

EUSKALTEL GROUP POLICY ON ENGAGEMENT OF AND RELATIONS WITH THE AUDITOR

General principles of relations with the Auditor

Independence of the External Auditor

Relations between the Group and its members and the External Auditor (interchangeably, “the Auditor”) will at all times be characterised by the External Auditor’s highest degree of independence, as defined in current legislation. Any relations that may potentially generate or be perceived to generate a conflict of interest must be avoided.

Suitable communication channels will be established to ensure that the Auditor can report on any issues that may jeopardise its independence and on any causes of incompatibility stemming from personal situations or professional services.

Effective, continuous communication

Communication with the External Auditor must be effective and continuous, based on an objective, professional and permanent relationship with the utmost respect for the External Auditor’s independence and its efficiency in performing audits and audit procedures. Any meetings deemed necessary to be held between the External Auditor and the Audit and Control Committee or the Board of Directors will be planned in advance where possible.

Suitable mechanisms will be established to ensure the Auditor can report on any issues arising in connection with the performance of the accounts audit.

Transparency

Any aspects of the relationship between the Group and the External Auditor that may potentially be made public, including but not limited to appointment, termination and/or revocation of appointment, fees and nature of the different services provided, the Audit Report and other activities of the Audit and Control Committee relating to the External Auditor and its independence, will be reported transparently as prescribed by current legislation.

Transparency in all relations with the External Auditor will also apply, from the start of any auditor selection process, to the participants invited to take part in such process, all of which may be required to sign a confidentiality agreement.

Terms of the relationship

Responsibility for appointing, renewing and removing the Auditor lies with the General Shareholders’ Meeting. The Board of Directors will submit its proposed nomination to the General Meeting, based on the Audit and Control Committee’s proposal. To the extent possible, the consolidated Group’s Auditor will be responsible for auditing all the Group companies.

To formulate its proposal, the Audit and Control Committee will design an auditor selection procedure specifying assessment criteria and parameters. The Audit and Control Committee will invite a sufficiently large number of auditors and audit firms to take part in the selection process.

Meetings will be held at least on a yearly basis between the entire Board of Directors and the Auditor, in which the Auditor will report on the progress of its work and on developments in the

Group's accounting and risk situation. If exceptionally there should be any reservations or caveats in the reporting, the External Auditors will be required to clearly explain the substance of such issues to the shareholders.

Notwithstanding the foregoing, communications between the Group and the External Auditor will be conducted primarily through the Audit and Control Committee, which will have the necessary channels in place for such purpose, in accordance with the general principles of relations with the External Auditor.

Communications between the External Auditor and the Group, and particularly with the Audit and Control Committee, will at least cover all matters relating to the services rendered by the Auditor to the Group (including audit services in the strict sense), as well as the following: (i) the scope of consolidation, (ii) any assessments, criteria, valuations and estimates having a significant impact on related financial and non-financial statements, (iii) changes in the significant accounting policies applied, (iv) the reasons for which the company needs to include in its public information breakdowns of certain alternative performance measures (APMs) and their degree of compliance with ESMA Guidelines in this area, (v) significant internal control weaknesses, (vi) significant adjustments identified by the Auditor and the management's position on those weaknesses, and (vii) any requirements issued by the public financial reporting supervisor.

The Audit and Control Committee will evaluate which services are legally required to be contracted with an External Auditor, and will establish a procedure setting the regulations for contracting non-audit services. The services listed in the section on prohibited services may not be contracted under any circumstances.

Non-audit services prohibited to the Auditor

Pursuant to Article 39 of the Law on the Audit of Accounts and Regulation (EU) 537/2014 referred to therein, the following prohibited non-audit services may not be provided by the Auditor (without exception):

a) Tax services related to:

- preparation of tax forms (including but not limited to corporate tax, personal income tax, and customs duties),
- calculation of direct and indirect taxes and deferred payment of taxes,
- tax-related advice,
- finding public subsidies and tax incentives, and
- assistance for inspections by tax authorities.

b) Services involving any participation in the management or decision-making of the audited company(ies).

c) Accounting services and preparation of accounting records and financial statements.

d) Payroll-related services.

- e) Design and implementation of internal control and risk management procedures related to the preparation and/or control of financial information or the design and introduction of computerised financial information systems.
- f) Valuation services, including valuations performed in connection with actuarial services or litigation support services.
- g) Legal services related to:
 - general advice,
 - negotiation, and
 - defence of a client's interests in dispute resolution.
- h) Services related to the internal audit function.
- i) Services related to the financing, capital structure and distribution, and investment strategy of the audited company, except financial statement verification services.
- j) Promotion, trading and subscription of shares of the audited company.
- k) Human resources services related to:
 - executive managers,
 - organisational structure design, and
 - cost control.

The prohibition to contract these services applies to both direct and indirect contracting, and whether they are contracted singly or included in the fees for permitted services.