



euskaltel

General Meeting of Shareholders

2019

Proposed Resolutions



ERRONKA GARBIA
EVENTO AMBIENTALMENTE SOSTENIBLE

PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF EUSKALTEL, S.A. CALLED TO BE HELD ON 1 APRIL 2019, ON FIRST CALL, AND 2 APRIL 2019, ON SECOND CALL

The resolutions that the Board of Directors of Euskaltel, S.A. (“Euskaltel” or the “Company”) proposes for approval by the shareholders at the General Meeting of Shareholders are the following:

Items relating to the annual accounts, company management and the statutory auditor

1. **Examination and approval of the individual annual accounts of Euskaltel and the consolidated annual accounts of Euskaltel and subsidiaries for the financial year ended 31 December 2018.**
2. **Examination and approval of the individual management report of Euskaltel and the consolidated management report of Euskaltel and subsidiaries for the financial year ended 31 December 2018.**
3. **Examination and approval of the Consolidated Statement of Non-Financial Information of Euskaltel and subsidiaries for the financial year ended 31 December 2018.**
4. **Examination and approval of company management and of the activities of Euskaltel’s Board of Directors during the financial year ended 31 December 2018.**
5. **Re-election of KPMG Auditores, S.L. as auditor of the individual annual accounts of Euskaltel and as auditor of the annual accounts of the consolidated group made up of Euskaltel and subsidiaries for financial year 2019.**

ITEM ONE ON THE AGENDA

Examination and approval of the individual annual accounts of Euskaltel and the consolidated annual accounts of Euskaltel and subsidiaries for the financial year ended 31 December 2018

PROPOSED RESOLUTION RELATING TO ITEM ONE

It is hereby resolved to approve the individual annual accounts of Euskaltel and the consolidated annual accounts of Euskaltel and subsidiaries for the financial year ended 31 December 2018, which were formulated by the Board of Directors at its meeting held on 27 February 2019.

ITEM TWO ON THE AGENDA

Examination and approval of the individual management report of Euskaltel and the consolidated management report of Euskaltel and subsidiaries for the financial year ended 31 December 2018

PROPOSED RESOLUTION RELATING TO ITEM TWO

It is hereby resolved to approve the individual management report of Euskaltel and the consolidated management report of Euskaltel and subsidiaries for the financial year ended 31 December 2018, which were formulated by the Board of Directors at its meeting held on 27 February 2019.

ITEM THREE ON THE AGENDA

Examination and approval of the Consolidated Statement of Non-Financial Information of Euskaltel and subsidiaries for the financial year ended 31 December 2018

PROPOSED RESOLUTION RELATING TO ITEM THREE

It is hereby resolved to approve the statement of non-financial information included in the consolidated management report of Euskaltel and its subsidiaries for the financial year ended 31 December 2018, which was formulated by the Board of Directors at its meeting held on 27 February 2019 and which has been verified by AENOR, as shown in the Report issued on that same date, and which has been made available to the shareholders for purposes of the call to the General Meeting of Shareholders.

ITEM FOUR ON THE AGENDA

Examination and approval of company management and of the activities of Euskaltel's Board of Directors during the financial year ended 31 December 2018

PROPOSED RESOLUTION RELATING TO ITEM FOUR

The management of the Company and the activities of the Board of Directors of the Company during the financial year ended 31 December 2018 are hereby approved.

ITEM FIVE ON THE AGENDA

Re-election of KPMG Auditores, S.L. as auditor of the individual annual accounts of Euskaltel and as auditor of the annual accounts of the consolidated group made up of Euskaltel and subsidiaries for financial year 2019

PROPOSED RESOLUTION RELATING TO ITEM FIVE

It is hereby resolved to re-elect the company KPMG Auditores, S.L. as statutory auditor of the Company and of the consolidated group made up of Euskaltel and its subsidiaries to perform the audit of the individual accounts of Euskaltel and of the accounts of the consolidated group made up of Euskaltel and its subsidiaries for the financial year ending on 31 December 2019.

It is also hereby resolved to authorise the Company's Board of Directors, with express powers of substitution, including to its authorised representatives, to determine the remuneration of the statutory auditor in accordance with the financial terms and conditions generally applicable to said audit firm, and particularly to enter into the respective services agreement, on the terms and conditions it deems appropriate, with authority to make such amendments thereto as may be required in accordance with the law applicable at any particular time.

KPMG Auditores, S.L. shall, if elected, accept its re-election by any valid legal means.

This resolution is adopted at the proposal of the Board of Directors and upon a prior proposal, in turn, of the Audit and Control Committee.

It is stated for the record that KPMG Auditores, S.L. has its registered office at Paseo de la Castellana, 259 C, Torre Cristal, 28046 Madrid (Madrid), and tax identification number B-78.510.153. It is registered with the Commercial Registry of Madrid at volume 11,961, folio 90, section 8, page M-188,007, entry 10, and with the Official Registry of Statutory Auditors (*Registro Oficial de Auditores de Cuentas*) (ROAC) under number S-0702.

Items relating to the amendment of the Bylaws

6. Amendment of the Bylaws:

- 61. Amendment of article 4 of the Bylaws (“Company object”) in order to describe and specify in greater detail the services provided by the Company within the company object of Euskaltel that are not specifically determined in the current text thereof.**
- 62. Amendment of article 62 of the Bylaws (“Director remuneration”) in order to (i) give greater transparency to the Company’s remuneration system, transferring the current items of remuneration to the bylaws, and (ii) offer greater control to the shareholders.**

ITEM SIX ON THE AGENDA

Amendment of the Bylaws

PROPOSED RESOLUTIONS RELATING TO ITEM SIX

It is hereby resolved to amend the following articles of the Bylaws, which, as they are autonomous and deemed to be substantially independent of each other, are submitted to a separate vote, all upon the terms of the reports of the Board of Directors prepared for said purpose:

61. **Amendment of article 4 of the Bylaws (“Company object”) in order to describe and specify in greater detail the services provided by the Company within the company object of Euskaltel that are not specifically determined in the current text thereof.**

Amendment of article 4 (“Company object”), which will hereafter read as follows:

“Article 4. Company object

1. *The company’s object is:*

- a. *The provision, management, development, implementation, operation and sale of all types of public or private telecommunications services in any of the ways allowed by Law and subject to the legislation from time to time in effect and, if applicable, by means of indirect management of the services, including, by way of example and not of limitation, the design, installation, management, maintenance, improvement, acquisition, transfer or interconnection of all kinds of telecommunication equipment, systems, lines or networks or any technical telecommunications infrastructure currently existing or hereafter developed, including any real property in which any of them may be located, as well as Internet-related activities and services, e-commerce and electronic signatures; the creation, design and operation of portals; the provision of services, advice, supplies, technical support and management regarding Internet portals, websites, advertising and multimedia content, payment gateways, hosting, server hosting, development of Internet tools, products and applications, access to applications via Internet, retail sales solutions, services for business process management and optimisation of relations between companies and digital transformation services.*
- b. *The design, research, development, construction, sale, installation, management, improvement, maintenance, operation, acquisition, disposal and interconnection of all types of telecommunications equipment, products (including hardware and software), networks and systems.*

- c. *The lease, acquisition and sale of electric, electronic, optical, photographic, audio and video equipment, material and devices and hardware and software products related to telecommunications and electronic communications services, telephony, television and Internet.*
 - d. *The provision and operation of all types of auxiliary, supplementary and derivative services, as well as services directly or indirectly related to telecommunications services.*
 - e. *The production, development, transmission, acquisition and sale of television content and content related to communications and entertainment using audiovisual means.*
 - f. *The production and transmission of images and sounds simultaneously, as well as the production and transmission of information, text and sound.*
 - g. *The acquisition, sale or licencing of patents, trademarks and trade names and any other industrial property rights, as well as intellectual property rights relating to its purposes and object, especially for the sales, promotion and/or marketing activities of the company.*
 - h. *The sale of licences or sub-licences for software and hardware products, as well as the provision of evolutionary and corrective maintenance of such software developments and products.*
 - i. *The design, development, production, integration, operation, maintenance, repair and sale of systems, solutions and products that use information and telecommunications technologies and any service related thereto.*
 - j. *The design, development, production, integration, operation, maintenance, repair and sale of security, home automation and connected home systems, solutions and products, as well as tele-assistance services and services relating to the Internet of Things, at both the residential and business levels.*
 - k. *The provision of business consulting and technological management and consulting services, both in the telecommunications area.*
2. *All operations and activities making up the company object described in the preceding paragraphs may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by the Company or through the ownership of shares or equity interests in companies or other legal entities with the same or a similar object.*
3. *Excluded from the foregoing is the direct performance of those activities restricted by special legislation, as well as the indirect performance thereof when applicable. If legal provisions require any professional degree or any type of governmental approval or other requirements for the performance of any activity included in the company object, such activity may not be commenced until all required legal and governmental requirements have been met.”*

62. Amendment of article 62 of the Bylaws (“Director remuneration”) in order to (i) give greater transparency to the Company’s remuneration system, transferring the current items of remuneration to the bylaws, and (ii) offer greater control to the shareholders.

Amendment of article 62 (“Director remuneration”), which will hereafter read as follows:

“Article 62. Director remuneration

1. *The directors shall be entitled to receive remuneration for the performance of the duties corresponding thereto by virtue of their membership on the Board of Directors as a collective decision-making body of the Company.*
2. *The shareholders acting at a General Meeting shall determine and approve the maximum amount to be received as remuneration by all the directors for all the items and for any duties that they perform, both executive and non-executive. The maximum amount set by the shareholders at the General Meeting shall remain in effect for so long as the shareholders do not approve a change thereof.*
3. *The remuneration of directors who are not entrusted with executive duties shall be based on the following components:*
 - a. *An annual fixed allocation;*
 - b. *Any potential commitments of the Company to pay amounts as insurance premiums in favour of the directors; and*
 - c. *A civil liability policy obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.*

The specific amount corresponding to the above items for each of the directors who are not entrusted with executive duties shall be determined by the Board of Directors in accordance with the director remuneration policy. For such purpose, it may take into account, amongst other issues, the positions held by each director within the collective body itself, their membership on and attendance at the various committees, and the classification of the director as independent or proprietary.

4. *Directors who are entrusted with executive duties shall be entitled to receive the remuneration provided for in the contract signed to that end between the director and the Company, for the following items:*

- a. *Fixed annual remuneration.*
- b. *Annual variable remuneration calculated based on benchmark qualitative or quantitative indicators or parameters linked to the level of achievement of their objectives (approved by the Board of Directors upon a proposal of the Appointments and Remuneration Committee).*
- c. *Long-term variable remuneration based on the delivery of cash or shares, share options or instruments or other remuneration indexed to the value thereof, linked to business objectives, the value of the shares and, if applicable, other corporate social responsibility objectives.*

If indexed to shares of the Company or to financial instruments linked to the quoted price thereof, said remuneration must be approved by the shareholders at a General Meeting of Shareholders. If applicable, the resolution shall state the maximum number of shares to deliver, the exercise price or system for calculating the exercise price of the share options, the value of any shares used as a reference, and the duration of the plan.

- d. *The following remuneration: (i) availability of company vehicle; (ii) life and casualty insurance; (iii) special health insurance; and (iv) the ability to enjoy all those benefits that the Company might make available to management personnel.*
- e. *A civil liability policy obtained by the Company for its directors upon customary terms and proportional to the circumstances of the Company.*
- f. *Potential severance payment for cessation in office or termination of contractual relationship with the Company.*

These contracts must be approved in advance by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, in compliance with the requirements of applicable law.

Furthermore, the text of these contracts shall conform to the director remuneration policy to be approved by the shareholders at the General Meeting of Shareholders.

- 5. *The director remuneration policy shall conform as appropriate to the remuneration system provided for in the Company's Bylaws, shall have the scope provided by law, and shall be submitted by the Board of Directors for approval of the shareholders acting at a General Meeting of Shareholders with the frequency provided by law.*

In any event, the overall sum of all amounts to be received by all of the directors for any items during the financial year shall never exceed the maximum amount approved by the shareholders at the General Meeting.”

Item relating to the composition of the Board of Directors

7. Re-election of directors:

7.1. Re-election of Ms Belén Amatriain Corbi as independent director for the bylaw-mandated term of 4 years.

7.2. Re-election of Mr Iñaki Alzaga Etxeita as independent director for the bylaw-mandated term of 4 years.

ITEM SEVEN ON THE AGENDA

Re-election of directors

PROPOSED RESOLUTIONS RELATING TO ITEM SEVEN

7.1. Re-election of Ms Belén Amatriain Corbi as independent director for the bylaw-mandated term of 4 years

Following a proposal of the Appointments and Remuneration Committee, it is hereby resolved to re-elect Ms Belén Amatriain Corbi, whose information appears in the registry page opened on behalf of the Company in the Commercial Registry, as a director for the bylaw-mandated term of four (4) years, with the classification of independent director.

Ms Amatriain shall accept the re-election thereof by any valid legal means.

7.2. Re-election of Mr Iñaki Alzaga Etxeita as independent director for the bylaw-mandated term of 4 years

Following a proposal of the Appointments and Remuneration Committee, it is hereby resolved to re-elect Mr Iñaki Alzaga Etxeita, whose information appears in the registry page opened on behalf of the Company in the Commercial Registry, as a director for the bylaw-mandated term of four (4) years, with the classification of independent director.

Mr Alzaga shall accept the re-election thereof by any valid legal means.

Items relating to shareholder remuneration and director remuneration

8. **Approval of the proposed application of results of Euskaltel and distribution of dividends for the financial year ended 31 December 2018.**
9. **Approval of the annual maximum overall amount of remuneration of the Board of Directors.**
10. **Approval of the Director Remuneration Policy for financial years 2019, 2020 and 2021.**

ITEM EIGHT ON THE AGENDA

Approval of the proposed application of results of Euskaltel and distribution of dividends for the financial year ended 31 December 2018

PROPOSED RESOLUTION RELATING TO ITEM EIGHT

In compliance with the provisions of Section 273.1 of the Corporate Enterprises Act, and as there has been a net profit during financial year 2018 in the amount of 92,088,479.21 euros, it is hereby resolved to distribute, with a charge to the results from the financial year ended 31 December 2018, a supplemental dividend of 0.170 euro (gross) per share of Euskaltel with the right to receive it and that is outstanding on the date that the corresponding payment is made.

It is expected that the payment of the aforementioned dividend will take place no later than 27 July 2019.

This dividend will be distributed through the entities members of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose, with express power of substitution, to establish the specific date for payment of the dividend, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.

Therefore, the distribution of profits for financial year 2018 is as follows:

<u>Legal reserve</u>	9,208,847.92 euros
<u>Voluntary reserves (minimum amount)</u>	27,499,569.69 euros
<u>Interim dividend</u>	25,010,350.40 euros
<u>Supplemental dividend (maximum amount to distribute: 0.170 euro (gross) per share for all outstanding shares)</u>	30,369,711.20 euros

ITEM NINE ON THE AGENDA

Approval of the annual maximum overall amount of remuneration of the Board of Directors

PROPOSED RESOLUTION RELATING TO ITEM NINE

It is hereby resolved to set at 4,500,000 euros the maximum annual amount to be received as remuneration by all the directors for all the items and for any duties that they perform, both executive and non-executive.

Such maximum amount shall remain in effect for so long as a change thereof is not approved by the shareholders acting at a General Meeting.

For purposes of clarification, it is stated for the record that the rationale for the amendment of article 62 of the Bylaws approved by the shareholders at this General Meeting and the literal text of such article require that the shareholders determine and approve the maximum remuneration to be received by the directors for the performance of both executive and non-executive duties, without the new maximum amount approved in any case entailing an increase in the remuneration of the directors.

The purpose of such determination is only to avoid the occurrence of a potential tax risk consisting of the inability to deduct as an expense the amounts to be paid to the members of the Board of Directors.

ITEM TEN ON THE AGENDA

**Approval of the Director Remuneration Policy for financial years
2019, 2020 and 2021**

PROPOSED RESOLUTION RELATING TO ITEM TEN

It is hereby resolved to approve the Company's Remuneration Policy, which has been made available to the shareholders, along with the required report of the Appointments and Remuneration Committee, since the call to this General Meeting, pursuant to the provisions of Section 529 *novodecies* of the Corporate Enterprises Act.

Such Policy shall apply to the remuneration of the Company's directors during this financial year 2019 and during financial years 2020 and 2021 unless the shareholders approve a resolution modifying it during the effective period thereof.

Item relating to general matters

11. **Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Meeting, for conversion thereof into a public instrument, and for the interpretation, correction and supplementation thereof, further elaboration thereon, and registration thereof, and to carry out the mandatory filing of accounts.**

ITEM ELEVEN ON THE AGENDA

Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Meeting, for conversion thereof into a public instrument, and for the interpretation, correction and supplementation thereof, further elaboration thereon, and registration thereof, and to carry out the mandatory filing of accounts

PROPOSED RESOLUTION RELATING TO ITEM ELEVEN

Without prejudice to the delegations already approved by the shareholders acting at the General Meeting, it is hereby resolved on the broadest of terms to delegate authority to the Board of Directors, with powers of substitution or authorisation to any of its members, to the non-member Secretary of the Board of Directors and to the non-member Assistant Secretary of the Board of Directors, such that any of them, severally and as broadly as required under the law, may supplement, implement and further develop, with any technical modifications, all of the foregoing resolutions, correcting any omissions or errors therein, and for the interpretation thereof, giving said persons severally the power to execute any appropriate public documents containing the resolutions adopted, with the broadest powers to perform any acts required with respect to the resolutions approved at this General Meeting, executing the documents required to obtain the registration of said resolutions with the Commercial Registry, and particularly to:

- a) Correct, clarify, specify or complete the resolutions adopted at this General Meeting or those produced in any instruments or documents approved in implementation thereof, and particularly any omissions, defects or errors in form or substance that prevent the access of these resolutions and the consequences hereof to the Commercial Registry, Property Registry, Industrial Property Registry or any others, and particularly to carry out the mandatory filing of accounts with the Commercial Registry.
- b) Make any announcements, instruments or legal transactions, contracts or operations as are necessary or appropriate to adopt, and execute the resolutions required for the purposes provided by law to implement the resolutions adopted at this General Meeting, particularly including, among other powers, the power to appear before a Notary to execute or formalise any public or private documents deemed necessary or appropriate for the full effectiveness of these resolutions.
- c) Jointly or severally delegate all or part of the powers they deem appropriate that have been expressly granted to them by the shareholders acting at this General Meeting.
- d) In sum, to determine all other circumstances that may be required, taking any appropriate steps and complying with all requirements under applicable law to fully implement the resolutions of the shareholders at this General Meeting.

Item relating to the resolution submitted to a consultative vote

- 12. Consultative vote regarding the Annual Director Remuneration Report for financial year 2018.**

ITEM TWELVE ON THE AGENDA

**Consultative vote regarding the Annual Director Remuneration Report for
financial year 2018**

PROPOSED RESOLUTION RELATING TO ITEM TWELVE

It is hereby resolved to approve the Annual Director Remuneration Report for financial year 2018 on a consultative basis.

* * *