

## ANNUAL ACTIVITIES REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE OF EUSKALTEL, S.A. FOR FINANCIAL YEAR 2019

### 1. Introduction

The Appointments and Remuneration Committee of Euskaltel, S.A. is an informational and consultative body without executive duties, the purview of which includes information, advisory, and proposal-making powers.

This scope of application is exercised with respect to both the parent Company as well as the subsidiaries making up the Euskaltel Group.

The main task of the Appointments and Remuneration Committee is to assist, inform and make proposals to the Board of Directors on the matters from time to time assigned thereto by both the Bylaws of the Company and by the Regulations of the Board of Directors and the Regulations of the Appointments and Remuneration Committee itself.

The Appointments and Remuneration Committee was permanently created by Euskaltel's Board of Directors on 19 March 2013, prior to the entry into force of Law 31/2014 of 3 December amending the Companies Act for the Improvement of Corporate Governance, which is obligatory for listed companies.

Pursuant to the provisions of articles 4 and 26 of the Regulations of the Board of Directors of the Company, said Board of Directors, using the external and internal means it deems appropriate in each case, shall engage in an annual evaluation of the operation of its committees in view of the report that they submit thereto.

Furthermore, article 23 of the Regulations of the Appointments and Remuneration Committee provides that said Committee must report to the shareholders at the General Meeting of Shareholders on the questions raised by the shareholders thereat regarding the matters within the Committee's purview, and must prepare an annual report on its activities, which it shall make available to the shareholders, after approval thereof by the Board of Directors, on occasion of the call to the Annual General Meeting of Shareholders.

This Annual Activities Report of the Appointments and Remuneration Committee of Euskaltel for financial year 2019 has been prepared as part of said process of evaluation and to be made available to the Company's shareholders.

### 2. Regulatory framework

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

- Section 529 *quindecies* of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July.
- Articles 63 and 65 of the Bylaws,
- Article 18 of the Regulations of the Board of Directors.

- Regulations of the Appointments and Remuneration Committee.
- Technical Guide 1/2019 of the National Securities Market Commission on Nomination and Remuneration Committees.

### **3. Principal duties and powers**

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

- a) Evaluate the skills, knowledge and experience needed on the Board of Directors. For these purposes, it shall define the functions and skills necessary in the candidates to fill each vacancy and shall evaluate the time and dedication required for them to effectively perform their duties.
- b) Establish a goal for representation of the less represented gender on the Board of Directors and prepare guidelines on how to achieve this goal.
- c) Submit to the Board of Directors proposals for the appointment of independent directors on an interim basis or for submission to a decision of the shareholders at a General Shareholders' Meeting, as well as proposals for the re-election or removal of said directors by the shareholders.
- d) Report on proposals for the appointment of the other directors on an interim basis or for submission to a decision of the shareholders at a General Shareholders' Meeting, as well as proposals for the re-election or removal thereof by the shareholders.
- e) Report on proposals for the appointment and removal of senior officers and the basic terms of their contracts.
- f) Examine and organise the succession of the chair of the Board of Directors and the chief executive of the Company and, if applicable, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.
- g) Propose to the Board of Directors the remuneration policy for directors and general managers or whomsoever performs the duties of senior management reporting directly to the Board, to executive committees or to CEOs, as well as the individual remuneration and other contractual conditions for the executive directors, ensuring compliance therewith.

The specific functions of the Appointments and Remuneration Committee are the following (articles 6, 7, 8, 9 and 10 of the Regulations of the Appointments and Remuneration 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 senior 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.
- 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 chief executive of the Company.
- Examine or organise the succession of the Chair of the Board of Directors and the chief executive 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 Vice 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 (*consejero independiente especialmente facultado*) 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 officers, as well as proposals to revise and amend the organisational chart and the 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 officers 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 on an interim basis 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 on an interim basis 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 chief executive 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 officers, 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 officers of the Company.
- Propose to the Board of Directors amendments and updates to the remuneration policy applied to senior officers.
- 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 chief executive regarding the structure of the remuneration payable to senior officers and the basic terms and conditions of their contracts, including any compensation or severance 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 officer remuneration contained in the various corporate documents, including the annual director remuneration report.

#### 4. Composition of the Committee

At 31 December 2019, the Appointments and Remuneration Committee is composed of the following seven external Directors (four independent and three proprietary):

| Name   | Committee position | Information regarding their function as director |                           |                                 |
|--|--------------------|--|---------------------------|---------------------------------|
|  |                    | Class  | Date of first appointment | Date of most recent 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                      |

The independent Director Mr Miguel Ángel Lujua Murga has held the position of Chair of the Appointments and Remuneration Committee since 26 June 2017.

Furthermore, on 27 November 2019 Mr José Ortiz Martínez was appointed Non-Director Secretary of the Appointments and Remuneration Committee, replacing Mr Luis Alba Ferré.

The Non-Director Deputy Secretary of the Committee continues to be the Non-Director Deputy Secretary of the Board of Directors, Mr Gonzalo Silveiro Regulez.

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

Article 17 of the Regulations of the Appointments and Remuneration 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 Remuneration Committee formally met on eleven occasions during financial year 2019.

All of the meetings were held at the registered office of Euskaltel, located in Derio (Biscay), at Parque tecnológico, Edificio 809.

The level of attendance was as follows:

|                                    |    |         |
|------------------------------------|----|---------|
| Number of meetings                 | 11 |         |
| Number of possible attendees       | 75 | 100.00% |
| Number of physical attendees       | 71 | 94.67%  |
| Proxies given to the Chair         | 2  | 2.67%   |
| Justified absences without proxies | 2  | 2.67%   |
| Other proxies                      | 0  | 0.00%   |

The Chair, the Secretary and the Deputy Secretary of the Committee attended all meetings.

The dates of the meetings and the matters dealt with are described below:

| Date       | Matters  |
|------------|--|
| 12/02/2019 | <ul style="list-style-type: none"> <li>Proposed payment of variable remuneration for financial year 2018.</li> <li>New proposal and determination of variable remuneration for financial year 2019.</li> <li>Evaluation of the Board of Directors.</li> <li>Director remuneration.</li> </ul>  |
| 27/02/2019 | <ul style="list-style-type: none"> <li>Proposed re-election of Independent Directors.</li> <li>Proposed payment of variable remuneration for financial year 2018.</li> <li>Annual Director Remuneration Report for financial year 2018.</li> <li>Annual Corporate Governance Report for financial year 2018.</li> <li>Draft of the Activities Report of the Appointments and Remuneration Committee for financial year 2018.</li> <li>Amendment of article 62 of the Bylaws, regarding remuneration of directors.</li> <li>Director Remuneration Policy for the financial years 2019, 2020 and 2021.</li> <li>Evaluation of the Board of Directors.</li> </ul> |
| 06/05/2019 | <ul style="list-style-type: none"> <li>Appointment of Director on interim basis (co-option).</li> </ul>  |
| 05/06/2019 | <ul style="list-style-type: none"> <li>Proposed cessation in office of CEO.</li> <li>Re-classification of Director and proposed appointment of new CEO.</li> </ul>   |
| 05/06/2019 | <ul style="list-style-type: none"> <li>Appointment of Director on interim basis (co-option).</li> <li>Proposed appointment of new Director of Operations.</li> <li>Proposed appointment of new Proprietary Director.</li> </ul>  |
| 27/06/2019 | <ul style="list-style-type: none"> <li>Governance and organisational structure.</li> <li>Conflict of Interest Policy.</li> </ul>   |
| 24/07/2019 | <ul style="list-style-type: none"> <li>Adjustment of Incentive Plan 2017-2019.</li> <li>Analysis of contracts of senior executives.</li> </ul>   |

|            |  |
|------------|--|
|            | <ul style="list-style-type: none"> <li>• Proposal regarding Committees of the Board of Directors.</li> </ul>   |
| 16/10/2019 | <ul style="list-style-type: none"> <li>• Adjustment of Long-term Incentive Plan 2017-2019.</li> <li>• Internal Audit project for supervising implementation of the resolutions of the Appointments and Remuneration Committee.</li> </ul>  |
| 28/10/2019 | <ul style="list-style-type: none"> <li>• Appointment of Director on interim basis (co-option).</li> <li>• Appointment of new Non-Executive Chair.</li> <li>• Termination of contract of outgoing Executive Chair.</li> <li>• Conclusions from the analysis of contracts of senior executives.</li> <li>• Proposed 2019 objectives of the CEO.</li> </ul> |
| 27/11/2019 | <ul style="list-style-type: none"> <li>• General outline of the Long-term Incentive Plan 2020-2025.</li> <li>• Appointment of General Secretary/Board Secretary.</li> </ul>  |
| 17/12/2019 | <ul style="list-style-type: none"> <li>• Long-term Incentive Plan 2020-2025.</li> <li>• Report of the Board Secretary regarding Human Resources.</li> </ul>  |

In view of the various matters dealt with throughout financial year 2019, the Appointments and Remuneration 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 officers**

- Report of the Appointments and Remuneration Committee favourably assessing proposed interim appointment (co-option) of Mr José Miguel García as a Proprietary Director.
- Report of the Appointments and Remuneration Committee favourably assessing proposed interim appointment (co-option) of Mr Eamonn O'Hare as a Proprietary Director.
- Report of the Appointments and Remuneration Committee favourably assessing the Board of Directors' proposed appointment of Mr Robert W. Samuelson as a Proprietary Director.
- Report of the Appointments and Remuneration Committee favourably assessing the proposed interim appointment (co-option) of Mr Xabier Iturbe as an External Director.
- Report regarding the proposed appointment of Mr José Miguel García as new CEO.
- Report regarding the proposed appointment of Mr Xabier Iturbe as new Non-Executive Chair.
- Report regarding the appointment of Mr José Ortiz Martínez as new General Secretary/Board Secretary.
- Favourable report on the new organisational structure of the Euskaltel Group.

**Regarding remuneration**

- Payment of the 2018 annual bonus and determination of the 2019 annual bonus for the Euskaltel Group's entire workforce.
- Adjustment of Long-term Incentive Plan 2020-2022.