

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. REGARDING THE PROPOSED RATIFICATION OF THE INTERIM APPOINTMENT (CO-OPTION) AND ELECTION OF MR XABIER GOTZON ITURBE OATEGI, AS AN EXTERNAL DIRECTOR, INCLUDED IN ITEM 9 ON THE AGENDA FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS CALLED TO BE HELD ON 2 JUNE 2020 AND 3 JUNE 2020, ON FIRST AND SECOND CALL, RESPECTIVELY

I. Introduction

This explanatory report has been prepared by the Board of Directors of Euskaltel, S.A. (“**Euskaltel**” or the “**Company**”) pursuant to the provisions of Section 529 *decies* of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) regarding the proposed ratification of the interim appointment (co-option) and election as a director of Mr Xabier Gotzon Iturbe Otaegi, which is submitted to the shareholders for approval at the Annual General Meeting of Shareholders under item 9 on the agenda, assessing for said purposes the skills, experience and merits of the person whose ratification and election is being proposed at the Meeting.

Mr Iturbe was appointed on an interim basis (co-option) as a director of the Company, with the classification of external director, by resolution of the Board of Directors dated 29 October 2019, following a favourable report of the Appointments and Remuneration Committee dated 28 October 2019.

For the purposes of Section 518.e) of the Corporate Enterprises Act, this report describes the identity, professional profile and biographical data of the director and provides other information referred to in article 8.2.(vi) of the Regulations for the General Meeting of Shareholders.

Notwithstanding the foregoing, it is stated for the record that the professional profile and biographical details of Mr Xabier Gotzon Iturbe Otaegi, as well as the corresponding data, have been published on the Company’s website since the interim appointment (co-option) thereof as a director, in accordance with the provisions of the Company’s internal rules.

Furthermore, this report includes an assessment of the Board of Directors regarding the skills, experience and merits of Mr Xabier Gotzon Iturbe Otaegi, in view of the report submitted by the Appointments and Remuneration Committee, pursuant to said Section 529 *decies* of the Corporate Enterprises Act, at its meeting of 28 October 2019, and which the Board adopts in its entirety.

II. Biographical profile, education and experience of Mr Xabier Gotzon Iturbe Otaegi

Mr Xabier Iturbe, born in Pasaia (Gipuzkoa), is 56 years old, has a degree in Economics and Business Studies from Deusto University and an MBA with a major in finance from the Stern School of Business at New York University.

He has held management positions in leading companies in both the telecommunications and finance industries, and for more than 10 years he has held top-level positions on the Boards of Directors of different entities and institutions representing the Basque Country (Chairman, Vice-Chairman, member, board member, etc.) and in different sectors (finance, technology, foundations, etc.). This has provided him with thorough knowledge of the wider telecommunications industry, of Euskaltel in particular, and of the financial world, as well as experience in coordinating and managing complex Boards of Directors.

Mr Iturbe is quite knowledgeable about the Basque Country and its institutions. Over the years, he has

developed an international vision because of his education in the United States and his professional links established at financial institutions and within Euskaltel itself.

He has regularly taken part in and coordinated working teams whose purpose was to define the strategic position of the companies and entities he has served and continues to serve.

Based on his knowledge and experience, he has outstanding and solid technical skills in the management and coordination of Boards of Directors, having held numerous Chairmanship positions (both executive and non-executive), with deep knowledge and a strategic vision of the telecommunications business and of the financial sector, providing a sound image, credibility, high negotiation ability, judgement and confidence, and having developed a significant institutional profile in recent years due to the positions held.

Mr Iturbe's extensive knowledge of Euskaltel should be particularly noted.

III. Membership on other boards of directors

Mr Xabier Gotzon Iturbe Otaegi is currently a member of the Board of Directors of DBS.

He is also the treasurer and a member of the Management Board of INNOBASQUE (Basque Innovation Agency).

IV. Evaluation and category to which the director should belong

The Board of Directors of the Company endorses the assessment made by the Appointments and Remuneration Committee and finds that Mr Xabier Gotzon Iturbe Otaegi has sufficient skills, ability and merits to hold the position of director.

Pursuant to the provisions of sub-section 3 of Section 529 *duodecies* of the Corporate Enterprises Act, Mr Xabier Gotzon Iturbe Otaegi should be placed in the category of external director, given that he is not an executive director because he has not been delegated management duties within the Company or the Group and also cannot be considered independent as he has been an executive director of a significant shareholder of the Company during the last five (5) years, pursuant to the provisions of Section 529 *duodecies* 4, sub-sections a) and j).

V. Dates of appointment as a director of the Company

The proposed appointment of Mr Xabier Gotzon Iturbe Otaegi was reported on favourably by the Appointments and Remuneration Committee at its meeting held on 28 October 2019.

Mr Iturbe was appointed as a director on an interim basis (co-option) pursuant to a resolution of the Board of Directors adopted at its meeting held on 29 October 2019.

VI. Shares and options on shares of the company owned thereby

Mr Xabier Gotzon Iturbe Otaegi is the direct holder of 6,000 shares of the Company.

VII. Proposed resolution

Pursuant to the foregoing, it has been resolved to propose the following resolution to the shareholders at the General Meeting of Shareholders of the Company:

“Ratification of the interim appointment (co-option) and election of Mr Xabier Gotzon Iturbe Otaegi as external director for the bylaw-mandated term of four (4) years.

It is hereby resolved to ratify the appointment of Mr Xabier Gotzon Iturbe Otaegi as a director appointed on an interim basis (co-option) by resolution of the Board of Directors adopted at the meeting held on 29 October 2019, and to appoint him, in accordance with the report of the Appointments and Remuneration Committee and the proposal and explanatory Report of the Board of Directors, for the bylaw-mandated term of four years, with the classification of external director.

Mr Iturbe shall accept any such appointment by any valid legal means.”

* * *

In Derio (Biscay), on 22 April 2020

ANNEX I

FAVOURABLE REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

REPORT SUBMITTED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF EUSKALTEL, S.A. REGARDING THE PROPOSED INTERIM APPOINTMENT (CO-OPTION) OF MR XABIER GOTZON ITURBE OTAEGI AS A MEMBER OF THE BOARD OF DIRECTORS OF EUSKALTEL, S.A.

I. Introduction

This report is submitted by the Appointments and Remuneration Committee of Euskaltel, S.A. (“Euskaltel” or the “Company”) in accordance with the provisions of Sections 529 *decies* and 529 *quindecies* of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) as well as article 5 of the Regulations of the Appointments and Remuneration Committee of the Company, with respect to the proposed interim appointment (co-option) of Mr Xabier Gotzon Iturbe Otaegi as a director of Euskaltel.

In particular, this report is intended to provide details regarding said proposed appointment, paying special attention to the skills, experience and merits of Mr Xabier Gotzon Iturbe Otaegi.

In preparing this report, it has been verified that the guidelines provided in the Director Selection Policy approved by the Company’s Board of Directors on 26 April 2016 have been followed.

II. Biographical profile, education and experience of Mr Xabier Gotzon Iturbe Otaegi

Mr Xabier Iturbe, born in Pasaia (Gipuzkoa), is 56 years old, has a degree in Economics and Business Studies from Deusto University and an MBA with a major in finance from the Stern School of Business at New York University.

He has held management positions in leading companies in both the telecommunications and finance industries, and for more than 10 years he has held top-level positions on the Boards of Directors of different entities and institutions representing the Basque Country (Chairman, Vice-Chairman, member, board member, etc.) and in different sectors (finance, technology, foundations, etc.). This has provided him with thorough knowledge of the wider telecommunications industry, of Euskaltel in particular, and of the financial world, as well as experience in coordinating and managing complex Boards of Directors.

Mr Iturbe is quite knowledgeable about the Basque Country and its institutions. Over the years, he has developed an international vision because of his education in the United States and his professional links established at financial institutions and within

Euskaltel itself.

He has regularly taken part in and coordinated working teams whose purpose was to define the strategic position of the companies and entities he has served and continues to serve.

Based on his knowledge and experience, he has outstanding and solid technical skills in the management and coordination of Boards of Directors, having held numerous Chairmanship positions (both executive and non-executive), with deep knowledge and a strategic vision of the telecommunications business and of the financial sector, providing a sound image, credibility, high negotiation ability, judgement and confidence, and having developed a significant institutional profile in recent years due to the positions held.

Mr Iturbe's extensive knowledge of Euskaltel should be particularly noted.

III. Membership on other Boards of Directors

Mr Xabier Gotzon Iturbe Otaegi is currently a member of the following Boards of Directors:

- Kutxabank, S.A.
- Kartera 1, S.L.U.
- Kartera 2, S.L.U.
- Kutxabank Empréstitos, S.A.
- INGETEAM, S.A.
- DBS.

He is also the treasurer and a member of the Management Board of INNOBASQUE (Basque Innovation Agency).

Mr Iturbe must submit his resignation both at Kutxabank, S.A. and at its subsidiaries prior to his appointment as a Director of Euskaltel.

IV. Category to which the director should belong

Pursuant to the provisions of sub-section 3 of Section 529 *duodecies* of the Corporate Enterprises Act, Mr Xabier Gotzon Iturbe Otaegi should be placed in the category of external director, given that he is not an executive director because he has not been delegated management duties within the Company or the Group and also cannot be considered independent as he has been an executive director of a significant shareholder of the Company during the last five (5) years, pursuant to the provisions of Section 529 *duodecies* 4, sub-sections a) and j).

V. Requirements

The information obtained by the Company and his background show that Mr Xabier Gotzon Iturbe Otaegi (i) meets the requirements of respectability, suitability, expertise, competence, experience, qualification, training, availability and commitment to his duties to hold the position of external director of the Board of Directors of the Company; and (ii) meets the general requirements demanded of all directors of the

Company as provided by law and Euskaltel's Director Selection Policy.

Specifically, the Appointments and Remuneration Committee finds that, in the particular case of Mr Xabier Gotzon Iturbe Otaegi, in order to be able to properly perform the duties inherent to the proposed position, sufficient abilities, skills and experience in the following areas are suitably combined:

- (i) Knowledge of the industry and of Euskaltel in particular.
- (ii) Knowledge of the financial world generally and of the operation of the capital markets.
- (iii) Experience in leading projects with "complex shareholding structures".
- (iv) Experience in leading Boards of Directors at times of extreme industry convulsion.
- (v) Knowledge of the surroundings, institutions and their manner of operating and acting.
- (vi) Knowledge of the international world due to relations with international commercial and investment banks from his eight (8) years of work at HSBC and his work as CFO of Euskaltel for ten (10) years.

Mr Xabier Gotzon Iturbe Otaegi has also confirmed that he is not affected, directly or indirectly, by any of the instances of disqualification, prohibition, conflict with or opposition of interests to the corporate interest as set forth in provisions of a general nature or in the internal rules of Euskaltel.

VI. Conclusion and proposal to the Board

All of the foregoing shows that Mr Xabier Gotzon Iturbe Otaegi has sufficient skills, experience and merits to perform the duties of the position for which he has been proposed.

In accordance therewith, it is hereby resolved to report favourably to the Board of Directors regarding the appointment of Mr Xabier Gotzon Iturbe Otaegi as a member of the Board of Directors of Euskaltel, with the classification of external director.

In Derio (Biscay), on 28 October 2019.