association of Euskaltel, S.A.
- Article 5.2 of the Regulations of the Audit and Control Committee of Euskaltel, S.A.
- The Technical Guide to Audit Committees of Public Interest Entities published by the CNMV on 27 June 2017.

3. Main activities undertaken by the Audit and Control Committee of Euskaltel, S.A. to ensure the independence of the statutory auditors in exercising their functions

- 3.1. The Audit and Control Committee of Euskaltel, S.A. and its Chairperson have held a series of meetings with the Group’s statutory auditors, both with Company Management present and without.

Among other issues, these meetings have done follow-up to ensure that no issues have arisen that could jeopardize the independence of the Company’s auditors in relation to the Euskaltel Group.

In addition to the working meetings, the following meetings have been held with the statutory auditors during 2020 in the context of the Audit and Control Committee, addressing the following key matters pertaining to its function:

Date	Main issues analysed
20/02/2020	<ul style="list-style-type: none"> • External auditor’s progress report on the audit of the financial statements for fiscal year 2019.
24/02/2020	<ul style="list-style-type: none"> • Status of the Audit Plan, procedures pending to date and follow-up of special focus areas for the entire Group. • Other matters pertaining to the Audit Plan, e.g. internal control, accounting estimates and audit adjustments. • Verification of the compliance with the communication obligations between the auditor and the Audit Committee. • Preliminary drafts of the auditor’s reports. • Follow-up to ensure there are no issues affecting the independence of the statutory auditors.
22/07/2020	<ul style="list-style-type: none"> • Group consolidation scope. • Consistency in the application of the accounting principles applicable to the Annual Accounts in relation to the interim financial statements. • Matters pertaining to the Audit Plan, e.g. audit risks, internal control, accounting estimates, unusual transactions or events and audit adjustments. • Changes in applicable regulations.

All of these meetings have been held in line with the previously defined schedule and in the normal course of the Audit and Control Committee’s activity.

3.2. The Audit and Control Committee, without the external auditor present, has undertaken additional monitoring of the relationship with the external auditor and the issues that could affect its independence at the following sessions:

Date	Main issues analysed
24/02/2020	<ul style="list-style-type: none"> Analysis and preparation of the report on the independence of statutory auditors for 2019.

3.3. The services rendered to the Euskaltel Group directly by the Group's statutory auditors and other firms in the same network during 2020 have been analysed, with the following results (in thousands of euros):

	<u>Group</u>
Amount of audit services	199
Amount of other assurance services	45
Amount of other services:	<u>9</u>
Total amount for services provided by KPMG Auditores, S.L.	<u>253</u>
Amount invoiced for other services by other firms in the KPMG network	<u>12</u>
Total amount for services provided by KPMG Auditores, S.L. and other firms in its network:	<u><u>265</u></u>

Based on this analysis, it has been established that in 2020 the fees charged for all items do not affect the independence of the Company's statutory auditors.

The fees for audit services include the auditing of the consolidated annual accounts of Euskaltel, S.A. and subsidiaries and the auditing of the individual annual accounts of the companies in the Group (Euskaltel, S.A. and R Cable y Telecable Telecomunicaciones, S.A.U.).

The amounts invoiced by KPMG Auditores, S.L. for other assurance services correspond to the limited review of the consolidated financial statements for the six-month period ended 30.06.20, amounting to 45 thousand euros.

The amounts invoiced by KPMG Auditores, S.L. for other services correspond to:

- Agreed procedures in relation to compliance of certain financial covenants, for an amount of Euros 3 thousand.
- Agreed procedures in relation to compliance of certain agreements with TV channels, for an amount of Euros 6 thousand.

The amounts invoiced for other services by other firms in the KPMG network relate to the ISAE3000 review of the Non-Financial Reporting Statement for the year 2020, amounting to EUR 12 thousand.

- 3.4. Statutory auditors' fees are approved by the Audit and Control Committee through the Group's Internal Audit services, ensuring that neither quality nor independence are compromised.
- 3.5. A policy has been defined on recruitment and relations with the External Auditor.
- 3.6. A procedure has been approved for selecting the statutory auditor and engaging services other than statutory auditing, in order that, among other matters, there is a limit to the services that can be commissioned from the statutory auditors and this can only be approved by the Group's Audit and Control Committee, as per article 21 of the Group's Audit and Control Committee Regulation.
- 3.7. Proper statutory auditor rotation has been analysed, with 2020 being the eighth consecutive year the Parent company has been audited by the same audit firm and the sixth consecutive year in the case of the consolidated Group.
- 3.8. Written confirmation has been obtained to attest to the independence of the statutory auditors from the Company or entities directly or indirectly relating thereto, as set forth in article 64.3 of the Articles of Association of Euskaltel.
- 3.9. In this written confirmation, which is attached as an Appendix hereto, apart from the services referred to in point 3.3 above, the fees charged to other entities related to the Company, which are above the scope of consolidation of Euskaltel, S.A. and subsidiaries, by firms from the KPMG Auditores, S.L. network are also reported.
- 3.10. This written confirmation expressly states that:

"The audit team, KPMG Auditores, S.L., and, where applicable, other persons belonging to the audit firm and, where appropriate, other firms of the network, with the applicable extensions, have met the independence requirements in accordance with the Spanish Audit Law and Regulation (EU) No. 537/2014 of 16 April 2014.

(...)

Our Firm (sic) has implemented in-house policies and procedures designed, as described in section 3 of KPMG Auditores, S.L.'s 2020 Transparency Report available at <https://home.kpmg/es/es/home/tendencias/2021/01/informe-transparencia-2020.html>, to provide you (sic) with reasonable assurance that KPMG Auditores, S.L. and its personnel and, where applicable, other persons subject to independence requirements (including personnel from the network firms) preserve their independence when required by applicable legislation.

These procedures include those aimed at identifying and assessing threats to our independence that could arise from circumstances associated with audited entities, including those that could give rise to causes of incompatibility and/or require application of safeguard measures to reduce threats to an acceptably low level.

In relation to the aforementioned audits, based on our professional judgement no circumstances have been identified that, individually or as a whole, could present a significant threat to our independence, and which would therefore require the application of safeguard measures or could give rise to a situation that is not permitted under independence rules.”

4. Audit and Control Committee Opinion on the independence of the statutory auditors

Based on the activities carried out, the Audit and Control Committee of Euskaltel, S.A. considers that, during 2020, and up to the date of preparation of the Euskaltel Group’s Annual Accounts for 2020, the independence of the statutory auditors of the Company and the consolidated Group has been maintained, in accordance with the provisions of Auditing Act 22/2015 of 20 July enacted by Royal Legislative Decree 1/2011 of 1 July and its implementing regulations.

APPENDIX- EXTERNAL AUDITOR LETTER OF INDEPENDENCE



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For the attention of Ms. Ana Garcia Fau

17 February 2021

Dear Madam,

On 2 June 2020, we were appointed as auditor of the individual and consolidated annual accounts of Euskaltel, S.A. and its subsidiaries (hereinafter "Euskaltel" or "the Group") for the year ended 31 December 2020.

In relation to our appointment as auditor and as required by Technical Auditing Standard (NIA-ES) 260 (Revised) on "Communication with those charged with governance" for Public Interest Entities (PIEs) which, exclusively for the purpose of that stipulated in the standards regulating the audit activity, are defined in Article 8 of Royal Decree 02/2021 of 12 January 2021 approving the Regulation implementing the Revised Spanish Audit Law, and in the second transitory provision of Royal Decree 309/2020 of 11 February 2020, and considering the provisions of article 529 quaterdecies 4.e) of the Revised Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July 2010 (amended by the fourth final provision of Spanish Audit Law 22/2015 of 20 July 2015) and the provisions of article 81 of the Regulation implementing Spanish Audit Law 22/2015 of 20 July 2015, approved by Royal Legislative Decree 2/2021 of 12 January 2021, we hereby confirm that:

- The audit engagement team, KPMG Auditores, S.L. and, where applicable, other persons belonging to the audit firm and, where appropriate, other firms of the network, with the applicable extensions, have met the Independence requirements in accordance with the Spanish Audit Law and Regulation (EU) No. 537/2014 of 16 April 2014.



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- The fees charged by KPMG Auditores, S.L. and other firms of the same network to the entity (In euros) and its entities related by control for audit and non-audit services in the year ended 31 December 2020 are listed below, by item, to enable your assessment of those fees in relation to our independence:

	EUSKALTEL (the Company)	Entities related by control with EUSKALTEL	Total	Of which subject to pre-approval by the AC
Audit services performed under Spanish Audit Law	124,000	75,000	199,000	-
Other audit-related services	47,500	-	47,500	-
Total audit and related services	171,500	75,000	246,500	-
Other services	14,000	4,000	18,000	12,000
Total professional services	185,500	79,000	264,500	12,000

"Other audit-related services" include services for the limited review of the Consolidated Summary Interim Financial Statements at 30 June 2020 amounting to Euros 45,000, and reports on covenants amounting to Euros 2,500.

The services rendered to the entity and its parties related by control included in this heading are not required to be performed by the auditor, but it is common market practice that they are, generally assurance services based on defined standards (assurance, agreed-upon procedures or local regulatory standards) which conform to regulatory requirements or best market practices. We confirm that:

- These are not services prohibited by article 5.1 of the REU.
- We are not involved in the decision-taking of the entity engaging the service.
- Based on the contents and regulation of the services, no threat to the auditors' independence has been identified.

"Other services" provided to Euskaltel reflect assurance services under ISAE 3000 of the Non-Financial Information Statement (NFIS) amounting to Euros 12,000.



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- These are not services prohibited by article 5.1 of the REU.
- We are not involved in the decision-taking of the entity engaging the service.
- To the extent that our work is based on the preparation of an assurance report, based on the criteria described in International Standard on Assurance Engagements (ISAE) 3000 and professional practice guidelines on assurance engagements for the Non-Financial Information Statement drawn up by the Spanish Institute of Registered Auditors (ICJCE), on non-financial metrics of the NFIS, which are not within the scope of the audit work or intended to serve as a basis for the preparation of the financial statements and other accounting documents, no significant threat of self-assessment has been identified.
- A self-interest threat has been identified due to the existence of a common financial interest deriving from the fact that the volume of fees is of such significance for the auditor, or that the service could have such a relevant impact for the audited entity, that it could cause an intimidation threat. This threat has been evaluated as non-significant because the fees are not material for any of the parties, they have no contingent component and there is no business relationship or common economic interest.

Additionally, "Other services" include agreed-upon procedures reports in relation to a contract between the subsidiaries RCable and Telecable Telecomunicaciones S.A. and Telefónica de España S.A.U. for an amount of Euros 2,000 and Euros 4,000, respectively.

- These are not services prohibited by article 5.1 of the REU.
- We are not involved in the decision-taking of the entity engaging the service.
- To the extent that our service consists of identifying, based on the procedures described in International Standard on Related Services (ISRS) 4400, the average number of subscribers to two television channels for the certified report to Telefónica SAU, and in no case have calculations or estimates of the rights or obligations of this population been made that could serve as a basis for the preparation of the financial statements and other accounting documents, no significant threat of self-assessment has been identified.
- A self-interest threat has been identified due to the existence of a common financial interest deriving from the fact that the volume of fees is of such significance for the auditor, or that the service could have such a relevant impact for the audited entity, that it could cause an intimidation threat. This threat has been evaluated as non-significant because the fees are not material for any of the parties, they have no contingent component and there is no business relationship or common economic interest.

The fees charged to the rest of the entities related to the Company (in pounds sterling) during the year ended 31 December 2020 by firms of the KPMG Auditores, S.L. network



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are listed below, by item, to enable your assessment of those fees in relation to our independence:

	Related entities
Audit services	219,000
Other audit-related services	68,800
Total audit and related services	287,800

"Other audit-related services" include services for the limited review of the Consolidated Summary Interim Financial Statements of Zegona Communications PLC at 30 June 2020 and 30 November 2020.

The services rendered included in this heading are not required to be performed by the auditor, but it is common market practice that they are, generally assurance services based on defined standards (assurance, agreed-upon procedures or local regulatory standards) which conform to regulatory requirements or best market practice. We confirm that:

- These are not services prohibited by article 5.1¹ of the REU in the UK.
- We are not involved in the decision-taking of the entity engaging the service.
- Based on the content and regulation of the services, no threat to the auditors' independence has been identified.

Our Firm has implemented in-house policies and procedures designed, as described in section 3 of KPMG Auditores, S.L.'s 2020 Transparency Report available at

¹ The services provided in the UK have been analysed in accordance with Regulation (EU) No 537/2014 of 16 April 2014, taking into account that the UK was an EU member state during the period covered by this confirmation.



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<https://home.kpmg/es/es/home/tendencias/2021/01/informe-transparencia-2020.html>, to provide you with reasonable assurance that KPMG Auditores, S.L. and its personnel and, where applicable, other persons subject to independence requirements (including personnel from the network firms) preserve their independence when required by applicable legislation. These procedures include those aimed at identifying and assessing threats to our independence that could arise from circumstances associated with audited entities, including those that could give rise to causes of incompatibility and/or require application of safeguard measures to reduce threats to an acceptably low level.

In relation to the aforementioned audits, based on our professional judgement no circumstances have been identified that, individually or as a whole, could present a significant threat to our independence, and which would therefore require the application of safeguard measures or could give rise to a situation that is not permitted under independence rules.

This confirmation has been drawn up solely for the addressees of this letter and may not be distributed or used for any other purpose.

Kind regards,

Cosme Carral López-Tapia
Partner