

**REPORT OF THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. RELATING TO THE
PROPOSED APPOINTMENTS OF DIRECTORS INCLUDED IN ITEMS ONE AND TWO OF THE
AGENDA FOR THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF
EUSKALTEL, S.A. CALLED TO BE HELD ON 29 AND 30 SEPTEMBER 2020, ON FIRST CALL
AND SECOND CALL, RESPECTIVELY**

1. Object of the report

This report is submitted by the Board of Directors of EUSKALTEL, S.A. (“Euskaltel” or the “Company”) pursuant to the provisions of Section 529 *decies* of the consolidated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (the “Corporate Enterprises Act”) in connection with the proposed appointment of Ms Mato Otero and Ms García Fau as new independent directors of the Company.

The Board of Directors has taken into account the conclusions set out in the corresponding proposals of the Appointments Committee dated as of the date hereof and attached to this document as Annex I and Annex II, respectively, in the proposed renewals of the Board of Directors regarding the appointment of Ms Mato Otero and Ms García Fau as directors of the Company.

The proposed appointment of Ms Mato Otero and Ms García Fau as new independent directors is based on their broad experience and professional background, their training, and their contribution to diversity within the Board of Directors, from the gender perspective.

The proposals of the Appointments Committee attached as annexes to this document contain the following information: (i) the professional profile and biographical data of the candidates for director; (ii) other boards of directors to which the candidates belong (whether or not boards of listed companies); (iii) the category to which the directors should belong; and (iv) any shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which the candidates are holders.

The Board of Directors believes that both proposals, considered together, contribute to increasing the level of independence of the management body, on the one hand, and the diversity of skills, knowledge, experience, origin, nationality, age and gender within the Board of Directors, on the other, in accordance with the provisions of Section 529 *bis* of the Corporate Enterprises Act and principle 10 of the “Good Governance Code of Listed Companies” –approved by the board of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on 18 February 2015 and partially revised on 26 June 2020 (the “Good Governance Code”)–, which inspires recommendations 13 and 14 of the Good Governance Code.

2. Assessment of the competence, experience and merits of Ms Mato Otero

The competence, experience and merits of Ms Otero, whose appointment as a director is submitted to the shareholders at the Extraordinary General Meeting of Shareholders, are described in detail in the proposal of the Appointments Committee attached to this report as Annex I.

Based on the information set out in the proposal submitted by the Appointments Committee, the Board of Directors has been able to verify that the candidate has the competence, experience and merits required to hold the position of director.

In particular, the Appointments Committee has evaluated the broad experience and professional background of the candidate, especially in the area of advisory and consulting services in information technology, innovation and management systems, and in particular its extensive knowledge of the business and economic reality in general and, specifically, in the Autonomous Community of Galicia and its contribution to diversity from the gender perspective.

The candidate has been proposed based on the personal and professional qualifications thereof. In particular, the Appointments Committee has verified that the candidate can perform the duties thereof without being constrained by relationships with the Company, its significant shareholders or its officers, thus making the candidate deserving of the classification of independent director.

3. Assessment of the competence, experience and merits of Ms García Fau

The competence, experience and merits of Ms García Fau, whose appointment as a director is submitted to the shareholders at the Extraordinary General Meeting of Shareholders, are described in detail in the proposal of the Appointments Committee attached to this report as Annex II.

Based on the information set out in the proposal submitted by the Appointments Committee, the Board of Directors has been able to verify that the candidate has the competence, experience and merits required to hold the position of director.

In particular, the Appointments Committee has evaluated the broad experience and professional background of the candidate -especially in the field of the telecommunications sector -, its training and, in particular, its contribution to diversity within the Board of Directors, from a gender perspective, and its extensive knowledge and experience in the financial sector, which makes it valid to participate and support the Company from the Audit and Control Committee.

The candidate has been proposed based on the personal and professional qualifications thereof. In particular, the Appointments Committee has verified that the candidate can perform the duties thereof without being constrained by relationships with the Company, its significant shareholders or its officers, thus making the candidate deserving of the classification of independent director.

Ms. Garcia Fau has made a commitment to leave one or two boards of directors to which she currently belongs.

4. Contribution of the proposed candidates to the diversity of skills, knowledge, experience and gender within the Board of Directors

Considered together, both candidates allow for a strengthening of the diversity of skills, knowledge, experience and gender in the composition of the Board of Directors, in accordance with the provisions of Section 529 *bis* of the Corporate Enterprises Act and the principles inspiring recommendations 13 and 14 of the Good Governance Code.

As described in the proposals of the Appointments Committee, both candidates have knowledge of and experience in the industry and market in which the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “Euskaltel Group”), do business, and they are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to the duties of director. Both of them are irreproachable professionals, whose conduct and professional track record is aligned with the principles set forth in the Code of Ethics of the Euskaltel Group.

Specifically, the different professional profiles and backgrounds of the candidates ensure the contribution of multiple viewpoints and guarantee an enriching debate and a decision-making process without implicit biases.

Furthermore, the appointment of Ms Mato Otero and Ms García Fau would contribute to maintaining gender diversity within the Board of Directors, allowing for compliance in advance with the current recommendation 15 of the Good Governance Code, which establishes a gender diversity objective consisting of the boards of directors of Spanish listed companies having at least 40% female directors before the end of 2022, with the specification that the percentage of female directors should not be less than 30% until that date. If these appointments are approved by the Extraordinary General Meeting of Shareholders, the Board of Directors will comply with the 40% percentage of female directors in the Good Governance Code from 2020.

5. Proposed resolutions

In view of the conclusions of the detailed proposals made by the Appointments Committee, the Board of Directors considers that Ms. Beatriz Mato Otero and Ms. Ana García Fau have the appropriate competence, experience and merits to carry out the functions of their position and that their appointment enables the Board of Directors to continue to enjoy a balance that enriches decision-making and contributes to the debate on matters within their competence, maintaining a balanced composition, structure and size in accordance with their needs and those of the Company itself, and contributing specifically to the fulfilment of the objectives of gender diversity.

The proposed resolutions submitted to the shareholders for approval at the Extraordinary General Meeting of Shareholders read as follows:

“ITEM ONE ON THE AGENDA

Appointment of Ms Beatriz Mato Otero as independent director for the bylaw-mandated term of four (4) years.

RESOLUTION

To appoint Ms Beatriz Mato Otero as a director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.”

“ITEM TWO ON THE AGENDA

Appointment of Ms Ana García Fau as independent director for the bylaw-mandated term of four (4) years.

RESOLUTION

To appoint Ms Ana García Fau as a director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.”

“ITEM THREE ON THE AGENDA

Setting of the number of members of Euskaltel’s Board of Directors at ten (10) directors.

RESOLUTION

To set the number of members of Euskaltel’s Board of Directors at ten (10) directors.”

6. Composition of the Board of Directors

In the event that all the proposed resolutions regarding the appointments and number of members of the Board of Directors, which are submitted to the Extraordinary General Meeting of Shareholders under the first, second and third items of its agenda, are approved, the Board of Directors of the Company would be formed by the following twelve members:

	DIRECTOR	POSITION	CLASS
1	Mr Xabier Iturbe Otaegi	Non-Executive Chair	Other external
2	Mr José Miguel García Fernández	CEO	Executive
3	Mr Eamonn O’Hare	Member	Proprietary
4	Mr Robert W. Samuelson	Member	Proprietary
5	Kartera 1, S.L., represented by Ms Alicia Vivanco González	Member	Proprietary
6	Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso	Member	Proprietary
7	Ms Belén Amatriain Corbi	Member	Independent
8	Mr Iñaki Alzaga Etxeita	Member	Independent
9	Ms Beatriz Mato Otero	Member	Independent
10	Ms Ana García Fau	Member	Independent
11	Mr José Ortiz Martínez	Non-Director Secretary	-
12	Ms Cristina Sustacha Duñabeitia	Non-Director Vice-Secretary	-

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This report is issued by unanimous approval of the members of the Board of Directors of Euskaltel, S.A. on 24 august 2020.

PROPOSED APPOINTMENT OF MS BEATRIZ MATO AS AN INDEPENDENT DIRECTOR OF EUSKALTEL, S.A.

SUBMITTED BY THE APPOINTMENTS COMMITTEE OF THE BOARD OF DIRECTORS

1. Introduction

This reasoned proposal is submitted in accordance with the provisions of Section 529 *decies* of the consolidated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (the “**Corporate Enterprises Act**”), and is intended to report the result of the work performed by the Appointments Committee of the Board of Directors of EUSKALTEL, S.A. (“**Euskaltel**” or the “**Company**”) in relation to the selection of the candidate Ms Mato as an independent external director of Euskaltel and her appointment to the Company’s Board of Directors, for subsequent submission for consideration of the shareholders at the Company’s Extraordinary General Meeting of Shareholders that will be called to be held on September 2020.

Pursuant to the provisions of said section of the Corporate Enterprises Act and in accordance with the provisions of articles 5.(iii) and 6.(iv) of the Regulations of the Appointments Committee of the Board of Directors of Euskaltel (the “**Committee**”), this Committee must:

- (i) submit to the Board of Directors proposals for the appointment of independent directors on an interim basis (co-option) or for submission to a decision of the shareholders at a General Meeting of Shareholders, as well as proposals for the re-election or removal of said directors by the shareholders; as well as
- (ii) verify compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and gather adequate information regarding their personal qualities, experience and knowledge as well as on their actual availability.

The Committee promotes the profile of the Company directors being suitable for achieving the goals of the Company, which requires that candidates for holding the position of director of the Company have the following aptitudes, among others:

- (a) knowledge and experience in the telecommunications industry and market in which Euskaltel does business;
- (b) strategic vision for the businesses;
- (c) history of value creation;
- (d) management of human resources and teams;
- (e) experience in management, leadership and business strategy as a director;
- (f) highest level of ethics and respect for the business community generally;
- (g) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and

- (h) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

Taking into account the current composition and needs of the Board of Directors, the Committee believes that it is appropriate to submit to the Board of Directors, for subsequent submission for consideration of the shareholders at the Company's Extraordinary General Meeting of Shareholders, the proposed appointment of Ms Mato as an independent external director of Euskaltel.

2. Professional profile and biographical data of the candidate for director

Born in Barakaldo (Bizkaia) in 1965.

She has a degree in industrial engineering, specialising in Business Organisation, from the Bilbao Higher College of Industrial Engineering, and an MBA from La Coruña University's Business School.

She is currently responsible for implementing the Sustainability Strategy as Director of Corporate Development, Sustainability and Communication at Greenalia, S.A., a renewable energy company.

She gained broad experience in managing public projects as a councillor in the Galicia Regional Government, first from 2009 to 2015 as the Councillor for Work and Welfare and from 2015 to 2018 as the Councillor for the Environment and Territorial Planning. From 2002 to 2005 she was the provincial delegate for the Regional Department of Fisheries.

She was the chair of the public limited company Sogaserso, S.A. in 2009 and 2010 and a Board member of different public entities in Galicia, the A Coruña Port Authority and the Galician Institute for Economic Promotion (IGAPE) from 2009 to 2018.

While heading IGAPE's Innovation Department, from 1995 to 2000 she performed tasks to support Galician companies in fields such as information technologies and consultancy services, providing advice on economic and financial matters, globalisation and entrepreneurship.

Before her public management experience, Ms. Mato worked as an engineer at engineering and consultancy companies such as NORCONTROL (now APPLUS) from 1993-1995 and on the implementation of ISO 9000 and ISO 14000 quality systems at the Galician companies RANK XEROX from 1991-1993 and IBM ESPAÑA from 1989 to 1991.

3. Other boards of directors to which the candidate for director belongs

Ms Mato is not a member of any Board of Directors to date.

4. Classification of the candidate for director

Ms Mato has been proposed on the basis of her personal and professional qualifications, it having been verified that she can discharge her duties as a director without being constrained by relationships with the Company, its significant shareholders or its officers.

In light of the foregoing, the Committee believes that Ms Mato meets the requirements set forth in subsection 4 of Section 529 *duodecies* of the Corporate Enterprises Act to be considered an independent director.

5. Availability of the candidate for director

The Committee has informed the candidate of the schedule of regular meetings that the Board of Directors normally holds during the calendar year.

Based on the schedule shared with the candidate, the actual availability thereof to provide the dedication required to hold the position has been verified.

6. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which the candidate for director is a holder

As at the date of this proposal, Ms Mato is not a holder of shares of the Company or of derivative financial instruments whose underlying assets are shares of the Company.

7. Compliance with the “*Director Selection Policy of Euskaltel, S.A.*”

In compliance with the provisions of the “*Director Selection Policy of Euskaltel, S.A.*” approved by the Company’s Board of Directors on 26 April 2016 (the “**Director Selection Policy**”), the selection of Ms Mato as a candidate for director was based on a prior analysis of the needs of the Company and of the group of which Euskaltel is the head.

Along these lines, the Committee believes that the appointment of Ms Mato and her inclusion within the Company’s Board of Directors as an independent director would contribute to achieving the primary objective sought by the Director Selection Policy, consisting of the composition of the Board of Directors favouring a diversity of knowledge, experience and gender.

Furthermore, the appointment of Ms Mato, together with the appointment of Ms García Fau, which is also expected to be submitted for consideration of the shareholders within the context of the upcoming Extraordinary General Meeting of Shareholders of the Company, would also contribute to complying with recommendation 15 of the “Good Governance Code of Listed Companies” approved by the board of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on 18 February 2015 and partially revised on 26 June 2020, which establishes a gender diversity objective consisting of the boards of directors of Spanish listed companies having at least 40% female directors before the end of 2022, with the specification that the percentage of female directors should not be less than 30% until that date.

8. Requirements for holding the position of director of the Company

Based on the information provided by the candidate to the Company, the Committee has verified that Ms Mato meets the requirements of independence, respectability, suitability, expertise, competence, experience, qualification, training, availability and commitment to duties to hold the position of independent director of the Board of Directors of the Company, and has also verified that she meets the general requirements demanded of all directors of the Company pursuant to the provisions of the Corporate Enterprises Act.

In particular, the Committee believes that Ms Mato adequately combines the following skills, abilities and experience required for holding the position of independent director of the Company:

- (a) knowledge and experience in the telecommunications industry and market in which Euskaltel does business;
- (b) strategic vision for the businesses;
- (c) history of value creation;
- (d) management of human resources and teams;
- (e) experience in management, leadership and business strategy as a director;
- (f) highest level of ethics and respect for the business community generally;
- (g) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and
- (h) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

It has also verified that she is not affected, either directly or indirectly, by any of the grounds for disqualification from or prohibition against holding such office or by having interests that conflict with or are contrary to the corporate interest as set forth in provisions of a general nature or in the internal rules of Euskaltel.

9. Conclusion

The Committee unanimously resolves to propose the appointment of Ms Mato as a director of the Company, with the classification of independent director, to fill one of the vacancies that is expected to occur within the Company's Board of Directors prior to the holding of the upcoming Extraordinary General Meeting of Shareholders of Euskaltel, for the reasons set out in this document.

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This proposal is issued by unanimous approval of the members of the Appointments Committee and submitted to the Board of Directors of Euskaltel, S.A. on 29 July 2020.

**PROPOSED APPOINTMENT OF MS GARCÍA FAU AS AN INDEPENDENT DIRECTOR OF
EUSKALTEL, S.A.**

SUBMITTED BY THE APPOINTMENTS COMMITTEE OF THE BOARD OF DIRECTORS

1. Introduction

This reasoned proposal is submitted in accordance with the provisions of Section 529 *decies* of the consolidated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (the “**Corporate Enterprises Act**”), and is intended to report the result of the work performed by the Appointments Committee of the Board of Directors of EUSKALTEL, S.A. (“**Euskaltel**” or the “**Company**”) in relation to the selection of the candidate Ms García Fau as an independent external director of Euskaltel and her appointment to the Company’s Board of Directors, for subsequent submission for consideration of the shareholders at the Company’s Extraordinary General Meeting of Shareholders that will be called to be held on September 2020.

Pursuant to the provisions of said section of the Corporate Enterprises Act and in accordance with the provisions of articles 5.(iii) and 6.(iv) of the Regulations of the Appointments Committee of the Board of Directors of Euskaltel (the “**Committee**”), this Committee must:

- (i) submit to the Board of Directors proposals for the appointment of independent directors on an interim basis (co-option) or for submission to a decision of the shareholders at a General Meeting of Shareholders, as well as proposals for the re-election or removal of said directors by the shareholders; as well as
- (ii) verify compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and gather adequate information regarding their personal qualities, experience and knowledge as well as on their actual availability.

The Committee promotes the profile of the Company directors being suitable for achieving the goals of the Company, which requires that candidates for holding the position of director of the Company have the following aptitudes, among others:

- (a) knowledge and experience in the telecommunications industry and market in which Euskaltel does business;
- (b) strategic vision for the businesses;
- (c) history of value creation;
- (d) management of human resources and teams;
- (e) experience in management, leadership and business strategy as a director;
- (f) highest level of ethics and respect for the business community generally;
- (g) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and

- (h) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

Taking into account the current composition and needs of the Board of Directors, the Committee believes that it is appropriate to submit to the Board of Directors, for subsequent submission for consideration of the shareholders at the Company's Extraordinary General Meeting of Shareholders, the proposed appointment of Ms García Fau as an independent external director of Euskaltel.

2. Professional profile and biographical data of the candidate for director

She has a degree in Law and Economic and Business Science from the Universidad Pontificia Comillas, ICADE (E-3, specialising in finance). She has an MBA from the MIT Sloan School of Management.

She is also a member, among other organisations, of the advisory board of DLA PIPER GLOBAL & DLA PIPER INTERNATIONAL, LLP and SALESFORCE.COM IBERIA/EMEA as well as foundations and associations such as International Women Forum Spain.

She has extensive experience in the telecommunications industry, having held various management positions in Telefónica Group and Yell-Hibu, where she held executive roles at TPI-Páginas Amarillas (Yellow Pages), as Chief Financial Officer and Head of Corporate Development, and was also a member of the Board of Directors of Publiguías-Chile, TPI Perú, Telinver-Argentina and Adquira, among others. At HIBU (formerly YELL) she was CEO for Spain, Latin America and the US Spanish-speaking market, member of its International Executive Committee, as well as Head of Corporate Development and Global Strategy.

Prior to her experience in this industry, she developed her career in Spanish and international companies, including McKinsey & Company, Goldman Sachs and Wolff Olins.

She has also been an independent director at Technicolor, S.A. (formerly Thompson) and Renovalia Energy Group, S.A

3. Other boards of directors to which the candidate for director belongs

Ms García Fau is independent director in the listed Companies Merlin Properties, S.A., Eutelsat Communications, S.A. y Gestamp Automoción S.A. and in the private companies Finerge, S.A. y Glovalvia, S.A.U.

4. Classification of the candidate for director

Ms García Fau has been proposed on the basis of her personal and professional qualifications, it having been verified that she can discharge her duties as a director without being constrained by relationships with the Company, its significant shareholders or its officers.

In light of the foregoing, the Committee believes that Ms García Fau meets the requirements set forth in subsection 4 of Section 529 *duodecies* of the Corporate Enterprises Act to be considered an independent director.

5. Availability of the candidate for director

The Committee has informed the candidate of the schedule of regular meetings that the Board of Directors normally holds during the calendar year.

Based on the schedule shared with the candidate, the actual availability thereof to provide the dedication required to hold the position has been verified.

6. Shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which the candidate for director is a holder

As at the date of this proposal, Ms García Fau is not a holder of shares of the Company or of derivative financial instruments whose underlying assets are shares of the Company.

7. Compliance with the “*Director Selection Policy of Euskaltel, S.A.*”

In compliance with the provisions of the “*Director Selection Policy of Euskaltel, S.A.*” approved by the Company’s Board of Directors on 26 April 2016 (the “*Director Selection Policy*”), the selection of Ms García Fau as a candidate for director was based on a prior analysis of the needs of the Company and of the group of which Euskaltel is the head.

Along these lines, the Committee believes that the appointment of Ms García Fau and her inclusion within the Company’s Board of Directors as an independent director would contribute to achieving the primary objective sought by the Director Selection Policy, consisting of the composition of the Board of Directors favouring a diversity of knowledge, experience and gender.

Furthermore, the appointment of Ms García Fau, together with the appointment of Ms Beatriz Mato Otero, which is also expected to be submitted for consideration of the shareholders within the context of the upcoming Extraordinary General Meeting of Shareholders of the Company, would also contribute to complying with recommendation 15 of the “*Good Governance Code of Listed Companies*” approved by the board of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on 18 February 2015 and partially revised on 26 June 2020, which establishes a gender diversity objective consisting of the boards of directors of Spanish listed companies having at least 40% female directors before the end of 2022, with the specification that the percentage of female directors should not be less than 30% until that date.

8. Requirements for holding the position of director of the Company

Based on the information provided by the candidate to the Company, the Committee has verified that Ms García Fau meets the requirements of independence, respectability, suitability, expertise, competence, experience, qualification, training, availability and commitment to duties to hold the position of independent director of the Board of Directors of the Company, and has also verified that she meets the general requirements demanded of all directors of the Company pursuant to the provisions of the Corporate Enterprises Act.

In particular, the Committee believes that Ms García Fau adequately combines the following skills, abilities and experience required for holding the position of independent director of the Company:

- (a) knowledge and experience in the telecommunications industry and market in which Euskaltel does business;
- (b) strategic vision for the businesses;
- (c) history of value creation;
- (d) management of human resources and teams;
- (e) experience in management, leadership and business strategy as a director;
- (f) highest level of ethics and respect for the business community generally;
- (g) absence of conflict of interest and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and
- (h) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

It has also verified that she is not affected, either directly or indirectly, by any of the grounds for disqualification from or prohibition against holding such office or by having interests that conflict with or are contrary to the corporate interest as set forth in provisions of a general nature or in the internal rules of Euskaltel.

9. Conclusion

The Committee unanimously resolves to propose the appointment of Ms García Fau as a director of the Company, with the classification of independent director, to fill one of the vacancies that is expected to occur within the Company's Board of Directors prior to the holding of the upcoming Extraordinary General Meeting of Shareholders of Euskaltel, for the reasons set out in this document.

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This proposal is issued by unanimous approval of the members of the Appointments Committee and submitted to the Board of Directors of Euskaltel, S.A. on 29 July 2020.