



GRUPO EUSKALTEL S.A.

Corporate Social Responsibility Policy Report



Corporate Responsibility of the Euskaltel Group

The Euskaltel Group continues to grow and to strengthen its business, as shown by the acquisition of Telecable, the telecommunications operator of Asturias, during financial year 2017.

2017 has thus been a year of growth, of progress on strategic goals, during which we have secured our position as the leading telecommunications group of northern Spain and offered increasingly innovative products and services on a par with the best companies in the industry.

During this financial year we have reached the highest number of products provided to our customers, thus achieving increased cash flow allowing for payment of the announced dividends, maintenance of the goals set, and strong cash flow performance. All without losing sight of our priority of creating value for our stakeholders and promoting technological development in the Basque Country, Galicia and Asturias.

The 2017-19 Strategic Plan was defined in 2017 based on four fundamental pillars: operational excellence, promoting a distinctive experience for our customers, maintaining diversified growth and protecting customer value.

To advance this strategy, there has been a strengthening of the current organisational and Corporate Governance structure in 2017 with the creation of a Strategy Committee as well as the positions of CRO (Chief Risk Officer), CISO (Chief Information Security Officer), Compliance Officer and Data Protection Officer.

This year we have also worked on a new Code of Ethics and an Anti-corruption Policy, both approved during the month of December, thus strengthening the culture and the manner of doing business in line with best market practices.

As part of our commitment to our stakeholders, in 2017 we have also continued with the development of the 2016-18 CSR Plan through actions that bolster the creation of economic, social and environmental value as well as the transparency of an increasingly plural company. This Plan is based on our commitment to the UN Global Compact, of which we are a member, and the achievement of the Sustainable Development Goals (SDGs), significantly



contributing to the SDGs relating to the creation of quality jobs in the territories in which we are present as well as to innovation.

In sum, the balance of 2017 is positive as to growth in revenues, optimisation of costs, efficiency in the use of resources and market share, which shows that the Group's Plan is having success and that it has prepared us for expansion into new territories.

None of this would have been possible without the confidence of our shareholders, the loyalty of our customers and the efforts of our people. Thus, the goal for 2018 is to continue deserving their confidence, to contribute to the economic and social development of the markets, to maintain our hallmark of differentiated value compared with other telecommunications operators, and to use all this to solidify the basis for success of the Euskaltel Group.

In 2016 we set certain goals for financial year 2017, and we have significantly advanced on them. We spoke of continuing to disseminate corporate culture at the company, and we have progressed with the communication of the Sustainable Development Goals. We have worked to foster a homogeneous corporate culture of sustainable values and we have followed the Good Governance recommendations and put them into practice.

We also commenced the Talentu programme to take the next steps in the Succession Plan and professional development of our people, and we have worked to define certain shared values that are common to Euskaltel, R and Telecable. There has also been a definition of the aspirational leadership model towards which we want this merger to evolve, and the basis for identifying the leaders and their skills and abilities has been established.

Finally, work continues on the Customer Experience model to understand the process of interaction with customers, both at the time of the business experience and the time of emotionally approaching the brand.

We have engaged in campaigns on the responsible use of technology and have promoted activities and campaigns to approach them based on a commitment to and for people.

We continue reviewing the processes of interaction with the value chain and suppliers because we believe in a model of two-way relationships in which we contribute wealth and value to the society in which we operate.



And we want to do business while making the least impact on the environment, controlling emissions levels, certifying sustainable events like the General Shareholders' Meeting, and acting to control the life cycle of the products placed in the market.

These aspects, together with transparent and responsible tax practices, mean that progress in the 2016-18 CSR Master Plan firmly positions us as a socially responsible company based on day-to-day actions.

A Corporate Responsibility Report has been prepared in 2017 in accordance with the Global Reporting Initiative (GRI) guidelines, following the comprehensive option for the GRI Standards. This is a benchmark standard for the preparation of sustainability reports, which touches on the most significant aspects for shareholders, customers, employees, suppliers and ultimately, society. In sum, the ESG (Environmental, Social and Governance) aspects.

To respond to the demands of the GRI Standards, we have performed an exhaustive materiality analysis based on the needs and expectations of the various stakeholders of the Euskaltel Group detected through its channels of communication. This is in addition to an internal analysis that takes into account the Euskaltel Group's strategy, its policies, its future challenges, strategic alliances and documents of initiatives in the area of sustainability.

The shareholders have been an especially significant component in the shareholder mix during 2017. The number of roadshows and interactions has substantially increased, and distribution lists have been developed to maintain a constant flow of information. Investor Day was held in November to publicly share the main achievements and the strategy for the coming years.

And from Euskaltel's foundation, Euskaltel Konekta, we have continued to build a network of trust with society through its sponsorships, the development of local culture and digitisation through foundation-related actions. We have also extended successful events like "Encounters" to Galicia, organising and sponsoring the first XGN R Encounter with more than 1,000 attendees.

We maintain constant contact with local, Basque, Galician and Asturian governments under the philosophy that only through public/private collaboration do we enrich the local territory and address its principal needs.



And as a conclusion to this work and with a view to preparing the second cycle of Corporate Responsibility, which will be the upcoming 2018-20 CSR Master Plan, we have identified the expectations of the stakeholders in our respective markets:

- Local employability and a commitment to local institutions, social initiatives and the promotion of the territory's culture.
- Close customer service, transparency of rates, quality of service, investment in RD&i, digital health and data privacy.
- Quality of life, well-being and health, equal opportunity, commitment of professionals and development thereof.
- Local procurement and activities with strategic and infrastructure suppliers, distributors and contractors.
- Compliance with current law and applicable regulations, and management of the environment and people.
- Ratings, risk management and financial results.

All of these aspects are relevant for the management of our sustainability model. And this model can only become a reality based on a clear commitment of our professionals, with a solid base of customers, recognised brands connected to their territories, commitment to the shareholders, growth and conversion rates comparable to those at similar companies in the industry, complementary business models, a broad fibre optic network, and convergent services.

This is our great challenge in 2018, on which we must focus all corporate efforts. A model to cover our natural markets and a model to expand into adjoining areas. All under the essential premise of this responsible link to the territories.