



# 2016 Corporate Responsibility Report



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## Letter from the Chairman and the CEO

*We are especially proud of our Company's performance in 2016. The Euskaltel Group's results reflect solid growth in revenue, customers and profitability, and underline the success of our commitment to shareholders, customers and the market.*

Euskaltel hit several milestones in 2016. In little over one year, we completed three major challenges: our IPO, the integration of R, the leading operator in Galicia, to create the number-one telecommunications group in Northern Spain, and the distribution of shareholder dividends.

These milestones demonstrate our commitment to our shareholders and reinforce our aims of generating value for investors, offering the most advanced products and services to our customers and generating wealth and economic and technological development in our communities, both through R in Galicia and through Euskaltel in the Basque Country.

During our first complete year of public trading, we met our commitments in terms of revenue, EBITDA, operating cash flow and leveraging.

2016 was also a key year in terms of the Euskaltel Group's strategy. During the period, we fulfilled our mission of generating value locally and our vision of being a leading company in Northern Spain, providing telecommunications services in both the Basque Country and in Galicia.

The integration of Euskaltel and R consolidated the Group's growth in revenues, customers and results. During the first full year following the integration, net profit stood at €62.1 million, nearly 11% of revenue, which came to €572.9 million for the period.

This excellent business performance was reflected in a 5.1% rise in EBITDA, to €280 million.

The integration process, underway since early 2016, was highly successful, unlocking synergies valued at €12.9 million.

*“We are leaders in our market. This leadership position energizes us to continue with a consistent strategy, a strategy that has enabled us to meet the expectations of our stakeholders in 2016 and will allow us to continue to do so in the future.”*

In 2017, we expect to see 15% more synergies unlocked, well above the commitments made.

Our plan is ambitious and exacting. Yet with discipline and rigour, it will allow us to optimise interconnection costs and resource efficiency, drawing the most from each

company's assets and negotiating the best conditions with suppliers.

Despite the strong sector competition, we are maintaining our market share and holding our position as leaders in Northern Spain. Moreover, we are improving our cash flow through more efficient management of costs and investments.

We aim to provide a comprehensive response to people's communication needs and help businesses boost their productivity by providing them with information management and communication tools.

Our leading position energizes us to continue with a consistent strategy, a strategy that has enabled us to meet the expectations of our stakeholders in 2016 and will allow us to continue to do so in the future.

Accordingly, in 2017 we will continue to consolidate our business model, maintaining a strategy focused on long-term value for customers. This will be reflected in a bundling strategy to grow in terms of RGU/Subs as well as a mobile convergence strategy to add new lines and improve service costs.

During 2016, the Group approved the 2016-2018 corporate social responsibility (CSR) plan in order to create value for all stakeholders through several lines of actions and to enhance the company's transparency. The CSR plan also mirrors our commitment and adherence to the United Nations Global Compact, following the principles established in the agreement and supporting the Sustainable Development Goals.

We are well aware that our leadership and the sustainability of our success must be well-grounded in a customer-focused management model, placing the Euskaltel Group's team of

professionals as the driver of this strategy. The skills and knowledge of our employees and their ability to foster the confidence of customers facilitate the work of selling our broad range of products and services.

We also contribute to the technological development and economic growth of our local communities, by generating stable and quality employment, wealth and progress. At the same time, we reward the confidence placed in us by our shareholders by increasing the value of shares and by distributing dividends.

We are grateful for the support shown by our shareholders, the trust placed in us by our customers and the efforts of our employees, without whom these results would not have been possible.

*“For 2017, we undertake to continue contributing to the economic and social development of our communities, sharing the values and the corporate culture that set us apart from other telecommunication operators, while generating even more value for our shareholders.”*

We stand firm in our deep-rooted commitment to the market in which we carry out our activity. Our business undertaking, which had its beginnings in the Basque Country, has now expanded to Galicia, simultaneously meeting the needs of all our stakeholders.

For 2017, we undertake to continue contributing to the economic and social development of our communities, sharing the values and the corporate culture that set us apart from other telecommunication operators, while generating even more value for our shareholders.



**Alberto García Erauzkin**  
Chairman



**Francisco Arteche**  
CEO



## The Euskaltel Group at a glance

### About us

We are the leading convergent telecommunications group in Northern Spain, with deep roots in and commitment to the Basque Country and Galicia, where we operate via the operators Euskaltel and R.

We offer services to a market of 5 million people, meeting the needs of over 715,000 residential customers and companies.

We are leaders in fibre optics and convergent telecommunications services (broadband, mobile and landline telephone, and pay TV) in the Basque Country and Galicia, with a solid customer base and complementary business models. We are a mobile phone operator with our own 4G licence and the largest proprietary next-generation fibre optic network in the market.



**€572.9** million in revenue, up 68% on 2015



Euskaltel certified its management system for all its activities in the Basque Country, under **UNE-EN ISO 14001:2015**  
**-15.4%** in use of fuels vs. 2015



**€0.36**/share, for a yield of 4.43%



**527** employees  
Training hours: **41,248**



**66%** of customers with three- and four-project contracts, **up 4** pp on 2015



**€179.9** million investment in R&D&I in the past decade at the Euskaltel Group



**#1** in the sector in terms of claims resolution\*



**85** partnerships with community organisations  
**400,000+** beneficiaries

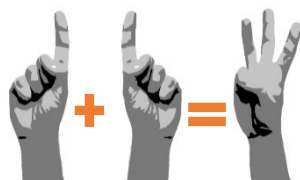
\*Euskaltel's scope

# Integration of Euskaltel and R

Euskaltel is the leading telecommunications operator in the Basque Country, with over 350,000 km of next-generation fibre, offering internet, mobile and landline telephone, broadband and digital television services. In Galicia, R is the preferred operator among Galician households and businesses, thanks to the 291,000 km of fibre optic cable in place.

As part of process of becoming the leading telecommunications group in Northern Spain, the Euskaltel Group has defined an

organisational structure that seeks excellence and competitiveness in its two key markets. Both Euskaltel and R are adapting their structures to drive further growth, shore up their customer focus, develop communications solutions for corporate and individual customers and maximise synergies, thereby boosting the company's results while maintaining their deep-rooted individual commitments to the Basque Country and Galicia, respectively.



The integration process seeks several fundamental goals beyond efficiency and generation of value for our stakeholders:

## CUSTOMER FOCUS

To shore up proximity to the customer, maintaining the local roots of each brand in the Basque Country and Galician markets by strengthening Euskaltel and R business unit autonomy yet ensuring responsibility over operations, and guaranteeing excellent customer service. To take actions to strengthen relationships with the business segment in both markets

## GLOBAL VIEW

To develop areas that strengthen the Group's growth both in the Basque Country and in Galicia, with the creation of the Corporate Marketing and Innovation areas for the development and implementation of specific communications solutions for businesses and individuals, the launch of new products, and the search for technological alliances in the ICT field

## OPERATING EFFICIENCIES

To maximise operating efficiencies and to ensure agility, consistency and flexibility in the decision-making process

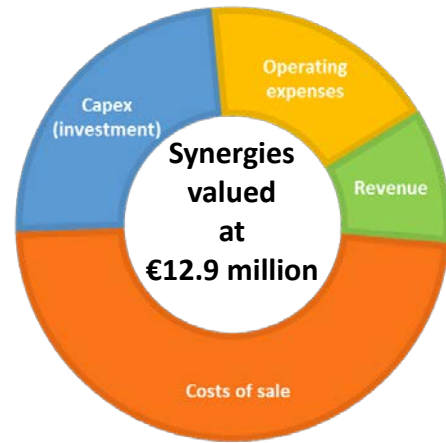
**VERY POSITIVE BOTTOM LINE** during the first year of integration, with synergies valued at €12.9 million. We were able to take major strides in the integration and secure strong business results (68% improvement in EBITDA vs 2015 in Euskaltel and R).

We are applying maximum discipline and rigour in the integration of R, an ambitious yet exacting process.

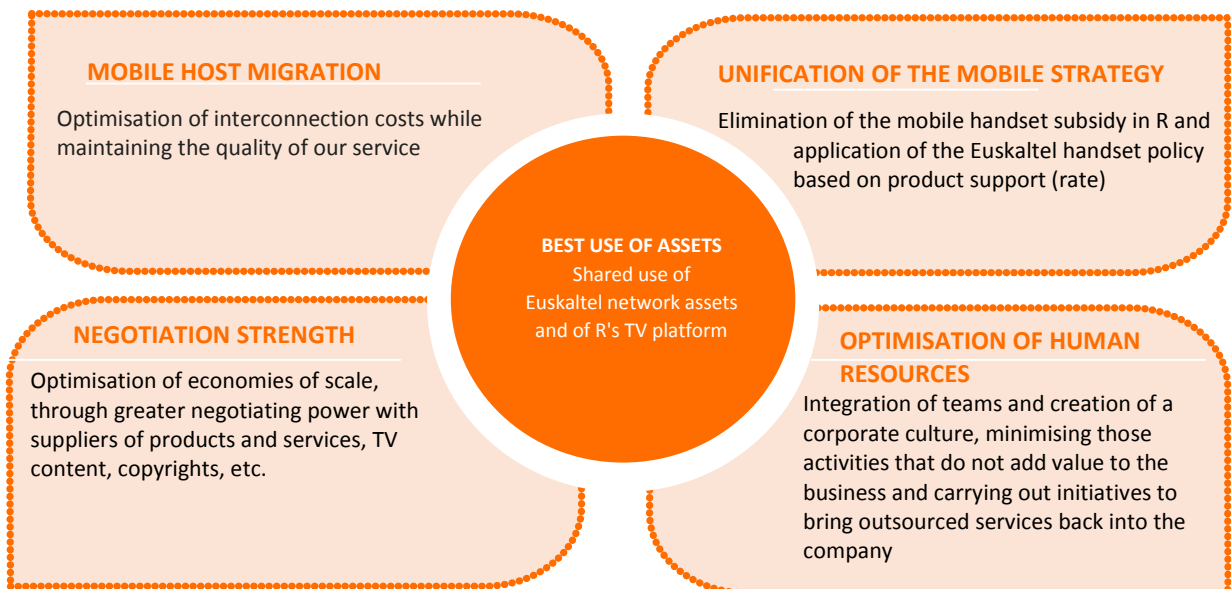
During 2016, EBITDA rose more than 5.1% vs 2015, driven by higher revenues (1.3%) and strong management of direct costs.

Cash flow generated in 2016, after debt service, stood at €135 million, allowing us to distribute dividends to shareholders.

Synergies at EBITDA level are valued at €9.8 million. Along with Capex savings of €3.1 million, this totals €12.9 million, distributed as follows:



**What synergies have been unlocked so far?** The most relevant actions to boost operating efficiency during the integration process are as follows:



## Identification and application of the best CSR practices in Euskaltel and in R

**What are the keys behind a successful integration?** The Group's main assets: the organisation and its people

### THE ORGANISATION

- The integration process was **MANAGED** independently from day-to-day business management, under the direction and leadership of an **integration team**.
- During the **ANALYSIS and DIAGNOSTIC** phase, significant time was spent on **learning and understanding the processes and procedures** of each company, so that the best practices of each company could be identified and used.
- **INVOLVEMENT** of both organisations (i.e., with neither way of working taking precedence over the other), engaging both companies in the **decisions** agreed.

### PEOPLE

- The **INVOLVEMENT** of Euskaltel and R work teams was essential when **sharing experiences** and identifying the best practices to be implemented.
- **COMMITMENT** to the **established** time frames and to the unlocking of synergies
- **DEVELOPMENT** of employees' talent, in order to cultivate their technical and non-technical abilities

### What steps still need to be taken in this process?

- Continue optimising TV content and copyrights costs
- Improve sales costs
- Maximise sales opportunities in the companies segment
- Follow up on the measures implemented during 2016 (in particular, the effect of the mobile host migration)
- Unify the corporate values
- Roll out the 2016-2018 Corporate Responsibility Master Plan, which implements the best CSR practices identified in both Euskaltel and R
- Extend the scope of the integrated management systems to the Group as a whole

*During 2017, we will focus on surpassing the targets announced to the market and on DRIVING THE INTEGRATION PROCESS, with special attention on CULTURE, PEOPLE and the ORGANISATION.*



# Business model

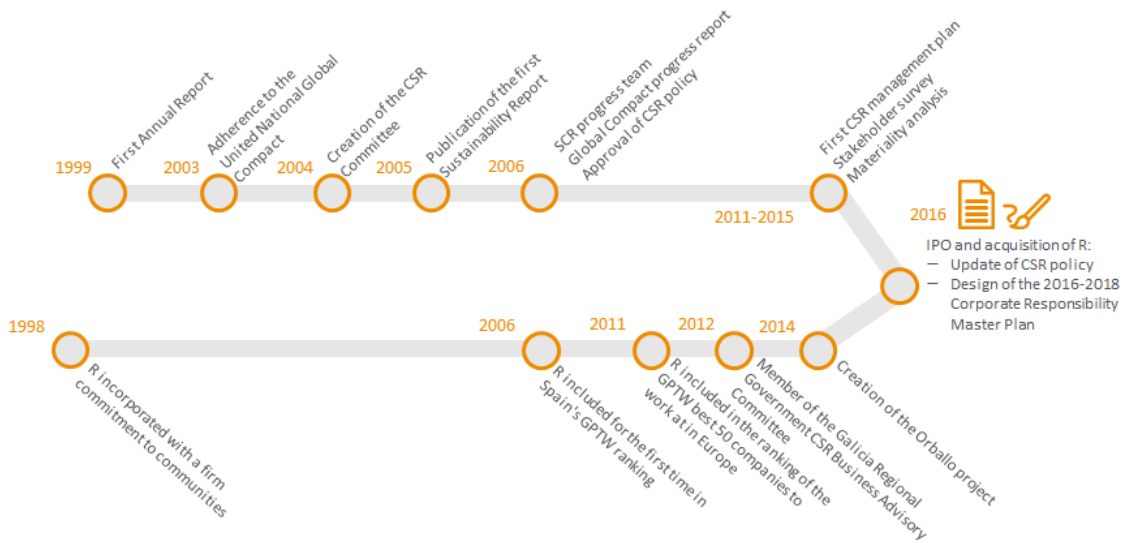
The telecommunications market has undergone a major transformation in recent years, in order to adjust to the

challenging macroeconomic environment. The main trends affecting the market are as follows:

Telecommunications sector	Euskaltel's response
<p><b>Convergence: bundled offers with added value</b> The market has been characterised by a rapid transition towards convergence of landline and mobile services, with operators bundling services such as broadband, pay TV, mobile and landline telephone services. This reduces cancellation rates and increases per-customer revenue.</p>	<p>The bulk of our services are offered as part of bundles, combining several services under a single invoice. A total of 66% of residential customers and 53% of SMEs have contracted bundles of three or four products (3P or 4P), which has created greater ties with these customers and boosted our per-customer revenues.</p>
<p><b>Consolidation process</b> The number of agents in the market has decreased significantly, following numerous M&amp;A processes of companies seeking synergies.</p>	<p>The acquisition of R gave rise to the number-one telecommunications group in Northern Spain, consolidating the Group's growth in revenues (€572.9 million), customers and profit (€62.1 million).</p>
<p><b>Higher rates</b> The reduction in the number of operators has favoured more rational competition, halting the downturn in prices.</p>	<p>Our rates increase (€1 in the OSOA pack with mobile and landline phone) is the lowest on the market.</p>
<p><b>Higher data use and faster speeds</b> According to a study by CISCO, there will be 207 million internet-connected devices in Spain in 2017, which equals six connections per person. A total of 17 exabytes will be transferred, double that exchanged today. In addition, mobile data traffic will grow at a much faster pace. To serve this reality, the greater bandwidth offered by next-generation networks is becoming more and more of a necessity.</p>	<p>We have a proprietary next-generation fibre optic network and an outdoor WiFi network, as well as 4G mobile, proprietary frequencies at 2.6GHz and competitive wholesale mobile agreements.</p>
<p><b>Importance of TV and content</b> With service convergence, TV has become the key factor for securing customers. This is evidenced by the significant investment in content being made in the sector, particularly in sports content.</p>	<p>We offer pay TV services through a varied offer of digital programming, with unique bundles and features such as Replay, Videoteka and Edonon, Rebobina and TV Comigo. Our content offer focuses on providing customers a competitive option while ensuring profitability for our shareholders.</p>
<p><b>Stiffer competition</b> As the large operators accelerate the roll-out of their next-generation networks in the areas in which the Euskaltel Group is present, competitive pressure could increase, leading to a drop in prices and a possible loss of some customers.</p>	<p>We are the number-one group in Northern Spain and have deep roots in the communities in which we operate. Our philosophy is to act as a driver of these communities, generating employment and business opportunities, to cultivate the loyalty of our customers and the sense of pride of our employees.</p>

In this highly-competitive business context, since their earliest days both Euskaltel and R have considered their ties to and identification with these communities as the cornerstone of their actions, and have

a solid track record in sustainability. Accordingly, during 2016, work was undertaken to integrate the CSR policies and strategies existing at both companies.



In May 2016, the Euskaltel Board of Directors approved the Group CSR policy, setting the basis for consolidating a sustainable and unique undertaking, in line with Euskaltel's adherence to the United Nations Global Compact in 2003. In creating this policy, we looked to the UN's 2030 Agenda for Sustainable Development, the Paris Climate Agreement and the best practices set out in the Code of Good Governance issued by the Spanish National Securities Market Commission (Comisión Nacional de Mercado de Valores, CNMV). We also took into account relevant aspects for Euskaltel identified in the materiality analysis verified with the Group management areas, in order to subsequently identify priorities and set

quantifiable targets. The outcome of this process was a CSR policy setting out eight lines of action, further implemented in the 2016-2018 Corporate Responsibility Master Plan, which establishes the objectives and monitoring indicators that ensure consistent application of the policy. The Corporate Responsibility Master Plan is aligned with the UN's Sustainable Development Goals (SDG) and therefore with its Agenda 2030, allowing the company's contribution in that regard to be measured and managed.

The plan serves as guidance for the Group's first Corporate Responsibility Report, sharpening the focus on the most relevant issues for the Euskaltel Group and its stakeholders.





## Organisational and cultural capital

*“Since its incorporation in 1995, Euskaltel has never strayed from applying the best corporate governance practices. In every business decision, it has taken into account the different codes issued by the CNMV, from the Olivencia Code in 1998 to the latest code published in February 2015”.*

Alberto García Erauzkin

We are the leading telecommunications group in Northern Spain, with deep roots and autonomy in the regions in which we operate. At the same time, we are a listed company that demonstrates its

commitment to excellence in corporate governance and that undertakes to adopt the best practices in that area. We are firmly committed to long-term sustainable management.



Contribution to the SDG

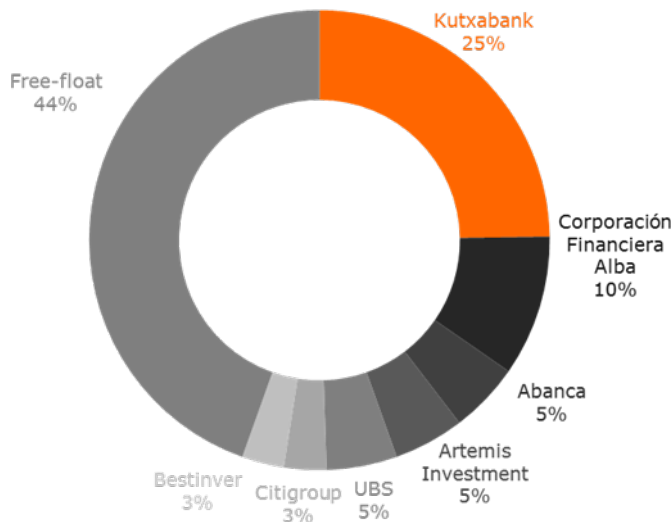


# Our organisation

## Shareholder structure

The Euskaltel Group comprises the parent company Euskaltel, S.A., along with R Cable y Telecomunicaciones Galicia, S.A. (100%) and Cinfo, Contenidos Informativos

Personalizados, S.L. (67.20%). Euskaltel has been listed on the Bilbao, Madrid, Barcelona and Valencia stock exchanges since 2015.



*Our shareholder base is largely committed to the Group, showing strong loyalty to us over the long term.*

## Board of Directors

Euskaltel, S.A. is governed and managed by its shareholders in general meeting and by the Board of Directors.

The Euskaltel Group's Board of Directors is entrusted with adopting agreements on all issues that, by law or the corporate bylaws, do not fall to the shareholders in general meeting. The core of the Board's mission is to approve the strategy and organisation needed to implement, supervise and control senior management's compliance with the objectives set and adherence to the statutory objective and interest. The Board of Directors is endowed with the broadest powers and authority to manage and represent the Euskaltel. It may entrust senior management and the management bodies with day-to-day administration, as well as the dissemination, coordination and general implementation of the company's policies and guidelines, in order to focus on defining, supervising and monitoring the

general policies, strategies and guidelines to be followed in the Euskaltel Group.

Each year, the Board of Directors evaluates its performance and that of its committees. Based on these findings, the Board proposes action plans to remedy any weaknesses detected.

Every three years, an external consultant assists the Board of Directors in this evaluation. The independence of the external consultant is verified by the Appointments and Remuneration Committee.

Given that the majority of the appointments to the Euskaltel Board of Directors were set to expire prior to the 2017 Ordinary General Shareholders' Meeting, it was necessary to submit decisions in that regard (renewals or new appointments) to the shareholders at the 2016 General Shareholders' Meeting.

Accordingly, in 2016, an intense self-assessment and Board member selection

process was carried out, led by the chairman of the Appointments and Remuneration Committee. This process included:

- a) An individual assessment of each Board member whose post was coming up for renewal
- b) The search for well-known and well-respected candidates with demonstrable experience in the telecommunications sector, placing special emphasis on experience in listed companies and a strong knowledge of corporate governance practices

The selection process aimed to round out the range of knowledge and experience already contributed by members of the Board of Directors.

At the General Meeting, the shareholders approved, with a solid majority, all Board member re-election and appointment proposals put forth.

At 31 December 2016, the Euskaltel Board of Directors comprised the following ten directors (two executive directors, three proprietary directors and five independent directors):

MEMBERS	POST	CATEGORY	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT
Mr. Alberto García Erauzkin	Chairman	Executive	28-11-2000	27-06-2016
Mr. Francisco Manuel Arteche Fernández-Miranda	CEO	Executive	27-06-2016	27-06-2016
Mr. José Ángel Corres Abasolo	Vice Chairman / Lead Independent Director	Independent	08-03-2013	27-06-2016
Kartera 1, S.L., represented by Ms. Alicia Vivanco González	Member	Proprietary	27-06-2016	27-06-2016
Mr. Alfonso Basagoiti Zavala	Member	Proprietary	08-03-2013	08-03-2013
Mr. Javier Fernández Alonso	Member	Proprietary	30-09-2015	12-11-2015
Ms. Belén Amatriain Corbi	Member	Independent	31-03-2015	31-03-2015
Mr. Iñaki Alzaga Etxeita	Member	Independent	31-03-2015	31-03-2015
Ms. Elisabetta Castiglioni	Member	Independent	27-06-2016	27-06-2016
Mr. Miguel Ángel Lujua Murga	Member	Independent	27-06-2016	27-06-2016

The Euskaltel, S.A. Board of Directors comprises five independent directors (50%) and three women (30%), thereby complying with Recommendations 14 and 15 of the Code of Good Governance for Listed Companies, issued by the CNMV.

In accordance with article 15 of the Board of Directors Regulations, the chairman of the Board is entrusted with certain powers, including the power to:

- Call and preside over meetings of the Board of Directors and any meetings of the Executive Committee, setting the agenda for the meetings and directing the discussion and deliberations
- Preside over the General Shareholders' Meeting and direct the discussions and deliberations that take place thereat
- Bring to the Board of Directors those proposals that the chairman deems appropriate for the successful operation of the company, particularly those corresponding to the operation of the Board of Directors itself and other corporate decision-making bodies
- Promote the work of the consultative committees of the Board of Directors and ensure that they carry out their duties and responsibilities efficiently and with due coordination, with the appropriate organisation for such purposes
- Ensure that the directors receive, in advance of meetings, sufficient

information to deliberate on the items on the agenda

- Prepare and submit to the Board of Directors a schedule of dates and matters to be considered, stimulating debate and the active participation of the directors during meetings, safeguarding their freedom to take positions
- Organise and coordinate the periodic evaluation of the Board as well as any chief executive of the company, and as the person responsible for the management of the Board and for the effectiveness of its operation, ensure that sufficient time is dedicated to the discussion of strategic issues
- Approve and review refresher programmes for each director when the circumstances warrant

In addition to the functions in connection with the post, the chairman of the Board, as executive director, carries out the following executive functions in the Euskaltel Group: definition of the corporate strategy, supervision of executive and operational management, and executive

management of the organisational structure used to define future strategy, corporate development, investor relations, internal audit and the general secretariat (including Legal Affairs, Communications and Institutional Relations areas, as well as the Euskaltel Foundation), for both Euskaltel and R Cable.

The CEO has been delegated all the powers of the Board of Directors, other than those that cannot be delegated for legal or statutory reasons, or the power to guarantee third parties.

The Board of Directors has two committees, the Audit and Control Committee and the Appointments and Remuneration Committee. These bodies do not carry out executive functions and are governed by their respective internal regulations. Their main function is to assist, inform and submit proposals to the Board in the matters entrusted to them at any given time.

Most of the members of these committees are independent directors, in compliance with Recommendations 39 and 47 of the CNMV's Code of Good Governance for Listed Companies.

#### *Audit and Control Committee at 31 December 2016*

MEMBERS	POST	CATEGORY
Mr. Iñaki Alzaga Etxeita	Chairman	Independent
Kartera 1, S.L., represented by Ms. Alicia Vivanco González	Member	Proprietary
Mr. José Ángel Corres Abasolo	Member	Independent
Ms. Elisabetta Castiglioni	Member	Independent

#### *Appointments and Remuneration Committee at 31 December 2016*

MEMBERS	POST	CATEGORY
Mr. José Ángel Corres Abasolo	Chairman	Independent
Mr. Alfonso Basagoiti Zavala	Member	Proprietary
Mr. Javier Fernández Alonso	Member	Proprietary
Ms. Belén Amatriain Corbi	Member	Independent
Mr. Miguel Ángel Lujua Murga	Member	Independent

The Board of Directors meets as often as suitable to properly perform its duties and at least six times per year. At least one meeting is held each calendar quarter. The Board of Directors also meets on the initiative of the chairman, as often as the

latter deems appropriate for the proper operation of the company.

A key part of Euskaltel's strategy is to improve the consistent quality of its dialogue with institutional investors and their representatives (proxy advisors) in corporate governance matters, so that the

resolution proposals submitted at the General Shareholders' Meeting are met with broad support.

Through face-to-face meetings with these proxy advisors, Euskaltel ascertains, first-hand, the expectations of its institutional shareholders. It then takes their opinions into account when preparing the different proposals submitted to the shareholders in General Meeting.

In terms of compensation and in accordance with article 529.19 of the

Spanish Limited Liability Companies Law, the Euskaltel Board of Directors remuneration policy for 2016, 2017 and 2018 was approved at the General Shareholders' Meeting held on 27 June 2016. The Annual Report on the Remuneration of Directors for 2015 was also submitted to a consultative vote at that meeting.






Both proposals were broadly supported by shareholders, with 97.8% and 99.7% votes in favour, respectively.

## Best practices

At the last meeting of Euskaltel's Board of Directors in 2015, the directors assessed compliance with the recommendations set out in the CNMV's Code of Good Governance. The Board was apprised of the most significant recommendations

pending compliance and approved the modifications necessary to bring governance into line with all pending recommendations, as part of its 2016 efforts.

### Steps toward improvement in 2016

	Approval of the policy for communication and contacts with shareholders, institutional investors and proxy advisors, in line with Recommendation 4
	Approval of the director selection policy, in line with Recommendation 14
	Modification of articles 9 and 18 of the Boards of Directors Regulations, to limit the maximum number of boards of listed companies on which the company's directors may serve and to endow the lead independent director with the powers foreseen in the CNMV's Code of Good Governance, in line with Recommendations 25 and 34, respectively
	Evaluation of the Board of Directors in May 2016 upon expiry of mandates and re-election and appointment of new directors, in line with Recommendation 36
	Update of the risk management policy and creation of the corporate Compliance area within the Euskaltel Group, in accordance with Recommendations 45 and 46
	Approval of the addendum to the chairman's contract, in line with Recommendations 63 and 64
	Update of the CSR policy, in line with Recommendation 54

All the above steps have brought us into full compliance with the CNMV's corporate governance recommendations and the best practices in this area.

**100% compliance with CNMV recommendations in 2016**

# Principles of conduct

## *Our MISSION focuses on creating value*

"To provide a comprehensive response to people's communication needs and help businesses boost their productivity by providing them with information management and communication tools, thereby making a contribution to social and economic development in our communities"

## *Our VISION is ambitious and entails a strong commitment*

"A leading group in Northern Spain, providing global ICT solutions to match the needs of the market and rendering services for customers, as a benchmark in service, commitment and support, ready to take up opportunities for growth and development in new business and other geographic markets"

## *Our corporate VALUES are our identity markers*

"Our corporate values are our identity markers. They determine the ways in which we operate and understand the framework of relationships with internal and external parties."

In order to ensure that these principles are transmitted to all Euskaltel professionals, the Code of Ethics and Conduct was approved in 2015. This code sets out conduct rules for all employees, irrespective of their hierarchical position, and for any person working in the name or on behalf of the Euskaltel Group. Furthermore, R has its own code of conduct. Both codes are aligned, thereby promoting the adoption of consistent conduct guidelines across the entire value chain.

Supervision of compliance with the code is entrusted to the Corporate Defence

Committee, which bears ultimate responsibility for the effective supervision and monitoring of the regulatory environment affecting the Group's business. In order to transmit to employees Euskaltel's concern for preventing crimes and fighting fraud, and to give these professionals the practical tools they need to detect and avoid corrupt practices, the committee organises and offers training courses (in person, e-learning, etc.) on criminal risks and on the tools available within the company for mitigating these risks.



**First sector company to obtain AENOR certification for crime prevention, shoring up its commitment to an ethical culture and good governance**



# Risk management

The Board of Directors oversees the Euskaltel Group's risk management system, through the Audit and Control Committee. The system is managed by senior management and throughout the organisation at large. The risk management system is a comprehensive, round-the-clock system, managed at corporate level by each company and management area within the consolidated group.

In the framework of its risk management system, Euskaltel has established operational controls that mitigate risks, thereby ensuring compliance with the

Code of Conduct and with prevailing legislation. Within the scope of the annual audit plan, approved by the Audit and Control Committee, internal audits are carried out on the degree of compliance with the code.

What are the main risks that could affect achievement of our business objectives? Based on the COSO model, we identify the main strategic, operational, information and compliance risks to be mitigated in order to safeguard both Euskaltel's assets and its reputation.



Euskaltel has implemented procedures and systems for taking into account its risk tolerance in all corporate decisions.

The Audit and Control Committee Regulations are available here:

[http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno\\_corporativo/es/reglamento\\_comision\\_auditoria\\_control\\_es.pdf](http://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/gobierno_corporativo/es/reglamento_comision_auditoria_control_es.pdf)

The Euskaltel Group's risk control and management policy establishes the basic principles and general action framework to



control and manage all the risks facing the Group, so it can secure its objectives and successfully carry out its strategies.

# CSR management

Euskaltel is ranked 30th out of 113 companies in the 2016 Informe Reporta, which analyses the quality of public information disclosed by companies listed on the Madrid Stock Exchange General Index (IGBM).

As a socially-responsible company, Euskaltel undertakes to base its stakeholder relations on ethical and transparent criteria, issuing accurate and complete information that reflects the company's sustainable commitment, a cornerstone of its business strategy and activities.

The Group has defined the tools needed to evaluate the implementation and performance of the 2016-2018 Corporate Responsibility Master Plan, in order to properly manage both internal and external resources while recognising its legal obligations to and other commitments with stakeholders.

The Corporate Responsibility Master Plan is monitored by a CSR team comprising representatives from the departments that carry out activity in the previously-defined corporate social responsibility areas.

The team meets every two months to apply control tools such as the Group's strategic CSR scorecard, the CSR scorecards of each department, the Corporate Responsibility Report, the workplace climate survey, the company survey, internal audits and the bi-monthly monitoring reports.

The CSR plan will be used in designing the Group's strategic plan.

The CSR policy is coordinated by the corporate Institutional Relations area, which organises the CSR team and its meetings.

The Board of Directors reviews the CSR policy, its design and implementation every two years, thereby ensuring consistency in the model adopted.

Achievements in 2016	
Continued implementation of actions under the company's good governance policy	✓
Implementation of actions under the Code of Good Governance for Listed Companies	✓
Review of the CSR policy and establishment a new CSR strategy for the coming cycle	✓
Work toward the integration of Euskaltel and R	✓

Work planned for 2017
Identify good governance recommendations applicable in the Euskaltel Group
Promote and facilitate accessto the Group's financial and non-financial information
Design a CSR plan reporting and monitoring model
Design a relationship and communications model for key stakeholders



# Human capital

We aim to select, develop and retain talent and to foster personal and professional growth among all Group employees, involving them in the business undertaking and offering a good working environment in terms of training, work/life balance, equality, compensation, safety and ethical values.

During the integration process, the Human Resources areas were restructured in order to maximise operating efficiencies, ensuring agility, standardisation and flexibility in the decision-making process while providing leadership for the Group's teams.

The organisation, human resources and quality plan establishes the measures to strengthen confidence in the company, by managing diversity, enhancing employee engagement through the healthy company model, and

improving collective performance through the comprehensive management system.

These efforts have led to the establishment of a motivation and alignment programme, a people programme and an organisation programme, taking the shape of instrumental plans aimed at implementing all the initiatives contained in the three lines of action: confidence, individual performance and collective performance.



Contribution to the SDG

### LOCAL EMPLOYMENT AND VALUE CREATION

We contribute to creating local employment and wealth, strengthening our social commitment with our communities.

### DIVERSITY AND EQUALITY

Through our equality plan, we foster a balanced and diverse work environment, as an inclusive company.

**527**  
Group workforce

### HEALTH AND WELL-BEING

We encourage continual improvement of the work environment, by applying work/life balance measures that help employees achieve better physical, mental and social well-being, which in turn creates a pride in belonging and a better workplace climate.

### DEVELOPMENT, YOUNG TALENT AND SUCCESSION

We cultivate the professional development of all Group employees. We collaborate with universities and educational centres to support the workforce integration and development of young people.

# Local employment and value creation

## Euskaltel Group as local employment source

The Euskaltel Group places high priority on consistently applying the values that build a consolidated brand reputation and that attract the best employees and talent.

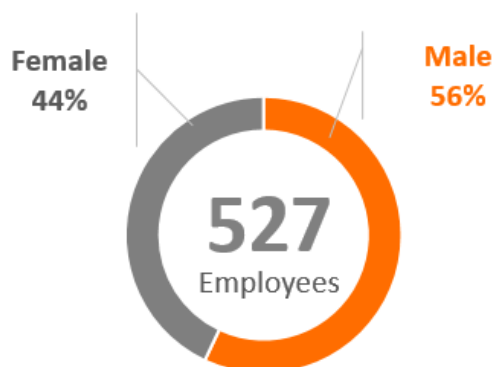
Our human resources policy seeks to maintain the stability and continuity of our professional team, offering employees flexible employment conditions and a better work/life balance.

In order to identify the action lines necessary to create a new Group culture drawing from the best of both Euskaltel and R, the "cultural focus" proposal has been prepared.

The first step in this project is to define the shared corporate values espoused by the Group's 527 professionals (44% women and 56% men).

The Euskaltel Group helps create wealth and employment in the communities in which it operates. In the Basque Country, it has created 337 direct jobs and over 2,000 indirect positions. In Galicia we employ 190 people and generate nearly 1,500 indirect jobs.

Of total staff, 99% enjoy the security of a permanent employment contract.



**99%**

of staff with permanent contracts

**43 years**

average age of employees

In a show of mutual trust and consensus, in 2015 the 3rd Euskaltel Collective Labour Agreement was signed, implementing the following improvements over the previous agreement: five-year company commitment to sustainability (until 31 December 2018); 1%-2% increase in wages in accordance with the company's economic performance (based on prior-year EBITDA); unanimous agreement with trade unions represented in the company; work/life balance by increasing the number of hours employees can take for personal reasons, from 24 in 2015 to 32 in

2016, and 36 and 40 in 2017 and 2018, respectively. A total of 79.82% of employees are covered by the Collective Labour Agreement.

On 29 December 2016, a provisional agreement was signed in relation with the first Collective Labour Agreement of R, ratified by a vast majority of the employees (96% of staff). The preliminary agreement addresses key bargaining issues such as job security, working hours, partial consolidation of variable remuneration, wage increase, employee benefits, on-call shifts and availability.

## Creation of value in relationships with other companies

In the past two years, the Euskaltel Group has moved toward a model focused on generating value and wealth in the community, by forming alliances with local sector-related companies. In order to support economic development in the areas in which the Group operates, long-term technological alliances were also established, primarily with two benchmark sector companies.

- In the IT market, the Group forged an alliance with GFI, allowing Euskaltel to boost its competitiveness and to gain a permanent position at the forefront of information systems technology. Moreover, the alliance helps Euskaltel to offer unique solutions based on better knowledge of the sector and on the use of the most appropriate technologies.
- In the area of telecommunications technology, the Group created an alliance with ZTE, thereby endowing Euskaltel's network with greater transmission capacity and enhanced security. The alliance sets the stage for simpler maintenance and more efficient network management, while allowing the Group to implement and adapt to the constantly-evolving requirements of telecommunications technologies. ZTE is a solid partner for Euskaltel in its transformation of the network and of customer services.

As an outcome of these alliances and drawing heavily from Euskaltel's experience, these partners have generated employment and have grown in size. GFI created over 200 jobs in connection with the Euskaltel project, as well as new projects with new customers, while ZTE created 52 new job positions. The alliance with ZTE also enabled Euskaltel to carry out technological advances in its network, including Long-Term Evolution (LTE), IP Multimedia Subsystem (IMS) and Fibre To The Home (FTTH). As a result of these developments, the company now offers customers new higher-quality products and has moved closer to its goal of achieving greater digitalisation.

In both cases, the exchange of knowledge with the Euskaltel team was key for generating advances in the other companies and growing together, maximising the synergies between the sector companies. The Group has also extended guarantees to safeguard the working conditions of employees hired by the companies to which certain services previously rendered in-house were outsourced. Through these efforts, the Group has successfully safeguarded labour guarantees in respect of employment and working conditions, seniority and the geographic location of employees' work centres.



## Diversity and equality

Promoting equal opportunities and personal diversity in the workplace is a fundamental principle for the Group. This priority is reflected in the diversity and equality plan, which forms part of the motivation and alignment programme. During 2016, Euskaltel carried out a new diagnostic process of the current situation of women and men within the company, specifying objectives and measures in respect of five lines of action and their related targets, activities and indicators:

- Displaying values and culture
- People management
- Use of work time and co-responsibility
- Awareness of non-violence toward women
- Impact on society

### Equal opportunities

The Group is committed to the equality of its employees and to supporting the changes that occur in their lives or the lives of their family members, standing by them in circumstances outside the normal professional relationship.

Euskaltel manages its human resources in due respect of human rights, equal opportunities, freedom of association and the right to collective bargaining. It rejects any form of discrimination, striving within its area of influence to eliminate all forms of forced and compulsory labour, especially child labour.

With the aim of energizing a corporate governance approach in which the gender perspective is mainstreamed in all decisions, both internal and public-facing, organisational dynamics were carried out to contribute a balanced gender presence in all contexts of the company. This in-house commitment is naturally reflected in the external actions and social impact of all Euskaltel staff. In addition, drawing from Euskaltel's Code of Ethics and Conduct and R's Code of Conduct, efforts are in place to encourage the effective equality between men and women in employment areas (selection, promotion and hiring), training and development, compensation, and awareness-raising actions. The current Collective Labour Agreement is one of the clear examples of Group's focus on work/life balance and equal opportunities.

To fulfil these objectives, Euskaltel's Code of Ethics and Conduct and R's Code of Conduct set out the principles and standards to be observed by Euskaltel Group staff and anyone working in the name of the company. During 2016, no incidents of discrimination occurred in the Group, underscoring the success of these efforts.

In order to continue adapting and evolving in our commitment to equality, the human resources scorecard looks at all indicators from a gender perspective.



As part of its efforts to bring about the labour market integration of persons with disabilities and in compliance with Law 13/1982 on the integration of the disabled (Spanish LISMI), the Group is committed to respecting the law and, where applicable, to applying the alternative measures foreseen by the law. To that end, the Group hires special work centres to carry out certain tasks, creating direct and indirect employment for people with different abilities.

Specifically in 2016, Euskaltel contracted out reception, mail room and telephone-answering services to a special work centre, representing an investment of over €102,000 and ensuring the incorporation of persons with disabilities into the Group's workforce.

In turn, R supports the workforce insertion of people with disabilities by contracting out telemarketing services to a special work

centre, for an annual investment of €262,000. The centre, which provides employment for over 80% of people with disabilities in Galicia, is a partner in our business, entrusted with caring for our customers.

Euskaltel's commitment to equal opportunities is also borne out through the Aflora plan and the Family plan. Under these two plans, advice and support is provided to employees having a potential disability, who also receive monthly financial aid for as long as the disability persists. Thanks to the Aflora and Family plans, we have been able to identify situations of disability, raising awareness and normalising the issue in the affected areas.

In addition, the Group conducts informational campaigns and awareness-raising activities on equal opportunities, such as those discussed below.

<p><b>Aflora plan</b> for employees with functional disabilities</p>	<p>➤ <b>€180/month</b> per person</p>
<p><b>Family plan</b> Financial aid for employees with a disabled family member</p>	<p>➤ <b>€169/month</b> per family member</p>

# Development, young talent and succession

## Professional development

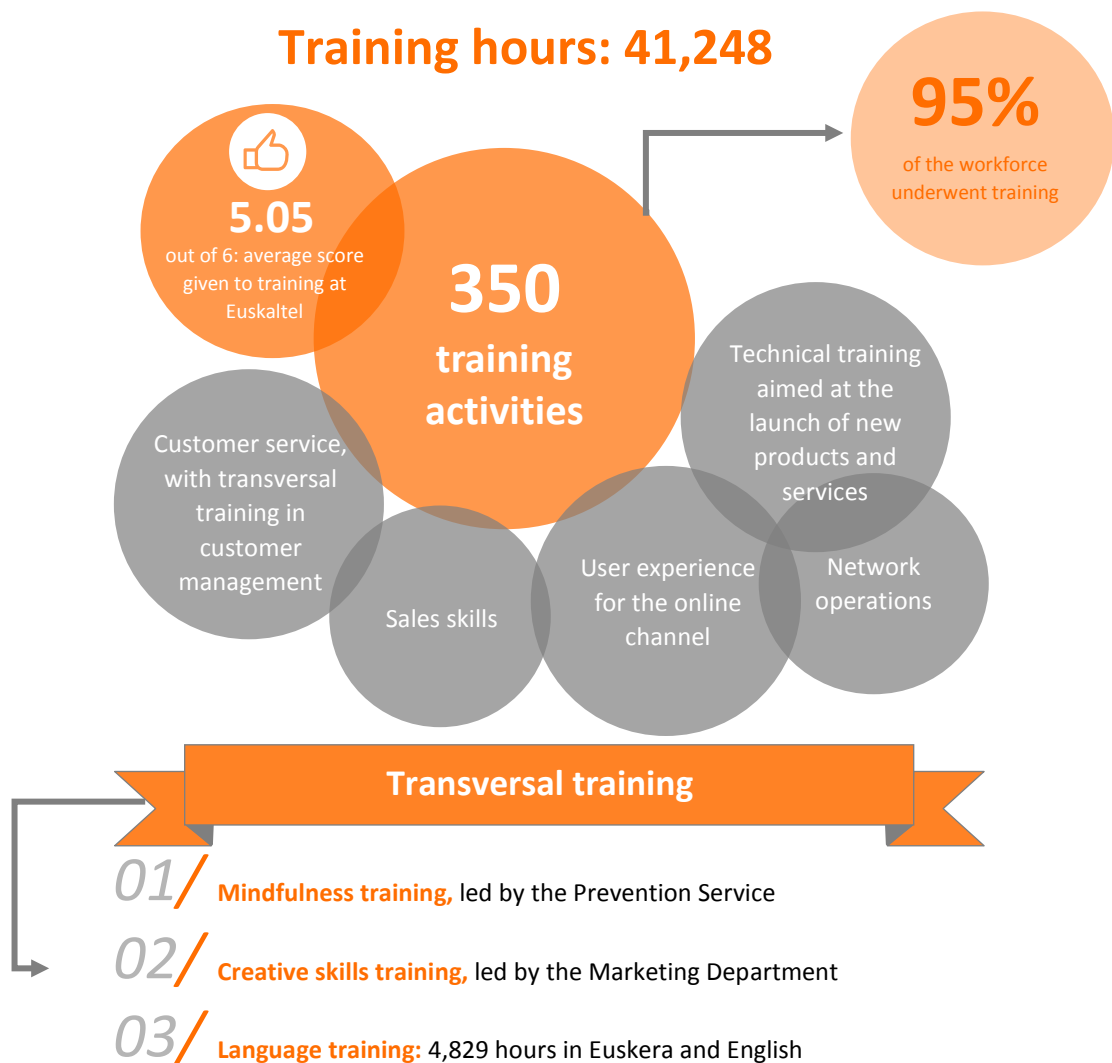
Companies and their environments are becoming increasingly complex. Professional development is one of the key ways the Group prepares to face the challenges of the future.

To that end, we have made training plans available to employees and we invest in training activities that support their professional development, fostering excellence in their activities so they can contribute further value to the company.

In 2016, 41,248 hours of training were offered to over 95% of employees, through workshops

and e-learning videos for immediate application in the job post, as well as other periodic communications and training activities.

The largest amount of training hours were dedicated to language training, followed by technical training on new equipment and software and, in a similar proportion, training in management skills and specific non-technological training for each management area.





TRAINING FIGURES		2015 training hours	2016 training hours	Change	Average training hours per person 2016
Personnel under the Collective Labour Agreement	Women	15,623	15,775	+1.0%	83.91
	Men	12,570	15,015	+19.5%	82.50
Managers	Women	1,488	1,616	+8.6%	47.53
	Men	4,181	5,079	+21.5%	76.95
Executives	Women	568	748	+31.7%	83.11
	Men	3,044	3,015	-1.0%	62.81

## Young talent and succession

At the Euskaltel Group, we look for the best professionals eager to join our team. We are working on managing the generational handover, as a key aspect of the transfer of knowledge and talent management acquired throughout the years.

We help young adults in our local communities build skills through shared projects, providing them with education and workplace experiences through internships and training under agreements with universities. The Group has entered into

several educational cooperation agreements with universities in the Basque Country, Galicia and Asturias, as well as with a number of vocational training centres. During 2016, 36 interns worked with the Group, primarily telecommunications engineering students and students from web and multi-platform design higher learning schools.

In addition, students often visit the company as part of our ongoing contact with universities and other educational institutions.



### *The R Sementes internship programme*

This programme bears out the Group's commitment to young talent, through a number of internship offerings and practical work experience. The programme is organised in collaboration with different universities in Galicia and Asturias. R also has a close relationship with the organisers of job fairs at these universities and the main city councils in order to attract the best talent to the Group.

**10+**  
agreements with  
educational  
institutions

## Health and well-being

We are proud of our corporate culture and our values, focused on sustainability, and our policy of supporting one of our most important assets: our people.

The Euskaltel Group understands that caring for its professionals and providing employee benefits offers these professionals the additional advantages that help improve their day-to-day life and deepen their commitment to the company.

In 2016, the Euskaltel Group took its first steps toward the healthy company model, as part of its personnel-focused activities, to shore up the confidence of people in the company, enhance their individual performance and improve cooperation across the board. One of the tools implemented to improve the well-being of employees was the mindfulness workshops offered to all staff.

The persons programme also features the work/life balance initiative, which comprises new measures to ensure greater flexibility in the workplace.

These measures are focused on listening to employees and finding solutions to their individual requirements, in respect of changes in timetables due to specific needs, working from home during illness of a direct family member, or temporary transfer to the work centre closest to home in the summer months, among others.

The Group also has a benefits package that goes above and beyond customary employee benefits.

*We aim to help our employees in the areas of concern to them, during the most important events in their lives.*



With respect to psychological and social risks, the analysis conducted in 2016 concludes that psycho-social risk at Euskaltel is "not significant".

In this line, the "Healthy R" programme has been developed in Galicia, to raise awareness about and promote mental and physical

health, with actions such as Fruit Week and intranet news on the nutritional benefits of certain foods. These efforts were reinforced through talks on health issues, such as nutrition and skincare, attitudes during health and illness, antioxidants, etc.

\* Life insurance is exclusively offered to R employees.

## Occupational health and safety

One of our strategic commitments is the health and safety of all employees, as set out in Euskaltel's Code of Ethics and Conduct and R's Code of Conduct.

To that end, the Group has developed an occupational health and safety management system, certified under the international standard OHSAS 18001. This system encompasses all activities carried out at our centres and in all phases of the business. The objective is to conduct all activities in line with the occupational health and safety criteria established, thereby avoiding or mitigating

risks and fostering a stable and safe workplace.

Our health and safety culture is shored up by preventative training designed for each work post, offered as from the day employees first join the Group.

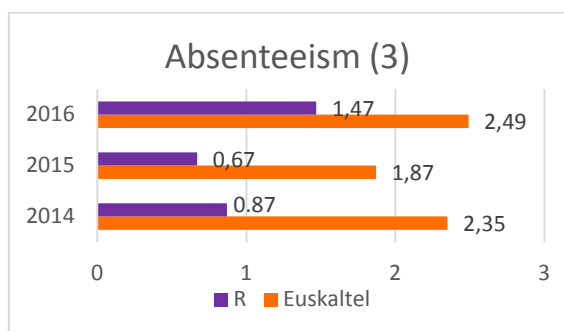
In addition, as part of the annual occupational health and safety programme, all Group centres are regularly inspected to ensure that working conditions are healthy and safe.

Severity index <sup>(1)</sup>: 0

Frequency index <sup>(2)</sup>: 0



*Thanks to the preventative measures implemented, there have been no accidents in 2016 leading to time off work, and frequency and severity indices remained at zero.*



(1) Days lost per 1,000 hours worked

(2) Accidents leading to time off work, per 1 million hours worked

(3) Absenteeism is calculated using the percentage of hours lost exclusively for common illnesses, out of total hours worked.

Follow-up on 2016 commitments	
Preparation of a diversity plan that includes an equality plan	✓
Specific measures within the healthy company project	✓
Move forward in work/life balance measures, the remote working plan, and extension of flexibility measures	✓
Workplace climate survey	✓

Work planned for 2017
Move from a "prevention" focus to a "healthy company" focus, by defining the Group-wide 2017-2019 Healthy Company Master Plan
Monitor the scope of the new ISO 45001 standard, which replaces OHSAS 18001
Define a succession and generational transition plan
Conduct a workplace climate survey to ascertain employees' expectations
Roll out the 2019 "TalenTU" programme: development of the career plan and the employer branding project



## Customers

We aim to know the needs and expectations of our customers, in order to offer them the best solutions, enhance their satisfaction and deepen our ties with them, while also fostering responsible consumption.

At the Euskaltel Group, we are committed to constantly improving our services, with a view to enhancing customer satisfaction and fostering a relationship of trust.

Euskaltel and R are fibre optic leaders in the Basque Country and Galicia, with stable, long-standing relationships with customers.

In addition to the variety of services provided and the high service quality, we consider that truly being there for our customers deepens their loyalty and

enriches the relationship as a whole. By doing so, we foster an emotional tie and can then understand their needs and concerns, generating a sustainable advantage over our competitors.

Accordingly, we uphold the importance of transparency in all the information we issue, thereby responding to the day-to-day concerns of our customers such as information security and digital health and safety.



Contribution to the SDG

### SERVICE QUALITY:

At the Euskaltel Group, service quality is one of our top priorities. We offer a large, safe and efficient network for our customers to use across all their devices.

### TRANSPARENCY

We foster transparency in our customer relationships, with special emphasis on day-to-day dealings and information on rate and bills.

### PROMPT CUSTOMER SERVICE

We respond promptly to any reports of outages, requests for information or claims and complaints.

### DIGITAL HEALTH AND SAFETY

We promote programmes and policies so that our customers can use all their devices as needed and with the utmost security.

#1

in incident resolution time\*

The Euskaltel Group offers its services to a market of 5 million people, serving over 715,000 residential customers and companies.

Euskaltel is the leading telecommunications operator in the Basque Country, with over 350,000 km of next-generation fibre, offering internet, mobile and landline telephone, broadband and digital television services. In Galicia, R is the preferred operator among Galician households and businesses, thanks to the 291,000 km of fibre optic cable in place.

## Our customers

The Euskaltel Group's strategy focuses on serving its over 715,000 customers, taking into account their communications needs and seeking to enhance their satisfaction and loyalty.

Customer categories primarily include the residential market, in which customer services are configured according to their individual needs, and the corporate market, providing the small home/small office (SOHO) segment with bundles and comprehensive solutions, including cloud-based communications and security.

In 2016, the strategy of combining mobile telephone service and the OSOA TV service boosted the number of customers with three- and four-product bundles to 66%. In addition, the number of mobile telephone customers grew 10.4% compared to the previous year.

The number of corporate clients also grew to 48,809 in 2016, with 65.2% of new adds contracting bundles of more than three products.

The Euskaltel Group has all central network elements needed to offer its services and to develop mobile-related proprietary products. It is the largest virtual mobile operator in Spain in terms of number of customers.

In addition to its own infrastructures, Euskaltel has numerous points of connection with other national and international operators, thereby ensuring that its customers can communicate from anywhere, to anywhere and at any time.

### Customer satisfaction

The Euskaltel Group aims to create loyalty among its customers by providing them with highly-satisfactory experiences when using any Group brand.

In 2016, Euskaltel conducted 20,305 post-call customer satisfaction surveys. On average, customers rated the service received as 3.99, on a scale of 0 to 5.

At R, 94% of customers are satisfied with the customer service received, and 81% would recommend R to a friend.

Based on these satisfaction indicators, the Euskaltel Group evaluates its performance as a provider and creates improvements in order to foster customers' pride in the local brand.





### **Customer experience**

During 2016, the Euskaltel Group drew strongly from its knowledge of our customers, to generate value propositions adapted to their needs. The Group launched the Customer Experience initiative, aimed at deepening customers' emotional ties with the brand through their interactions, taking into account their preferences, identifying the reasons for any dissatisfaction and launching actions to remedy any discontent. To deepen our knowledge of customers, in 2016 we conducted 13 focus groups, 22 surveys on expectations and 2,164 additional surveys in different types of households. The findings of these studies served to improve the launch of new products and services, better our customer service and develop training employee courses adapted to these needs.

### **Our services**

Euskaltel's products and services are carefully designed and tested to ensure safe and efficient use by customers. Thanks to the quality of the processes carried out in the Basque Country and Galicia, users enjoy a complete and satisfactory experience adapted to their needs.

*Our proprietary fibre optic network is the largest in our market.*

As part of its objective to reduce costs for customers, the Euskaltel Group continued to launch new services as part of its Online First strategy. The aim is to increase customers' digital interactions and provide a lower and more flexible cost structure. Of customers, 65% have created a web user account to access their main services and 60,000 use the Euskaltel app.

The bundling strategy with maximum added value of products and services has spurred 66% of customers to simultaneously contract more than three products. In addition, 77% of landline customers have added at least one mobile line to their contracts, leading to a record number of adds by customers.

During 2016, we deepened our knowledge of customers through proactive and

*We use our proprietary fibre optic network, one of the most advanced in Europe.*

reactive actions to improve the value proposition behind the Group's services. These actions gave us a wealth of information about customers, helping us to truly ascertain their preferences and needs.

Euskaltel believes that quality management

*We provide 4G with proprietary licenses in the Basque Country and Galicia.*

must be an essential component of any management system. In 2016, the annual quality plan was drawn up and carried out, covering all actions needed to maintain the quality management system. This included a review of the quality control policy, a push for efficiency and ongoing improvement in service quality, in order to control and improve any organisational elements influencing customer satisfaction and the attainment of the company's desired results. This system has been certified under quality management standard ISO 9001:2008 since 1999. This certificate was renewed in 2016.

**1.89**

million products contracted by residential customers

**74,000**

new mobile lines

**66%**

customers with more than three products contracted

**22,000**

new TV lines and a 57.6% penetration in fibre services

## **Main technological advances in 2016**

### **TV platform**

- Launch of the integration project for the new 4K converter box for cable TV and internet protocol television (IPTV) services. The objective is to facilitate access to quality audiovisual content from any device, at any place and at any time.

### **Mobile network**

- Migration of customers from Galicia-based mobile services to the Orange Host, using Euskaltel and R's shared over-the-air (OTA) platform, which offers R's customers Long-Term Evolution (LTE) services.
- More than 40 LTE base stations have been set up, thereby gradually increasing traffic over this network.

### **Landline voice network**

- The first landline voice nodes have been migrated to the new network using IP Multimedia Subsystem (IMS) architecture.

### **Docsis network**

- In 2016, capacity was increased in the Basque Country and in Galicia, to handle the higher speeds of cable products and the rise in customer numbers. Joint expansion plans for 2017 have been designed for both regions.

### **Internet Protocol/Multiprotocol Label Switching (IP/MPLS) core network**

- A new network plan was defined, foreseeing the complete integration of the two regions and emphasising the presence in Madrid.

### **Ethernet broadband access service (NEBA)/Fibre To The Home (FTTH) accesses**

- Introduction of services for customers

### **WiFi network**

- Extension of WiFi service coverage through the progressive roll-out of WiFi hot spots and specific professional access points (AP).
- New products were launched, such as WiFi Klean (contracted by 72% of mobile users) as well as WiFi Cliente R, WiFi Turistas, WiFi Negocios, WiFi Eventos, WiFi Ayuntamientos, for R customers, tourists, businesses, events and city councils, respectively.

### **Security platforms and services**

- Launch of the security service project for the Galicia network and standardisation of convergent solutions in Euskaltel and R.

### **Data centre**

- Standardisation in Euskaltel and R and evolution of services toward app- and web-based automation and self-management by customers.

### **Landline network deployment**

- In industrial parks:
  - Basque Country:  
8 industrial parks: As part of the 51K project, infrastructure was rolled out in eight industrial parks, seven of which are operational (with average coverage of 82%), providing broadband access to 889 companies.  
28 industrial parks: The project, launched in September, brought broadband access to 310 companies.
  - Galicia: 81 industrial parks: The project, launched in July 2016, has brought the infrastructure to 17 industrial parks, allowing 331 companies to access our ultra-fast fibre optic network.
- For households: The Group services broadband for 887,000 homes in the Basque Country and 820,000 homes in Galicia.

Please see glossary on page 68

# Person-to-person customer service

## Customer service

The Euskaltel Group cements its customer relationships on personalised customer service and loyalty-building and stands apart from other sector companies for the local service it offers.

In order to strengthen this person-to-person focus, the Euskaltel Group provides customers with a number of tools for resolving their incidents and questions, wherever, whenever and however they need. In all cases, their requests are answered by a person in their region or area. All customer service tasks are carried out by service providers in the Basque Country and Galicia, as are administrative and installation services. To that end, the Group has created different customer service platforms, including a telephone line, sales points and websites, as well as other channels. In 2016, residential customers selected the web option as their preferred communication channel, giving it a 9+ rating out of ten.

Customer requests are processed for resolution as soon as they are received. In those cases where it is not possible to immediately resolve a request, further information is gathered and sent to the corresponding department.

Both for requests and for customer service and outage reports, Euskaltel has created

specific telephone service platforms for each customer segment, in line with their needs (individuals, businesses, SMEs and large customers). For example, Euskaltel has a specific group entrusted with creating loyalty among corporate customers, as well as a loyalty platform for the business sector. With respect to the large customer segment, a specific sales manager is assigned to each account, in order to personally meet customer needs.

Post-sales service is carried out centrally, analysing the incidents generated due to network failures, in order to take swift action and minimise the impact on services.

In 2016, a total of 604 claims were received through consumer organisations (34 through the Basque Country Consumer Arbitration Board, where they were handled, and 570 from other consumer organisations).

The Group's Legal Services Department reviews the text of any sales communications released to the public, to ensure that it is in line with consumer protection legislation and fair competition regulations, as well as with legislation governing the telecommunications sector.

### Claims in the Euskaltel Group

	2014	2015	2016
<b>RESIDENTIAL</b>	593	496	566
BCCI	573	473	536
SSTIS	20	23	30
<b>COMPANIES</b>	56	48	38
BCCI	49	44	34
SSTIS	7	4	4
<b>TOTAL</b>	<b>629</b>	<b>544</b>	<b>604</b>

SSTIS: Secretary of State for Telecommunications and the Information Society

BCCI: Basque Country Consumer Institute (ICV)

\* Euskaltel scope

\* Quality Service Levels Monitoring Report, 4Q 2016, Ministry of Energy, Tourism and the Digital Agenda

# #1

in incident resolution time\*

Source: Morgan Stanley report (peers: Telefónica, Vodafone and Orange)



According to a report by Morgan Stanley, among other operators, Euskaltel responds quickest to resolve its customers' internet access service incidents, with a claims level below that of its peers.



## Incident resolution

R offers a specialised maintenance line, continually improving services without the need for customers to call in. The company's policy is to recognise any outages, be transparent with customers, and attempt to resolve the situation as swiftly as possible.

This policy was activated in December 2016, when an outage left mobile users in Galicia without service during several hours. The origin of the outage was identified and service was gradually restored. Customers were notified of the problem immediately and apprised of all developments.

Xa se recuperaron moitas das centrais móbiles afectadas. E o resto continúan recuperándose de forma gradual. Sabemos das molestias que isto causou. Polo que unha vez solucionado en todas as liñas, miraremos a compensación, como é lóxico. Non é preciso abrir reclamación (podes facelo se así o desexas), porque xa nos encargamos de mirar caso por caso. E desculpas de novo. Sentimos tervos fallado nun día coma hoxe.



R  
@os\_de\_R

Seguir

## Digital inclusion

Of the Euskaltel Group's main lines of action is to contribute to improving technologies in safe and secure conditions. To that end, the Group carries out several initiatives to help customers with the products and services that meet their needs. The Group plans to greatly expand on these efforts in the coming years.

In particular, Euskaltel's digital inclusion efforts comprise training and information on matters regarding new technologies and helping customers resolve any queries they may have. Through different blogs and forums, the Group responds to the main questions about the internet and how to make the best use of technology in general.

The Euskaltel Group's efforts to include all groups in the technological world and to facilitate their daily life through technology focus on eliminating the digital gap among the most vulnerable people, such as the elderly and people with disabilities.

Consequently, one of the Group's top goals for the coming years is to establish alliances with different non-profit organisations, in order to foster digital inclusion, through easy-to-use tools that add value to the life of people and their way of relating with others.

The Group has also undertaken initiatives seeking to maximise the advantages of technologies, to create new communications and queries channels with all customers, with special focus on the most vulnerable customer groups. For example, in Galicia, R's call centre features a video-call system for the deaf, so these customers can easily access information and services.

In 2016, Euskaltel launched reduced-cost rates in order to provide access to anyone wishing to use internet on their mobile device, thereby promoting the digital inclusion of certain at-risk groups.

*We offer quality services to our customers and are leaders in landline accesses.*

# Digital health and safety

## Privacy and information security

Since the Euskaltel Group first began its activity, service security has been a strategic priority in network design, due to the importance for customers of being able to trust their personal and business communications through a solid, secure provider. The Group ensures that the equipment it acquires and sells comply with all prevailing regulations.

In the digital world, it is essential that customers trust that their data will be kept private and that their information will be treated as confidential. Consequently, the Euskaltel Group strives to protect and safeguard the confidentiality of all customer, provider and company data, designing protection tools for managing the risks that arise in an increasingly-connected world.

Information is one of the main assets of any individual or company. As such, it must be protected and the related risks must be

properly managed. Euskaltel's information security management system has been certified since 2012 under ISO 27001:2014 Information Security Management Systems (ISMS).

The following activities were carried out in 2016:

- Establishment of an information security risk management system in accordance with ISO 27001:2014
- Support in identifying and establishing security measures to help mitigate risks identified
- Integration of information security management into all other Euskaltel management systems
- Identification of and compliance with prevailing legislation in this field

In addition, we comply with the Spanish Data Protection Act and undergo an audit in this regard, every two years.

## Responsible use of technologies

Through our products and services, the Euskaltel Group facilitates the day-to-day tasks of its users. However, on occasions customers are not aware of the most responsible way to use their mobile telephones, personal data or the information they share via the internet.

To respond to this need, we have launched informational campaigns for both older and younger adults as well as teenagers, teaching them how to correctly use their devices.

Customers can also consult their usage at any time, through either the website or the

exclusive customer app, and are notified when they reach 50% and 80% of their monthly usage limits. Both Euskaltel and R offer a parental control service.

In addition, the Group promotes initiatives such as the Cyberia Enea blog, launched in November 2016 in collaboration with the Etorikintza Foundation, on the proper use of new technologies. As part of this initiative, the Group works with a team of experts specialised in psychology and information and communication technologies, to respond to users' chief concerns.



### Protection of minors: "My first contract" programme

Children begin using mobile telephones at an increasingly early age. Accordingly to the latest studies, nearly 30% of children under 10 have a mobile device. In 2016, Euskaltel launched the "My first contract" programme, to help these users gain certain values for the responsible use of mobile phones. The programme consists of a personalised contract that can be downloaded from the Euskaltel website, setting out rules on the proper use of telephones and the type of information that can be shared. In addition, the website features tips on smartphone and apps use, as well as guidelines for parents regarding new technologies.

## Transparency

Transparency of information is a key component of our customer relationships, in order to generate trust and loyalty.

The Euskaltel Group informs customers of their rates and any modifications thereto through different tools, such as the website and contracts, providing users with complete and easy-to-understand information. These practices are audited each year as part of the invoice quality audit foreseen under the Quality Order IET/1090/2014 issued by the Ministry of Energy, Tourism and the Digital Agenda, regulating service quality conditions in the provision of electronic communications services. The Group also applies responsible advertising principles in its customer communications, to generate further trust in its services.

The Euskaltel Group updates its documents on a monthly basis, to ensure that all rates conditions are clearly reflected. If contract conditions change, customer service operators notify users one week prior to the implementation of the new conditions. In addition, this information is included on customer invoices.

Achievements in 2016	
Development and promotion of web-based customer service and management	✓
Enhanced customer satisfaction with the customer service received	✓
Development of actions to deepen customer loyalty	✓

Customers can also log in to a special website area to consult their usage, resolve any questions, or change their rates plan.

*Our invoices are transparent and clear, and we have fewer claims for invoice errors than any other operator.*

In addition, all products sold by the Euskaltel Group are certified and meet the requirements set by different national and international bodies. Euskaltel complies with legal requirements regarding packaging labelling, in accordance with Law 11/1997.

Work planned for 2017
Identify opportunities for expansion for groups at risk of digital exclusion and consider entering into collaboration agreements with other agents and public administrations
Consolidate the Customer Experience project in order to continually measure and manage the satisfaction of the Group's users
Design and launch campaigns and initiatives to raise awareness and encourage the responsible use of the internet
Identify opportunities for digital expansion and consider entering into collaboration agreements with other agents and public administrations



## Natural capital

The Group aims for excellence in all aspects of environmental management, raising and promoting environmental awareness among its employees and stakeholders.

The Euskaltel Group is aware of its responsibility to sustainable development and is firmly committed to promoting responsible attitudes as part of an ongoing process to reduce the environmental impact of its products and services.

The Euskaltel Group has a comprehensive management system policy (quality, environment and occupational health and safety), a 2014-2016 Environmental Master

Plan, and a management system rolled out in its Basque Country centres, slated for expansion to the Group as a whole, pursuant to the 2017-2019 Environmental Master Plan.

In addition, the Group promotes the provision of innovative new products and services to its customers, to help reduce environmental impacts.



Contribution to the SDG

### GREEN ORGANISATION

The Euskaltel Group places top priority on the integration and roll-out of policies to reduce the environmental impact of our activities.

### GREEN PRODUCTS

We seek improvements in the environmental dimension of Euskaltel's products.

### 2017-2019 Environmental Master Plan

### GREEN COMMUNICATION

We strive for communication and dialogue with all stakeholders, transparently disclosing our environmental performance.

### FIGHT AGAINST CLIMATE CHANGE

We have shored up our commitment to our communities and the environment through our climate change policy.

## Environmental strategy

The Euskaltel Group believes that controlling and minimising the impacts of its products and services is a fundamental goal.

These efforts have been reflected in one of the commitments underlying Euskaltel's comprehensive management system policy, specifically the implementation of management systems based on sustainable development. This has been an active commitment in Euskaltel since 1999, and the Group is currently working to extend it to all work centres in Galicia as well.

Euskaltel's 2014-2016 Environmental Master Plan, in force during 2016, sets out the strategy, programmes and initiatives to

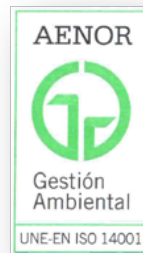
be implemented and carried out when managing environmental impacts, in line with the 2002-2020 Basque Country Environmental Strategy for Sustainable Development and the Framework Environmental Programme of the Autonomous Community of the Basque Country, promoted by the Basque government.

In addition, during 2016 the Group updated and approved the 2017-2019 Environmental Master Plan, locking in its commitment to sustainability and the comprehensive management of environmental risks at Group level.

## Excellence in environmental management

As a result of its commitment to excellence in environmental management, in 2016 Euskaltel secure certification in the Basque Country for its management system under UNE-EN ISO 14001:2015. Moreover, its 2015 environmental impact statement was verified by a recognised independent party, in accordance with EMAS III.

Euskaltel's carbon footprint was registered with the Ministry of Agriculture, Fishing, Food and Environment.



### CORPORATE ENVIRONMENTAL FOOTPRINT PROJECT

As part of its collaboration with the Basque Ecodesign Center, Euskaltel has calculated its corporate environmental footprint. This process, a pioneering initiative in Europe, gives companies a measure of their environmental performance, based on several different criteria and from a full life-cycle perspective. This measure helps companies improve their environmental management and can implicitly lead to savings opportunities while boosting the response to information requests by investors, sales, comparative assessment and proactive responses to future legal requirements.

## Green Product

The Euskaltel Group calculates the environmental impact of its products and network and attempts to minimise these impacts, right from the design stage. The Company is a member of the Basque Ecodesign Center, which aims to promote ideas and actions that boost the competitiveness of Basque Country businesses and prevent environmental impacts, as a benchmark player in application of the European Union Action Plan for the Circular Economy. In the context of this collaboration, in 2016 the company continued applying the methodology established for calculating its carbon footprint and analysing the life cycle of its products.

## Circular economy

One component of the telecommunications sector is the design and manufacture of electrical and electronic equipment (EEE), the technology for which is subject to constant innovation and improvement. This means that the innovation cycles for this equipment is increasingly shorter, accelerating obsolescence of equipment and, therefore, continually generating waste electrical and electronic equipment (WEEE).

The Euskaltel Group aims to promote measures that are in alignment with circular economy principles, reducing the generation of WEEE by prioritising reuse over recycling. To that end, Euskaltel has refurbished certain customer equipment (converter boxes, modems and routers) that exceed the requirements established. The remaining equipment is recycled through an authorised WEEE handler. Of all

The Group's comprehensive management system sets the groundwork for minimising the impact of its activities on the environment in which it operates, and for improving its processes. This is reflected in the roll-out of the 4G (LTE) network underway since 2015, on the basis of criteria that ensure responsible network deployment, in strict compliance with electromagnetic field regulations, to the point that 100% of the company's base stations have emissions levels below the statutory limits. Within this framework, the Group has also entered into site-sharing agreements to minimise visual and energy impacts and to reduce waste generation.

customer equipment placed on the market in 2016, 43% was refurbished, reducing future use of natural resources.

*In 2016, the Group refurbished 43% of customer equipment.*

Euskaltel collaborates with the non-profit organisation Alboan in its "Mobile phones for the Congo" campaign, setting up used mobile phone drop-off points at its stores and offices, free of charge. The campaign aims to inform, raise awareness and collect used mobile telephones from Basque Country customers, which are then sold and reused, thereby generating economic resources to fund international cooperation projects in the Democratic Republic of the Congo, through the Jesuit Refugee Service. Further information at [www.tecnologialibredeconflicto.org](http://www.tecnologialibredeconflicto.org)

# Fight against climate change

The Euskaltel Group is committed to the fight against climate change, as one of the lines of action in the new 2016-2018 Environmental Master Plan. Also, in line with the Basque Country Climate Change Strategy to 2050, the Group is involved in preparing and piloting a methodology for organisations to adapt to climate change, coordinated by Ihobe, the Basque Country government's environmental management company.


Euskaltel has established a series of measures to reduce energy use, under its CO<sub>2</sub> emissions reduction plan. This commitment has been extended by calculating the Group's carbon footprint using the tool developed in the Stop CO<sub>2</sub> Euskadi project, led by Ihobe, as well as by preparing the 2016 greenhouse gas emissions report, quantifying both direct and indirect emissions (scopes 1 and 2).

## USE OF FUELS

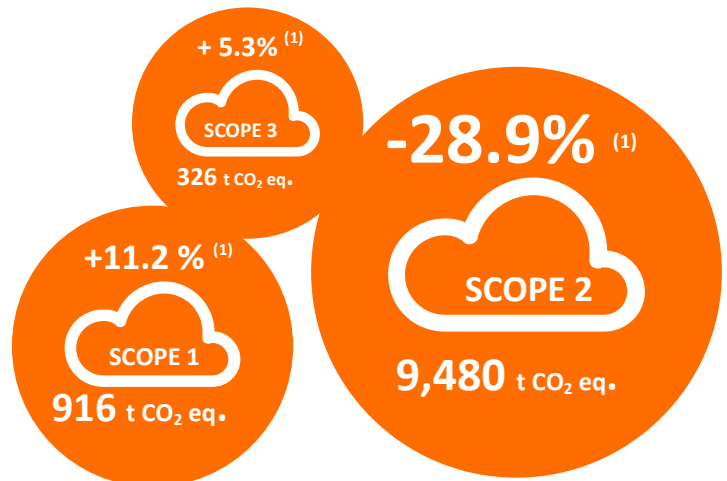
# -15.4%

In accordance with Royal Decree 56/2016 on energy efficiency, during 2016 the Group submitted to mandatory energy audits at its facilities. The results of the audits, carried out by an independent third party, were reported to the relevant energy efficiency authorities. During 2016, the Group approved its 2017 energy efficiency plan.

Since 2014 and as part of its membership in the Basque Ecodesign Center, Euskaltel has calculated its product/service carbon footprint, quantifying the environmental impact of its products and services and estimating the climate change potential of this impact.



The Group calculated the footprint for its OSOA product in 2014, conducted a life cycle analysis for the Euskaltel WiFi product in 2015, and in 2016 extended the calculation of the OSOA product to include the effect of the new 4G network rolled out. This analysis entailed calculating GHG\* emissions during the different phases of the complete life cycle.



## EUSKALTEL GROUP EMISSIONS IN

# 4.36

kg. CO<sub>2</sub> eq./product sold  
**INTENSITY OF EMISSIONS**  
 (scopes 1 and 2)

(1) Change vs. 2015 \*GHG: greenhouse gas

## Disclosing environmental performance

The Euskaltel Group reports its environmental performance to all stakeholders, through an ongoing and open dialogue based on transparency, accuracy, commitment and disclosure of activities. In addition to publishing its EMAS III Environmental Statement and its Corporate Responsibility Report on the corporate website [www.euskaltel.com/conocenos/Responsabilidad Social](http://www.euskaltel.com/conocenos/Responsabilidad_Social), the Group offers several presentations and promotes sustainability, environmental innovation and life cycle analyses through collaboration in and adherence to external forums and initiatives, such as the Universidad de Deusto, the Basque Ecodesign Center, and

the United Nations Global Compact, among others.

The Group has also recently begun participating in the Carbon Disclosure Project (CDP), which classified our environmental performance as level C (<https://www.cdp.net/en/reports/archive>).

The environmental efforts taken by the Group led the European Commission to short-list Euskaltel as finalist in the 2016-2017 European Environmental Awards (management category). Moreover, the Basque Government has awarded the company the Silver Diploma for its environmental management system designed in accordance with the European EMAS regulation.

## Key environmental aspects and objectives

Euskaltel evaluates each and every environmental aspect based on the severity of the associated impact, identifying the most significant issues and focusing efforts on minimising and

controlling them. Improvement targets are also established.

In particular, for 2016, the most relevant environmental aspects identified were electricity usage and greenhouse gas emissions.

ENVIRONMENTAL TARGETS	2015 figure	Improvement target	2016 goal	2016 figure	% improvement over goal	Compliant
Reduce per-product electricity use (kWh/product)	22.49	2% % of 2015 data	< 22.04	21.90	2.60%	✓
Reduce GHG emissions (scopes 1 and 2) (kg of CO <sub>2</sub> /product)	5.434	2% % of 2015 data	< 5.325	3.800	30.10%	✓

## Efficient management of resources and impacts

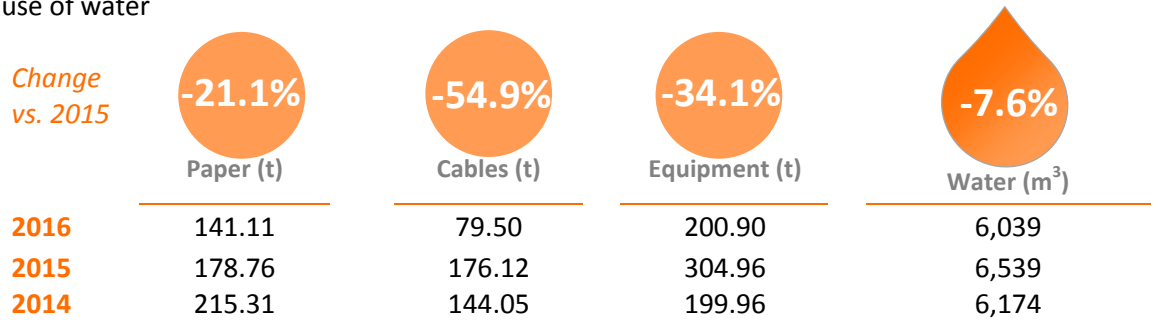
With the roll-out of the excellence in environmental management strategic line, the Group established operational controls and monitoring tasks in respect of the usage, wastes and emissions deemed most important due to the nature of the business, irrespective of whether or not they derive from significant environmental aspects. For example, Euskaltel implemented its 2016 energy efficiency

plan, which reduced electricity and fuel use compared to the previous year.

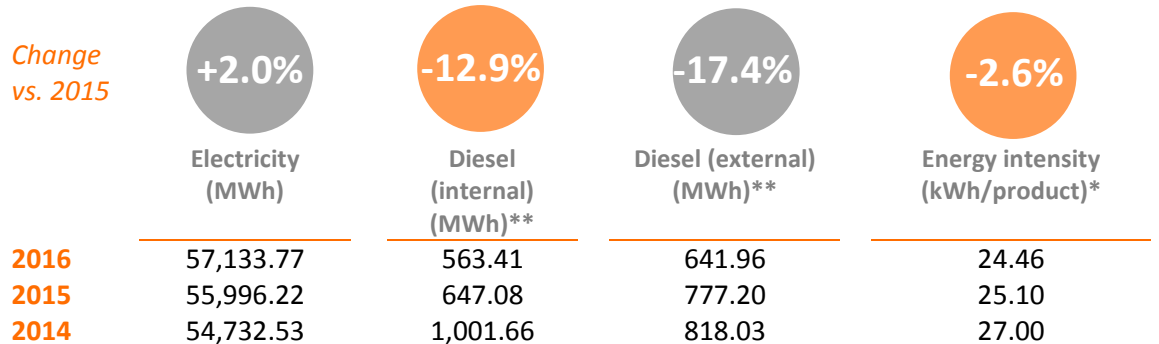
The trends in and results of the Euskaltel Group's environmental performance in terms of materials, energy and natural resources use, as well as the main wastes generated, are set out below.



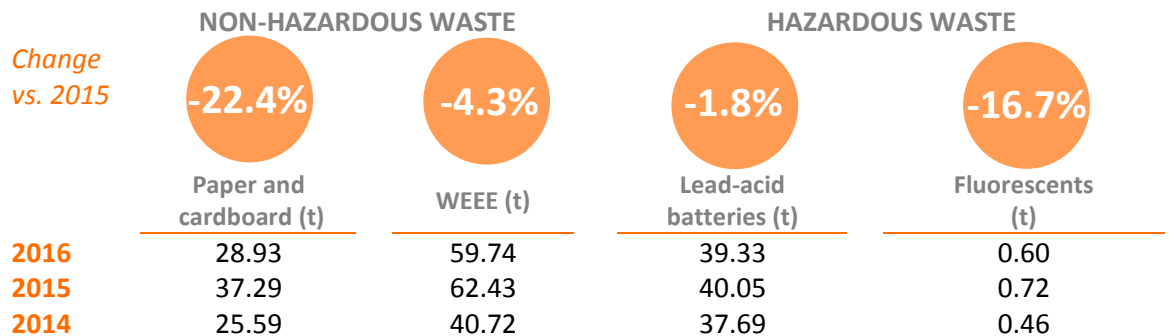
**Use of materials and water:** use of the most relevant materials for the organisation and the use of water



**Overall energy use:** use of electricity and use of diesel, both internally (generators and company vehicles) and externally (employee vehicles):



**Waste generation**



\* Energy intensity is calculated by dividing total energy use by the number of products placed on the market

\*\* To obtain diesel use in MWh units, the conversion published in the GRI 3.1 guide was used (1 tonne diesel = 43.33 gigajoules)

Achievements in 2016		Work planned for 2017-2019	
Analysis of CO <sub>2</sub> emissions offset, in view of the CO <sub>2</sub> emissions reduction plan	✓	Roll out the new 2017-2019 Environmental Master Plan, as part of the Group-wide CSR strategy, based on the Group's comprehensive management system policy	
Execution of the 2016 energy efficiency plan	✓	Carry out actions to offset or reduce CO <sub>2</sub> emissions	
Continued life cycle analysis of Euskaltel products/services (OSOA, include the LTE network)	✓	Carry out the 2017 energy efficiency plan	
Analysis and implementation of requirements for the new ISO 14001 standard in Euskaltel's comprehensive management system and certification by an independent expert	✓	Continue analysing the life cycle of Euskaltel Group products/services	
Close of the 2014-2016 Environmental Master Plan, as part of the company's CSR strategy	✓	Secure the Erronka Garbia sustainable event certificate for the General Shareholders' Meeting	
Calculation of Euskaltel's environmental impact	✓	Extend certifications of the Euskaltel Group's comprehensive management system	



# Relationships

We support activities that generate wealth within the social and economic fabric of the communities in which we operate, as the best way to build a company and to create loyalty among our customers.

One of the Groups' strategic priorities is to form alliances and relationships with its communities. We are proud of our values and our corporate culture, which are both in line with and rooted in the way of life and concerns of those living in our areas of influence.

relationships in the places in which we operate and create lasting ties between these communities and the company.

Our main lines of action in this area are support for the local economy, growth alongside our customers and the communities, and the organisation of different activities and initiatives that bear out our commitment to the education of young people, the inclusion of the most vulnerable groups and support for popular culture.



Through support for the economy and local growth, we aim to generate a strong community network, serving as facilitators of shared development. We strive to forge

### DRIVERS OF THE LOCAL ECONOMY

Our fiscal commitments contribute to development of the communities in which we operate. We also support the local economy by hiring local suppliers and service providers.

### SOCIAL COMMITMENT

At the Euskaltel Group, we aim to be a benchmark for our local communities. To that end, we promote a number of social initiatives to support culture and sports, thereby making our business a true member of these communities. Through these events and our agreements with local institutions, we deepen our ties to these communities.



Contribution to the SDG

# Drivers of the local economy

## Value creation

The Euskaltel Group helps create social and economic value in the places in which it operates, for all stakeholders.

Through the salaries and taxes paid and the benefits generated, it spurs improvements in the local economy and the development of the surrounding areas.

	<b>ECONOMIC VALUE GENERATED</b>	
		<b>€526 million in 2016</b>
		€335 million in 2015
		€316 million in 2014
Net revenue		<b>€561,426 thousand in 2016</b>
		€334,375 thousand in 2015
		€315,109 thousand in 2014
Other operating income		<b>€360 thousand in 2016</b>
		€431 thousand in 2015
		€331 thousand in 2014
Finance income		<b>€37 thousand in 2016</b>
		€192 thousand in 2015
		€179 thousand in 2014
	<b>ECONOMIC VALUE DISTRIBUTED</b>	
		<b>€415 million in 2016</b>
		€448 million in 2015
		€200 million in 2014
Purchases		<b>€26,245 thousand in 2016</b>
		€15,168 thousand in 2015
		€18,898 thousand in 2014
Subcontracted work		<b>€103,520 thousand in 2016</b>
		€55,255 thousand in 2015
		€52,737 thousand in 2014
Wages and salaries		<b>€38,365 thousand in 2016</b>
		€28,593 thousand in 2015
		€30,318 thousand in 2014
Other operating expenses		<b>€122,149 thousand in 2016</b>
		€83,697 thousand in 2015
		€59,570 thousand in 2014
Finance expense		<b>€47,891 thousand in 2016</b>
		€50,042 thousand in 2015
		€22,219 thousand in 2014
Dividends		<b>€54,665 thousand in 2016</b>
		€207,003 thousand in 2015
		€0 thousand in 2014
Income and other taxes		<b>€22,215 thousand in 2016</b>
		€7,975 thousand in 2015
		€16,180 thousand in 2014
	<b>ECONOMIC VALUE RETAINED</b>	
		<b>€147 million in 2016</b>
		€-113 million in 2015
		€116 million in 2014

The periods shown are not comparable, given that 2014 information relates exclusively to Euskaltel, S.A., while in 2015 and 2016 the consolidation perimeter included R Cable y Telecomunicaciones Galicia, S.A. Given that R was acquired in November 2015, R contributed revenue of €20,966 thousand to the Group in that year. 2016 is the first year reflecting the full results of the acquisition.

## Support for local suppliers

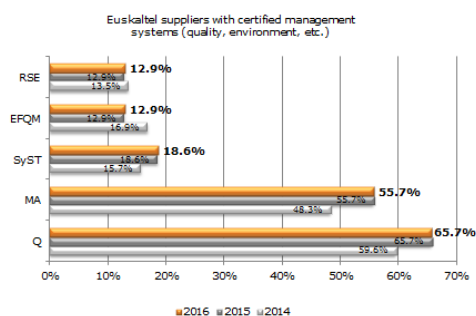
Supplier management is key for the Euskaltel Group, given that the production, distribution and guarantee of service relies on 1,162 suppliers. Of these, 330 suppliers are considered strategic, as 97% of all purchases are made through these companies.

Given that operating efficiency largely depends on our suppliers, the Euskaltel Group maintains a close and transparent relationship with these companies, involving them in the Group's strategy and culture.

A long-term strategy based on mutual trust and long-standing agreements is applied throughout the entire value chain. The Group also considers essential that all suppliers share in its corporate social responsibility policy in respect of key aspects such as quality, occupational health and safety, equal rights and respect for the environment, among others, and that they follow the Group's Code of Ethics and Conduct. The main suppliers have adhered to the UN Global Compact.

In 2016, the Group worked with 624 local suppliers, 56.6% of which had a purchasing volume of over €6,000. During the year, no suppliers were contracted for over 5% of the total purchase volume, except for ZTE, which is a strategic partner and which accounts for 13.8% of total procurement.

Region	% of total purchases
Basque Country	32.4%
Galicia	15.9%
Other	51.7%



The largest volume relates to services engaged (network operation, customer service, engineering, etc.), accounting for over 53.2% of the overall purchase volume. Technology purchases are also significant, at more than 29.2% of the total annual volume.

The high volume of services purchased means that purchases in the areas in which the Group operates have a significant weight, at 48.3%. The remaining purchases are made in other countries, due to the complexity of the sector.

In the last decade, Euskaltel's contracts with Basque Country suppliers totalled €2,500 million, while its R&D&I expenditure was over €140 million.

As a telecommunications service operator, the Euskaltel Group works to strengthen the capacities of suppliers through information and courses that boost their competitiveness, as well as through periodic evaluations to identify possible improvements along the value chain.

The management system features a certification tool, under which 100% of suppliers (and their employees) rendering services at the Group's facilities are duly accredited.

## 34.4%

increase in purchases from Basque Country suppliers in 2016

The integration has allowed us to deepen the ties and synergies with suppliers, enhancing efficiency and optimising the Group's processes.

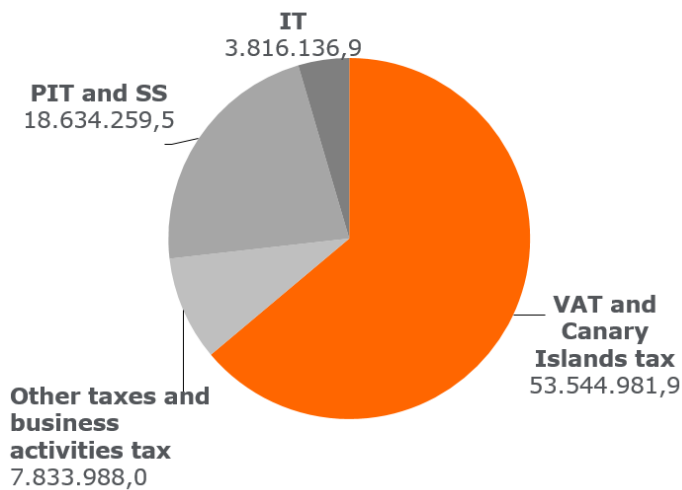
## Responsible payment of taxes

One of the unique values of the Euskaltel Group is its ties with local communities, as well as its priority focus on development in the Basque Country and Galicia.

One of the Group's firmest commitments is to support the local economy by providing intrinsic wealth through the creation of jobs and, essentially, by

helping to build public funds through its tax payments.

The support for social and economic development is underpinned by the Group's tax practices, which, as part of corporate responsibility policy, is strictly in compliance with applicable tax regulations.



**€83.8  
million**

paid in taxes in 2016  
(including taxes paid  
and collected)



# Social commitment

## Social initiatives

In line with the Euskaltel Group's mission, contribution to the social and economic development of communities is one of the Group's key priorities. A number of community initiatives are carried out in the Basque Country and Galicia, the majority focused on promoting R&D.

For yet another year, the Group collaborated with several different community organisations to use technology to support the most vulnerable groups. With the help of the Euskaltel Konekta Foundation, the Group participated in well-known initiatives such as the annual *Telemaratoia* tele-marathon organised by EITB, the Basque Country's public broadcast service, in order to raise funds to research rare diseases, as well as with the non-profit organisation Teléfono de la Esperanza.

As part of the Group's social commitment, Euskaltel seeks to educate young people through agreements with different educational centres such as the Federación de Ikastolas, public schools, universities, vocational training centres, etc. In 2016, Orkestra/Basque Institute of Competitiveness and Euskaltel co-sponsored a professorship in digital

economy, and a number of encounters were held at vocational training centres. Euskaltel also works to promote the Basque language, Euskera, through a number of in-house and external initiatives to encourage use of the language.

The Euskaltel Group supports community projects, donating funds collected as part of a number of employee-driven initiatives. In 2016, the Group donated €4,000 to the non-profit organisation Salvamento Marítimo Humanitario and showcased its work both within and outside of Euskaltel. In addition, the Group collaborates with projects such as Gure Señeak, the Walk On Project and Acción contra el Hambre, to support at-risk populations.

*We have not doubt that we must make technology more human, by creating services and solutions for and by people.*

R promotes local culture through collaborations with institutions such as the Museo do Pobo Galego and supports initiatives to stop gender violence, among others.



2016 Familia Euskadi award - AFAE



Athletic Foundation honorary partner, 2016



2016 Getxo Sasoian award



Elhuyar Saria recognition

**85**

partnerships  
with  
community  
organisations

**10+**

agreements  
with  
educational  
institutions

## Sponsorships

In 2016, Euskaltel maintained its sponsorship policy, aimed at associating the Euskaltel brand with the values we identify with and want to project to society. As a technological company, in addition to collaborating in technology and innovation events such as Telekogaua, digital encounters, etc., we provided a WiFi service to enhance event-goers' experience at the Azoka de Durango fair and at the BBK Live, Kutxa Kultur and Azkena Roc music festivals.

In terms of sporting events, Euskaltel has a long-standing and well-known history of sponsoring the four Basque first division football clubs: Alavés, Athletic, Eibar and Real Sociedad. The agreement to be the top sponsor of Athletic Femenino, the women's football section of Athletic Bilbao, highlights Euskaltel's commitment to equal opportunities for all.

Moreover, the Group plays a key role in enriching the region through support for cultural activities. This includes the agreement with Zinegoak (LGTB film festival), the "Colosos Jurásicos" exhibit in collaboration with EHU-UPV, the "Estereoskopiko" exhibit at the Museo Marítimo de Bilbao, and sponsorship for the Guggenheim Foundation, the Artium Foundation and Kursaal Eszena.

In addition, each year Euskaltel supports sporting and healthy living by sponsoring a number of road races, skateboard and surf competitions and football and basketball teams.

Lastly, the Group is committed to strengthening the local business fabric, contributing to and collaborating with both small business owner associations and industry trade groups.

The Group supports third-party family activities and organises family-friendly events of its own. This includes initiatives to make sports a family affair, such as the Euskaltel Kirol Eguna in Bilbao and in San Sebastián, which bring together thousands of people and families to play sports together and celebrate functional diversity through adapted athletics. In terms of integration and equality, Euskaltel works with the Athletic Foundation to include persons with intellectual disabilities, through a mixed-team four-a-side football tournament.

R sponsors events related with ICT entrepreneurship in Galicia, such as Laconnetwork and Sementes Monforte to support local enterprise. The company also promotes digital culture through seminars and courses on cyber security and use of social networks, as well as events such as "A noite galega das telecomunicacións" and computer engineering events, bringing together over 1,100 university students. In Vigo, R sponsors the Hackathon, an event to promote software development. In 2016, 84 individuals participated in this event. The company also supports golf, basketball and other sporting events.

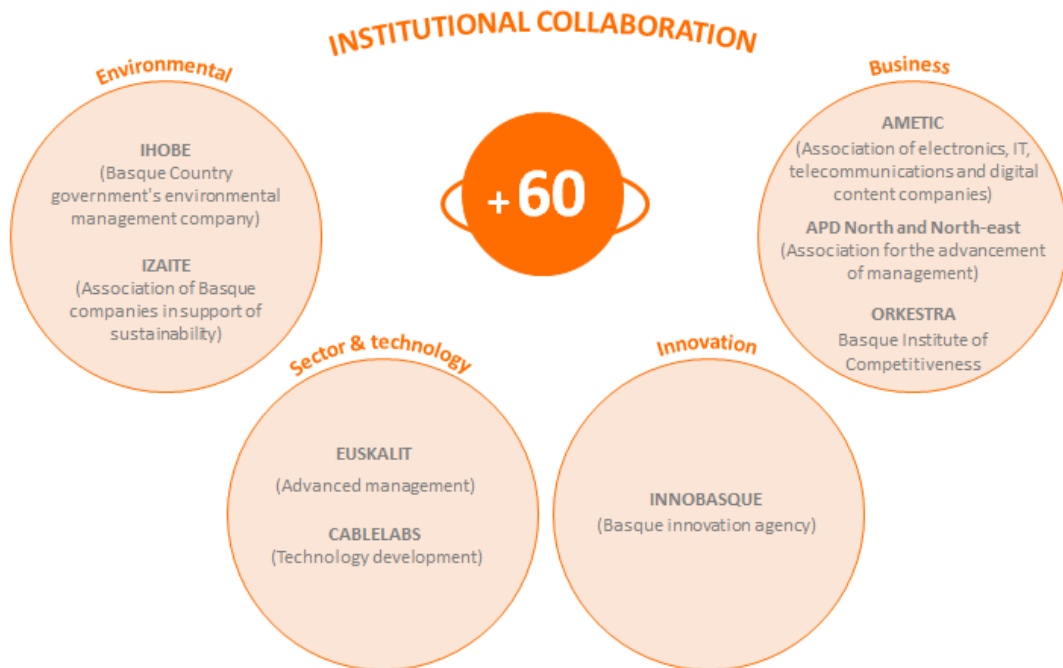
**438,530**

people served thanks to  
Group sponsorships

## Institutional activity

Euskaltel actively participates in a number of local and national organisations, often times with a leadership role. Euskaltel presides Izaite, the association of Basque Country

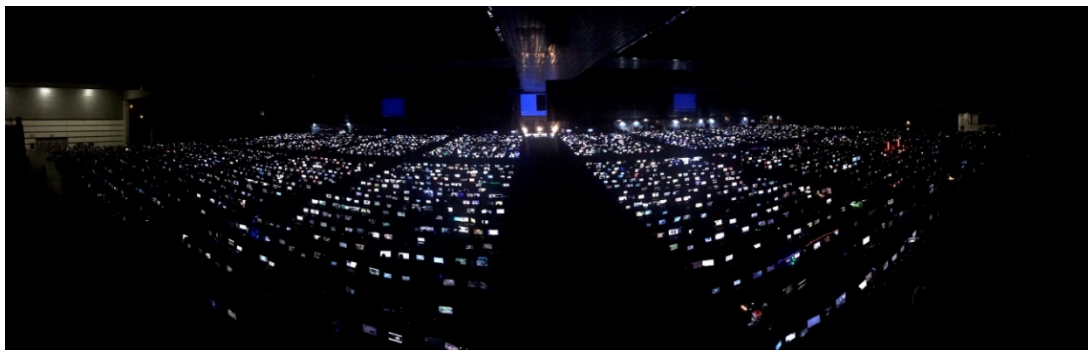
businesses for sustainability, and Innobasque, and is the vice-chair of Orkestra/Basque Institute of Competitiveness and Eiken, the Basque Country Audiovisual Cluster.



## Euskaltel Konekta Foundation

In tandem with the initiatives promoted under the Euskaltel and R brands, the Euskaltel Konekta Foundation carries out a number of programmes aimed at fostering and developing new projects surrounding information and communications technologies.

The foundation's activities are aimed at customers, businesses, employees, entrepreneurs, young people, society at large, and non-profits, in order to involve local communities in our passion for technology and digital transformation.





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## Main initiatives promoted by the Euskaltel Konekta Foundation

**Euskal Encounter:** During 2016, the Euskal Encounter, Gipuzkoa Encounter and Araba Encounter events were held under the Euskal Encounter (encounter.eus) banner. These heavily-attended meetings, which bring together IT professionals and enthusiasts, have been held in the Basque Country since 1994. During the multi-day event, participants exchange knowledge and enjoy all types of activities related with IT and new technologies, showcasing their individual projects or tackling the challenges posed by the event organisers. 2016 Euskal Encounter participation figures were as follows: 4,608 computers online, 40 Gbps internet connection, 35,000 m<sup>2</sup> at the Bilbao Exhibition Centre and four full days of activities. The Encounter includes the OpenGune event, where IT sector companies unveil their products and conferences and expositions are held on current IT issues, along with workshops to bring technology within reach of anyone interested.



**GameGune:** This convention, based on sports video games, was organised for Hearthstone game players at the Palacio Kursaal de Gipuzkoa. The event was broadcast in six languages and viewed by over 400,000 people. The best players in the world faced off in San Sebastián, with the top prize going to the current BlizzCon champion, Russia's Pavel Beltukov.



**Innova:** Through the Innova conferences, participants debate salient aspects of innovation, entrepreneurship, leadership and motivation. The Euskaltel Konekta Foundation's sponsorship provides visibility, through speeches by Euskaltel executives, for the key role Euskaltel plays in the Basque digital society.

**Bime:** Bime Hackday brings together individuals interested in music and the development of new technologies. Through workshops, participants learn about the latest trends in web development, mobile apps, video games and new devices.

**Women in Progress:** In 2016, the Euskaltel Konekta Foundation participated in the "Women and Technology" event in order to raise awareness about the gender gap in the technology sector. The event highlighted opportunities in the local market, while also showcasing the company's focus on equality.

**FIRST Lego League:** FIRST Lego League (FLL) is an international competition to encourage science and technology careers, creative thinking and innovation among students aged 9–16. The purpose of the competition is to educate through play, with the preparation of a scientific project, the design and programming of robots using LEGO MINDSTORMS technology and demonstration of the FLL values: team work, friendly competition, innovation, inclusion, etc. The competition takes the form of a global challenge, addressing topics that affect all humanity.

**KBi:** The Euskaltel Konekta Foundation sponsors KBi Digital Bilbao Bizkais, a product of an agreement between the Bilbao City Council and the Bizkaia Regional Government. The purpose of this digital project incubator is to promote, within the digital economy sector, enterprising projects of both start-ups and established companies. The centre is a benchmark for innovation and development of digital initiatives.

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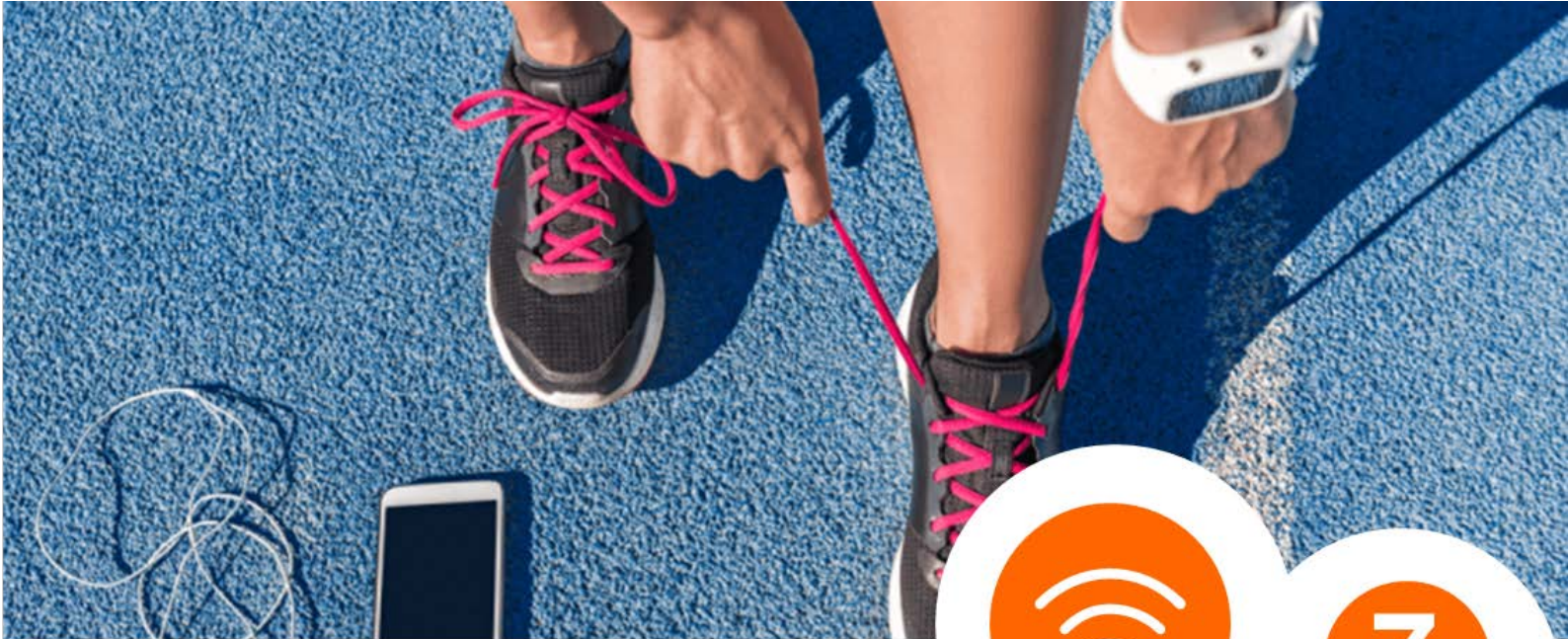
**Global Innovation Day:** Global Innovation Day, organised by Innobasque, is a large-scale innovation event in the Basque Country. The celebration brings together leaders in innovation, to network and share experiences. At this open, dynamic and participatory event, participants can gain specialised knowledge, make new connections and seize opportunities. The support of the Euskaltel Konekta Foundation reflects the importance the Group places on innovation and digital transformation.

**Music festivals:** The Euskaltel Konekta Foundation proudly sponsors the three most important music festivals in the Basque Country, organised by Last Tour. BBK Live, a pop and rock festival held each July in Bilbao, is one of the largest festivals in the country. Kutxa Kultur is a new event hosted in San Sebastián, while Azkena Rock features underground rock bands along with well-known headliners.



Achievements in 2016			
Integration of institutional activities of Euskaltel and R	X	Identification of community projects in which technology could provide competitive advantages	X
Consolidation of own events	✓	Monitoring of the correct performance of outsourcing contracts signed in 2014	✓
Reactivation of sales encounters to gain customers and enhance customer loyalty	✓	Evaluation of the supply chain's adherence to Euskaltel's human rights and environmental policies	X
Promotion of customer experiences, through tickets, social networks, drawings, etc.	✓	Review of the supplier certification process	X
Specialisation in Euskaltel Konekta activities	✓	Continued implementation of actions under the good governance policy	✓
Consolidation of OpenGune as a place for connecting with potential Encounter customers	✓	Review of the CSR policy and establishment of a new CSR strategy	✓

Work planned for 2017	
Identify and share good CSR practices among suppliers	Deepen relationships and the number of agreements with educational and technological centres
Consider environmental, social and governance criteria when selecting Group suppliers	Ascertain the impact of sponsorship and social commitment actions



## Intellectual capital

As a telecommunications operator, the Euskaltel Group aims to promote digital development in the business arena and in the lives of individuals.

At the same time, the Group supports sustainable innovation, applying the new technologies that enable social and environmental factors to be taken into account when designing and implementing the Group's products and services.

*A company is innovative if its employees are innovative. Innovation comes from the people forming part of our team.*

None of this would be possible without the Euskaltel Group's well-prepared and avant-garde team that keeps abreast of the new advances and improvements in the digital world.

In 2016, the Group's innovation activity focused on improving operational excellence, innovating in products, and

developing new business areas, particularly in the Internet of Things (IoT) and Artificial Intelligence (AI) fields. To that end, new organisational units were created and a new general innovation plan was rolled out at the Euskaltel Group.

Innovation projects for network improvements focus on improving the performance of the radio access network, both WiFi and 4G. We have also rolled out improvements in access, launching the first units sold on FTTH networks. In terms of processes, new systems are being developed, based chiefly on automation, increased self-service by customers and enhanced user experience. Product innovation projects are also underway, focused on designing new audiovisual products, with the integration of a new 4K converter box and an apps store for television. Lastly, in 2016, the Euskaltel Group worked intensely on the Internet of Things, introducing new innovative services for households.

### SUSTAINABLE INNOVATION

We promote research to provide our customers with devices and services that meet their needs, in line with the latest market trends.

82,000

new products

### DIGITAL TRANSFORMATION

We walk our users step-by-step through all new ways of using devices and interacting with others.



Contribution to the SDG



### **3ollosR and Euskaltel Life**

This new service allows users to turn on lights or heating using their mobile phone, and even receive notifications if the system detects movement in the home during unusual times. Users can easily monitor the energy use in their homes or businesses, thereby promoting energy efficiency and helping to save energy costs.

The digital interconnection of daily life through internet is a technological revolution that is here to stay. The Euskaltel Group therefore develops new tools to help users control and manage their daily routines, via their mobile telephones, tablets or other devices.

The digital interconnection of daily life

### **PREST'16**

Euskaltel, organiser of the PREST'16 event in San Sebastián, in its fifth year, highlighted the need for digital transformation in companies, as an inescapable part of growth.

Alberto García Erauzkin, chairman of the Euskaltel Group, encouraged all attendees to approach digital transformation as a tremendous opportunity to "move toward our business goals and to find new paths to growth; in short, to do things better".



The PREST event, aimed at small and medium-sized enterprises, provides a meeting place around emerging digital management ideas. A total of 150 business owners met at San Sebastián's landmark Tabakalera building to learn about the latest technological advances in digital transformation.

In 2016, the event featured special guest Enrique Dans, professor of Innovation at IE Business School, who spoke about the new challenges digital transformation poses to companies and provided a number of guidelines for overcoming these challenges.

Work planned for 2017
Develop and introduce new types of sensors in the market and monitor the quality of the proprietary network
Integrate specific vehicle sensors and security and connected alarm sensors for the residential IoT segment
Support entrepreneurship through a start-up support plan and a technological monitoring plan, in collaboration with external innovation agents
Contribute recommendations to help households improve their energy efficiency
Launch a new service to introduce SMEs in the 4.0 industry, allowing for the storage and analysis of data of each production element

## Other disclosures

### About this report

#### Scope and profile

This is the first year that Euskaltel and R have issued a corporate responsibility report as the Euskaltel Group, to provide transparent, reliable and balanced information on the economic, social and environmental aspects identified as most relevant.

The Euskaltel Group prepared this report in accordance with the Global Reporting Initiative (GRI) guide, an international standard for preparing sustainability reports. In preparing this report, the Group followed the principles and content defined in the GRI's G4 Sustainability Reporting Guidelines. In order to comply with the GRI guidelines, the company carried out a materiality analysis to focus its reporting on those social, environmental and economic issues that are most relevant for its business and that influence the decisions of its stakeholders. The Group opted for the "comprehensive in-accordance" option, presenting an index of all GRI indicators at the end of this report. Given that Euskaltel has adhered to the United Nations Global Compact, this Corporate

Responsibility Report follows the principles laid out under that initiative.

This report focuses on those aspects identified as relevant in the materiality analysis performed. The preparation and results of this analysis are disclosed below. The material aspects identified in the analysis include certain additional issues relating to the Euskaltel Group's business that, while not specifically foreseen by the GRI, are relevant for the sustainable management of the Group. Information disclosed in this report sets the baseline for assessing future performance of the Euskaltel Group. The Group is currently working to extend and integrate the scope of the reporting system to include all indicators in coming years. The content of this report should be read in conjunction with other information disclosed on the Euskaltel Group website, such as the EMAS Environmental Statement, the Annual Corporate Governance Report, and the annual financial statements and management report.

# Stakeholder engagement

## Materiality analysis

The Euskaltel Group performed its materiality analysis following the GRI G4 standards, which propose the following three steps:

- **Identification:** identify material aspects and their boundaries, based on their impacts on the organisation's activities, products, services, and relationships, both within and outside the organisation. The following sources were analysed, in order of relevance: the company's strategic lines, legislation, GRI G4 reporting standards, issues considered by peer companies, Global Compact principles, global CSR trends, the media and analysts.
- **Prioritisation:** prioritise the content of the report by ranking the material aspects and issues identified, through a participatory process involving the Group's management areas, which provide feedback obtained from different studies and surveys conducted

among stakeholders, such as workplace climate surveys, community surveys, and customer experience questionnaires.

- **Validation:** determine the final content. The list of material aspects, along with their boundaries and prioritisation, was validated by the Group's senior management.

The outcome of these first three steps was a list of material aspects and their boundaries, related to sustainability of the business. This list helped the Group prepare the specific basic content related with the different areas of action, to be included and addressed in the report, thereby responding to stakeholder expectations.

The list of the material aspects identified during the analysis is provided below.

Area	Identified material aspect	Chapter
Corporate governance	Compliance model	2. Organisational and cultural capital
	Governance model, management and reporting of non-financial information (CSR)	2. Organisational and cultural capital
	Identification and consideration of best corporate governance and shareholder protection practices	2. Organisational and cultural capital
	Relationship model	2. Organisational and cultural capital
Ethics and transparency	Responsible payment of taxes	6. Relationships
	Transparency of non-financial information	6. Relationships
People	Diversity and equal opportunity	3. Human capital
	Development and succession	3. Human capital
	Attracting and retaining young talent	3. Human capital
	Healthy company	3. Human capital
Customers	Marketing, advertising and communication with customers	4. Customers
	Customer privacy and security	4. Customers
	Digital inclusion	4. Customers
	Digital health	4. Customers
	Quality and satisfaction	4. Customers
Contribution to communities	Community action	6. Relationships
	Stakeholder engagement	6. Relationships
Suppliers	Consideration of CSR aspects in each procurement phase	6. Relationships
	Transparency and equal opportunity	6. Relationships
Environment	Excellence in environmental management (Green Organisation)	5. Natural capital
	Communication on environmental performance (Green Communication)	5. Natural capital
	Green Product	5. Natural capital
	Fight against climate change	5. Natural capital
Innovation	Sustainable innovation	7. Intellectual capital
Integration	Integration	1. The Euskaltel Group at a glance

## Channels for dialogue

The Euskaltel Group bases its business model on stakeholder relations and adapts to their concerns and needs. The Group places top priority on understanding their expectations and factoring them into the Group's strategic plans.

One of Euskaltel's strengths is the local-level creation of value in the Basque Country and Galicia. This local presence begins with an ongoing, fluid and two-way dialogue with all stakeholders, through different channels such as surveys, meetings, social networks and specific internet portals. The Group can therefore ascertain the main concerns of stakeholders and set out specific actions to respond to their needs and expectations.

Moreover, the Group's CSR policy sets out the commitments and general guidelines for each segment, with the overarching goal of bringing the Euskaltel closer to those people involved with the company in any way. Likewise, the Corporate Responsibility Master Plan is based on the expectations identified when consulting stakeholders through different surveys and studies.

The Euskaltel Group's stakeholders were identified through several different analyses of the company's relationships with its surrounding area, taking into account trends in the telecommunications sector, workplace climate surveys and studies on consumer behaviour and employee satisfaction. These findings were verified within the different Group areas.

Communication with all stakeholders, particularly with employees, was essential during the integration process. To that end, the Group prepared internal communication plans to reduce any uncertainty, to align employees with the mission and vision of the company and to keep employees abreast of all developments.

Euskaltel believes that the "open door" policy espoused by its executive team, which bears ultimate responsibility for people management within the organisation, is the best way of channelling the suggestions employees may have regarding the company's past, current and future performance.



Main dialogue channels				
Stakeholder	Communication tool	Frequency	Main expectations identified	Reported*
Society	Social networks	Ongoing	Local employment, commitment to local associations and institutions, social initiatives and support for culture	Yes
	Collaboration with universities and other institutions	Ongoing		
Customers	Euskaltel and R websites	Ongoing	Excellent customer service, transparency in rates, digital inclusion, service quality, R&D&I investment, digital health and data privacy, among others	Yes
	Mobile apps	Ongoing		
	Claims and complaints	Ongoing		
Employees	Satisfaction surveys	Every other year	Quality of life at the workplace, health and well-being, equal opportunities, commitment to employees, training and development	Yes
	Intranet	Ongoing		
	Workplace climate survey	Annual		
Suppliers	Internal communications channels	Ongoing	Local procurement, transparency and equal opportunities	Yes
	Survey	Every other year		
Public administrations	Survey	Every other year	Transparency, regulatory compliance, environmental management and people management	Yes
Shareholders and investors	General Shareholders' Meeting	Every other year	Ratings, risk management and financial earnings	Yes
	Investor Relations Office	Ongoing		

\*Reflected in the report

# External assurance report

# AENOR

## VERIFICATION OF SUSTAINABILITY REPORT

VMS-2017/0005

AENOR has verified the Report by the organization

### EUSKALTEL, S.A.

**TITLE: 2016 RESPONSIBLE COMPANY REPORT**

In accordance with: G4 Guide of the Global Reporting Initiative

GRI option applied: Exhaustive

Verification Process: To grant this Verification Document, AENOR has verified that the report complies with GRI requirements and has checked the data and information contained in the report.

Issue date: 2017-05-22



Avelino BRITO MARQUINA  
Chief Executive Officer

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# GRI tables

Euskaltel Group Corporate Responsibility Report				
G4	Description	Notes/direct reference	Scope	rev
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>Strategy and analysis</b>				
G4-1	Provide a statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	(3, 4) Letter from the Chairman and the CEO	Group	
G4-2	Provide a description of key impacts, risks, and opportunities	(5, 12-18) The Euskaltel Group at a glance; Organisational and cultural capital	Group	
<b>Organisational profile</b>				
G4-3	Report the name of the organisation	Euskaltel, S.A.	Group	
G4-4	Report the primary brands, products, and services	(5,6) The Euskaltel Group at a glance	Group	
G4-5	Report the location of the organisation's headquarters	(70) Back cover	Group	
G4-6	Report the number of countries where the organisation operates	(5) The Euskaltel Group at a glance	Group	
G4-7	Report the nature of ownership and legal form	Euskaltel, S.A.	Group	
G4-8	Report the markets served (including geographic breakdown)	(5) The Euskaltel Group at a glance	Group	
G4-9	Report the scale of the organisation, including:	(5) The Euskaltel Group at a glance	Group	
G4-10	Report the scale of the organisation	(20) Human capital	Group	
G4-11	Report the percentage of total employees covered by collective bargaining agreements	(20) Human capital	Group	
G4-12	Describe the organisation's supply chain.	(44) Relationships During 2016, all Euskaltel Group suppliers were located in the European Union, except 27 companies, as follows: Canada (1), China (1), Colombia (1), Israel (3), Mexico (1), New Zealand (1), Sweden (1), Switzerland (2) and the United States (16).	Group	
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	(3) Letter from the Chairman and the CEO (5-7) The Euskaltel Group at a glance (12) Organisational and cultural capital	Group	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	(17) Organisational and cultural capital (37, 40) Natural capital	Group	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	(4) Letter from the Chairman and the CEO (46-50) Relationships	Group	
G4-16	List memberships of associations and national or international advocacy organisations which the organisation supports	(4) Letter from the Chairman and the CEO (10) The Euskaltel Group at a glance (46-50) Relationships	Group	
<b>Identified material aspects and boundaries</b>				
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents	(53) Other disclosures To facilitate the achievement of its business objectives, Euskaltel holds ownership interests in the following companies: Hamaika Telebista Hedatzeko Taldea, Cinfo and Safelayer Secure Communications	Group	
G4-18	Explain the process for defining the report content	(30, 53-55) Customers; Other disclosures	Group	
G4-19	List all the material aspects identified in the process for defining report content	(54) Other disclosures	Group	
G4-20	For each material aspect, report the aspect boundary within the organisation	(54) Other disclosures	Group	
G4-21	For each material aspect, report the aspect boundary outside the organisation	(54) Other disclosures	Group	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	(53) Other disclosures	Group	
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	(53) Other disclosures	Group	

Euskaltel Group Corporate Responsibility Report				
G4	Description	Notes/direct reference	Scope	rev
<b>Stakeholder engagement</b>				
G4-24	Provide a list of stakeholder groups engaged by the organisation	(55) Other disclosures	Group	
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	(55) Other disclosures	Group	
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement	(30) Customers (54-55) Other disclosures	Group	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	(54-55) Other disclosures	Group	
<b>Report profile</b>				
G4-28	Reporting period for information provided	2016	Group	
G4-29	Date of most recent previous report (if any)	2015	Euskaltel	
G4-30	Reporting cycle (such as annual, biennial)	Annual	Group	
G4-31	Provide the contact point for questions regarding the report or its contents	Back cover	Group	
G4-32	Report the "in accordance" option the organisation has chosen	(56) External assurance report	Group	
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report	(56) External assurance report	Group	
<b>Governance</b>				
G4-34	Report the governance structure of the organisation, including committees	(12-15) Organisational and cultural capital	Group	
G4-35	Report the process for delegating authority from the highest governance body to senior executives and other employees	(12-15) Organisational and cultural capital	Group	
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics	(12-15) Organisational and cultural capital	Group	
G4-37	Report processes for consultation between stakeholders and the highest governance body	(12, 13) Organisational and cultural capital (55) Other disclosures	Group	
G4-38	Report the composition of the highest governance body	(12-15) Organisational and cultural capital	Group	
G4-39	Report whether the chair of the highest governance body is also an executive officer	(12-15) Organisational and cultural capital	Group	
G4-40	Report the nomination and selection processes for the highest governance body	(12-15) Organisational and cultural capital	Group	
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed	Section D.6 of the Euskaltel Group's 2016 Annual Corporate Governance Report	Group	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals	(12) Organisational and cultural capital	Group	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Each year, the Board of Directors is informed of the Group's economic, social and environmental performance. In 2016, the Group's CSR policy was approved.	Group	
G4-44	Report the processes for evaluation of the highest governance body's performance	(12-15) Organisational and cultural capital	Group	
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes and in stakeholder consultation	Section E of the Euskaltel Group's 2016 Annual Corporate Governance Report	Group	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	Section E of the Euskaltel Group's 2016 Annual Corporate Governance Report	Group	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and	(12-15) Organisational and cultural capital	Group	

Euskaltel Group Corporate Responsibility Report				
G4	Description	Notes/direct reference	Scope	rev
	opportunities			
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report	The Board of Directors is entrusted with reviewing and approving this 2016 Corporate Responsibility Report, after third-party assurance.	Group	
G4-49	Report the processes for communicating critical concerns to the highest governance body	The CEO is entrusted with informing the Board of Directors of all aspects regarding the company's performance.	Group	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body	In general, during 2016 the Board was informed of issues related with the preparation of the annual financial statements and the proposed distribution of profits, the periodic public information disclosed, budgets, objectives, authorised representation, remuneration of the Board of Directors and senior management, approval of the different annual reports, the call to the General Shareholders' Meeting, preparation of proposed resolutions and the corresponding directors' reports thereon, the update of corporate policies, the company's IPO and the acquisition of R Cable y Telecomunicaciones Galicia, S.A., and the new 2016-2018 CSR plan, among other matters.	Group	
G4-51	Report the remuneration policies for the highest governance body and senior executives and how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	Section A.1 of Euskaltel, S.A.'s 2016 Annual Report on the Remuneration of Directors	Group	
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration	Section A.2 of Euskaltel, S.A.'s 2016 Annual Report on the Remuneration of Directors	Group	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration	(15) Organisational and cultural capital	Group	
G4-54	Report the ratio of the annual total compensation	The ratio between this compensation is 2.11 to 1 at Euskaltel and 1.70 to 1 at R.	Group	
G4-55	Report the ratio of percentage increase in annual total compensation for the organisation	The median percentage increase in annual total compensation was 2.33% (Euskaltel) and 2.13% (R), in compliance with the Collective Labour Agreement.	Group	
<b>Ethics and Integrity</b>				
G4-56	Describe the organisation's values, principles, standards and norms of behaviour	(16) Organisational and cultural capital	Group	
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour	(16) Organisational and cultural capital	Group	
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	The Code of Ethics and Conducts, which sets out the organisation's ethical guidelines for the conduct employees should avoid (anti-corruption chapter), is posted on the intranet. A Code of Conduct is also in place at R. In addition, channels have been set up for grievances on matters that could potentially affect Euskaltel. These channels include the email associated with content of the Corporate Responsibility Report (memoriarc@euskaltel.com), the Euskaltel CSR email (rse@euskaltel.com), and all the Group's social networks and other forums (Twitter, Facebook, Instagram, etc.).	Group	
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>ECONOMIC</b>				
<b>Economic performance</b>				
G4-EC1	Report the direct economic value generated and distributed	(43) Relationships	Group	
G4-EC2	Report the financial implications and other risks and opportunities for the organisation's activities due to climate change and other sustainability issues	Due to the nature of its activities, Euskaltel has a very low environmental impact on its surroundings. This influences the scope of the environmental objectives it sets and allows the Group to ensure that any potential risk for the company's activities are being properly managed. As the primary measure of its climate change impact, Euskaltel calculates its annual carbon footprint and prepares greenhouse gas emissions reports in accordance with the methodology established by Ihobe, the Basque Country government's environmental management company. Both direct and indirect emissions are quantified in these reports.  (23, 26) Human capital	Group	
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Euskaltel pays a monthly Social Security contribution for all employees, based on the salary level, in support of the public welfare system. In addition, the company offers a private pre-tax contribution system for those employees wishing to make	Group	

Euskaltel Group Corporate Responsibility Report																				
G4	Description	Notes/direct reference	Scope	rev																
		individual contributions. Moreover, all Euskaltel Group employees receive a series of benefits, either related with company products or services or in respect of occupational health and safety.																		
G4-EC4	Financial assistance received from government	<p>During 2016, the Euskaltel Group received subsidies amounting to €248 thousand.</p> <table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Euskaltel</td> <td>-230,897.55</td> <td>-367,192.54</td> <td>-331,491.14</td> </tr> <tr> <td>R</td> <td>-17,068.69</td> <td></td> <td></td> </tr> <tr> <td><b>Group</b></td> <td><b>-247,966.24</b></td> <td><b>-367,192.54</b></td> <td><b>-331,491.14</b></td> </tr> </tbody> </table>		2016	2015	2014	Euskaltel	-230,897.55	-367,192.54	-331,491.14	R	-17,068.69			<b>Group</b>	<b>-247,966.24</b>	<b>-367,192.54</b>	<b>-331,491.14</b>	Group	
	2016	2015	2014																	
Euskaltel	-230,897.55	-367,192.54	-331,491.14																	
R	-17,068.69																			
<b>Group</b>	<b>-247,966.24</b>	<b>-367,192.54</b>	<b>-331,491.14</b>																	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The ratio between the entry level wage and the local minimum wage at the Group was 2.335 in 2016, 2.258 in 2015 and 2.175 in 2014.	Group																	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	The Management Committee comprises the CEO and the heads of the Decision Centres. These areas receive reports from the Function Departments, the majority of which relate to the local community. The Group's executive team comprises the chairman, the CEO, the heads of the Decision Centres and the heads of the Function Departments. Euskaltel believes that the "open door" policy espoused by its executive team, which bears ultimate responsibility for people management within the organisation, is the best way of channelling the suggestions employees may have regarding the Group's performance in the Basque Country and in Galicia.	Group																	
G4-EC7	Development and impact of infrastructure investments and services supported	(31) Customers	Group																	
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Euskaltel bases its aspirations as a comprehensive telecommunications operator with a guaranteed future on the deployment of its own high-performance network and capillarity to provide a wide range of added-value services.	Group																	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	(44) Relationships	Group																	
<b>ENVIRONMENTAL</b>																				
<b>Materials</b>																				
G4-EN1	Materials used by weight or volume	(41) Natural capital	Group																	
G4-EN2	Percentage of materials used that are recycled input materials	<p>- Purchase of refurbished customer equipment vs. total equipment purchased: 0.82% (2016)</p> <p>- Use of recycled paper vs. total paper used: 3.3% (2016) See trends in the G4-EN2 appendix (page 66).</p> <p>- Sale of refurbished customer equipment vs. total equipment placed on the market (see G4-EN28)</p>	Group																	
<b>Energy</b>																				
G4-EN3	Energy consumption within the organisation	(41) Natural capital	Group																	
G4-EN4	Energy consumption outside the organisation	(41) Natural capital	Group																	
G4-EN5	Energy intensity	(41) Natural capital	Group																	
G4-EN6	Reduction of energy consumption	<p>(39, 40, 41) Natural capital (Group)</p> <p>Euskaltel has defined an energy efficiency plan for 2016, setting out the measures for saving both electricity and fuel. This plan foresees the following actions:</p> <ul style="list-style-type: none"> <li>- Energy efficiency audit, in order to identify energy use actions that could help the Group save energy and be more efficient in that regard</li> <li>- Awareness-raising campaigns in respect of energy savings</li> <li>- Rational use of lighting at central offices, with automatic shut-off features (at data processing centres) and other features (hallways and offices)</li> <li>- Installation of more energy-efficient equipment at data processing centres (servers) and consolidation of existing servers</li> <li>- Rational use of vehicles for work-related travel and travel between the different Euskaltel Group locations</li> <li>- Use of videoconferences for meetings between different Group locations, avoiding long-distance travel</li> </ul>	Group																	
G4-EN7	Reductions in energy requirements of products and services	<p>The Group takes the energy requirements of customer equipment into account during the certification phase.</p> <p>In addition, the energy use, at customers' homes, of equipment sold is calculated. The change in these calculations between 2015 and 2016 is as follows (Euskaltel):</p> <ul style="list-style-type: none"> <li>- 3.9% increase in internet-accessing devices, due to increased performance (WiFi connections) and higher browsing speeds in new models</li> <li>- 8.2% reduction in TV converter boxes, due to enhanced efficiency</li> <li>- 21.3% rise in mobile handsets, due to the gradual increase in screen size and enhanced wireless technology features installed (2G, 3G, 4G, WiFi, GPS, Bluetooth and NFC)</li> </ul>	Group / Euskaltel																	

Euskaltel Group Corporate Responsibility Report				
G4	Description	Notes/direct reference	Scope	rev
<b>Water</b>				
G4-EN8	Total water withdrawal by source	(41) Natural capital Water used by Euskaltel comes from the Consorcio de Aguas del Gran Bilbao water supply system, while water withdrawn by R comes from the Empresa Municipal de Aguas de la Coruña S.A., Aqualia and Viaqua networks, depending on the location of each work centre.	Group	
G4-EN9	Water sources significantly affected by withdrawal of water	During 2016, no water sources were significantly affected by withdrawal of water by the Group.	Group	
G4-EN10	Percentage and total volume of water recycled and reused	No water is recycled or reused by the Group.	Group	
<b>Biodiversity</b>				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Euskaltel Group does not own any land in areas of high biodiversity value. During 2016, no impacts were recorded in respect of biodiversity in protected, heritage or biosphere reserve areas. Consequently, no impacts occurred in areas serving as habitats to species at risk of extinction.	Group	
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas			
G4-EN13	Habitats protected or restored			
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk			
<b>Emissions</b>				
G4-EN15	Direct greenhouse gas emissions (scope 1)	(39) Natural capital The emission sources considered in scope 1 are: use of fuel in generators and by company vehicles during work trips, plus emissions of fluorinated greenhouse gases. See appendix (page 66).	Group	
G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	(39) Natural capital The emission source considered under scope 2 is the use of electricity. See appendix (page 66).	Group	
G4-EN17	Other indirect greenhouse gas emissions (scope 3)	(39) Natural capital The sources of emissions considered in scope 3 are: use of fuel in transport means not owned by the Group but used for company purposes (employee vehicles, planes, trains, taxi, etc.). See appendix (page 66).	Group	
G4-EN18	Greenhouse gas (GHG) emissions intensity	(39) Natural capital Emissions (scopes 1 and 2) are divided by the sum of products sold. See appendix (page 66).	Group	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	(39) Natural capital	Group	
G4-EN20	Emissions of ozone-depleting substances (ODS)	Euskaltel does not produce, import or export ozone-depleting gases. Since 2012, Euskaltel has implemented a plan to replace R-22 gases, whereby whenever a leak of this type of gas occurs, the equipment is either retired or recharged with other refrigerant gases that do not affect the ozone layer (R-434.A or R-424.A).	Euskaltel	
G4-EN21	NOx, SOx and other significant air emissions	See appendix (page 66).	Group	
<b>Effluents and waste</b>				
G4-EN22	Total water discharge	The Euskaltel Group does not discharge industrial waste water. Sanitary and sewage water is discharged to the Consorcio de Aguas del Gran Bilbao water treatment system, in the case of Euskaltel, and to the Empresa Municipal de Aguas de la Coruña S.A., Aqualia and Viaqua networks for R, depending on the location of each work centre.	Group	
G4-EN23	Total weight of waste by type	(41) Natural capital	Group	
G4-EN24	Total number and volume of significant spills	No significant spills were recorded in 2016.	Group	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	All hazardous waste, including used lead batteries, are collected by authorised waste management companies, primarily in the Basque Country and Galicia and, in certain cases, in other regions of Spain. No hazardous waste has been shipped internationally.	Group	
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	During 2016, the Group did not discharge any water affecting any water sources or ecosystems.	Group	

Euskaltel Group Corporate Responsibility Report													
G4	Description	Notes/direct reference	Scope	rev									
<b>Products and services</b>													
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	(38, 39) Natural capital See G4-EN7	Group										
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	(38) Natural capital See appendix (page 66).	Group										
<b>Compliance</b>													
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	During 2016, no significant fines were received in this connection. Grievances received about environmental impacts are reported under indicator G4-EN34.	Group										
<b>Transport</b>													
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	(39) Natural capital The Group has established the following measures to reduce fuel use: - Prioritisation of use of company vehicles over employee vehicles for work-related travel, given that, in general, company vehicles use less fuel and issue less CO <sub>2</sub> (Euskaltel) - Use of videoconferences for meetings, avoiding long-distance travel (Group) - Prior analysis of the importance of attending an external event (Group)	Group / Euskaltel										
<b>Overall</b>													
G4-EN31	Total environmental protection expenditures and investments	See appendix (page 66).	Group										
<b>Supplier Environmental Assessment</b>													
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	100% of new suppliers are screened using environmental criteria, given that one of the issues regularly evaluated is whether or not suppliers have an environmental management system in place. During 2016, work was underway at Euskaltel to expand the environmental aspects used in initially certifying suppliers and in their periodic evaluations.	Euskaltel										
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Based on the evaluations performed, Euskaltel has not identified any suppliers causing significant negative environmental impacts.	Euskaltel										
<b>Environmental grievance mechanisms</b>													
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	All grievances about environmental impacts received in 2016 were resolved and closed prior to year end. None of these grievances were considered significant. See appendix (page 66).	Group										
<b>SOCIAL</b>													
<b>Labour practices and decent work</b>													
<b>Employment</b>													
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	See appendix (page 67).	Group										
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	(26) Human capital	Group										
G4-LA3	Return to work and retention rates after parental leave, by gender	Figures for employees taking parental leave during the past two years are as follows: <table border="1"> <thead> <tr> <th></th> <th>Men</th> <th>Women</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>13</td> <td>14</td> </tr> <tr> <td>2016</td> <td>11</td> <td>8</td> </tr> </tbody> </table> All these individuals returned to work at the end of their parental leave.		Men	Women	2015	13	14	2016	11	8	Group	
	Men	Women											
2015	13	14											
2016	11	8											
<b>Labour/Management relations</b>													
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	In general, operational changes are reported to the affected persons and the affected area prior to reflecting them on the official company organisational chart posted on intranet. No minimum notice period has been established.	Euskaltel										
<b>Occupational health and safety</b>													
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	The Euskaltel Group has created committees for these issues, representing 100% of employees. At Euskaltel, five occupational health and safety liaisons sit on this committee, while R's Occupational Health and Safety committee comprises four worker representatives and three company representatives.	Group										
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	(27) Human capital See appendix (page 67).	Group										

Euskaltel Group Corporate Responsibility Report																
G4	Description	Notes/direct reference	Scope	rev												
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	No professional activities or job positions within the Group have been identified as having a high incidence or high risk of work-related disease.	Group													
G4-LA8	Health and safety topics covered in formal agreements with trade unions	(26.27) Human capital	Group													
<b>Training and education</b>																
G4-LA9	Average hours of training per year per employee by gender, and by employee category	(24) Human capital	Group													
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	The Euskaltel Group fosters practical skills in terms of both technical and non-technical abilities. At Euskaltel, each employee receives the training necessary for him or her to correctly performance the assigned job. Training can be accessed through the employee portal. No specific programmes are in place at R in this regard.	Group													
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The percentage of employees receiving performance reviews is as follows: <table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Euskaltel</td> <td>98.86%</td> <td>98.83%</td> <td>99.50%</td> </tr> <tr> <td>R</td> <td>95.54%</td> <td>96.52%</td> <td>95.00%</td> </tr> </tbody> </table>		2014	2015	2016	Euskaltel	98.86%	98.83%	99.50%	R	95.54%	96.52%	95.00%	Group	
	2014	2015	2016													
Euskaltel	98.86%	98.83%	99.50%													
R	95.54%	96.52%	95.00%													
<b>Diversity and equal opportunity</b>																
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	See appendix (page 67).	Group													
<b>Equal remuneration for women and men</b>																
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	In line with the Group's people management policy, salaries are determined on an individual basis; that is, each person is compensated in line with the responsibility assigned, their performance and their contribution of value to the company. No differences are established in respect of gender, age or other such factors.	Group													
<b>Supplier assessment for labour practices</b>																
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Given that suppliers are evaluated in respect of key corporate risks, the Group does not deem it necessary to conduct a further analysis focused on labour practices.	Group													
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	No such impacts have been detected.	Group													
<b>Labour practices grievance mechanisms</b>																
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	During 2016, four proceedings were underway, two of which have been closed. The three proceedings open prior to 2016 were closed.	Group													
<b>Human rights</b>																
<b>Investment</b>																
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment agreements include human rights clauses or undergo human rights screening, except for in respect of regulatory compliance with safety issues.	Group													
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	During 2016, 96% of employees attended one of the awareness-raising seminars held in Euskaltel in respect of female empowerment, mindfulness or both. A total of 855.5 hours were logged in this regard, along with 18 hours of additional training, focused on the Code of Ethics. Taking into account the 199 people who attended sessions on the Code of Ethics in 2015, 64.4% of staff have received training in this regard.	Euskaltel													
<b>Non-discrimination</b>																
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents of discrimination occurred in 2016.	Group													
<b>Freedom of association and collective bargaining</b>																
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	(20) Human capital	Group													
<b>Child labour</b>																
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Prevailing legislation guarantees this right. Article 6 of the Employment Statute prohibits the employment of under-age children.	Euskaltel													
<b>Forced or compulsory labour</b>																

Euskaltel Group Corporate Responsibility Report				
G4	Description	Notes/direct reference	Scope	rev
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Prevailing legislation guarantees this right. Employment must be offered freely, and employees must be free to leave their employment whenever they choose. Article 49 of the Employment Statute acknowledges the right of employees to leave their employment voluntarily whenever they choose to do so.	Euskaltel	
<b>Security practices</b>				
G4-HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	Euskaltel Group security personnel do not have dealings with the general public. These employees are duly identified and have received the requisite training in respect of Euskaltel's internal procedures and rules, the systems and equipment used, first aid, and data protection.	Group	
<b>Indigenous rights</b>				
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	In 2016, no groups of indigenous peoples were affected by the Group's activity.	Group	
<b>Assessment</b>				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	All Euskaltel Group centres are regularly inspected to ensure that occupational health and safety conditions are optimal.	Group	
<b>Supplier human rights assessment</b>				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	The Group does not deem it necessary to conduct a further analysis focused on human rights criteria.	Group	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	The Group does not deem it necessary to conduct a further analysis focused on these aspects.	Group	
<b>Human rights grievance mechanisms</b>				
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	(16) Organisational and cultural capital No human rights-related grievances were filed in 2016.	Group	
<b>Society</b>				
<b>Local communities</b>				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Euskaltel does not operate in locations other than the community in which it is located. Consequently, it does not deem it necessary to report on this indicator.	Euskaltel	
G4-SO2	Operations with significant actual or potential negative impacts on local communities	None of Euskaltel's operations centres have or could have negative impacts on local communities.	Euskaltel	
<b>Anti-corruption</b>				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	No evaluations were carried out in 2016 in respect of corruption risks.	Group	
G4-SO4	Communication and training on anti-corruption policies and procedures	(17) Organisational and cultural capital	Group	
G4-SO5	Confirmed incidents of corruption and actions taken	During 2016, no incidents occurred that involved a severe breach of regulations or of the good governance practices established in the company.	Group	
<b>Public policy</b>				
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Euskaltel does not make any donations to political parties or their candidates.	Euskaltel	
<b>Anti-competitive behaviour</b>				
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No official judgements or decisions were issued that affect the company in this regard.	Euskaltel	
<b>Compliance</b>				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Two fines have been levied, one for €50,000 in respect of notification of rates to customers and organisations, and a second fine for €240,000, regarding the setting of rates in extra pay services. Claims received through consumer organisations are disclosed on page 32.	Group	
<b>Supplier assessment for impacts on society</b>				
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	The Group does not deem it necessary to conduct a further analysis focused on this aspect.	Group	
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	No significant impacts were detected in this regard.	Group	



Euskaltel Group Corporate Responsibility Report																																
G4	Description	Notes/direct reference	Scope	rev																												
<b>Grievance mechanisms for impacts on society</b>																																
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No grievances were received in 2016 in this regard.	Group																													
<b>Product responsibility</b>																																
<b>Customer health and safety</b>																																
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	(30, 32-35) Customers The Euskaltel Group is responsible for making third-party equipment available to end users on the market, ensuring that both the equipment it acquires and the equipment it sells complies with prevailing legislation in respect of electromagnetic fields. With respect to radiofrequency waves, the Euskaltel Group rigorously complies with prevailing legislation in its roll-out of the LTE (4G) network, the radiation from which is measured and reported to the relevant bodies. Users can contact the customer service telephone line for information on the Group's policy in this regard. In addition, although Euskaltel is not a manufacturer, all mobile handset models it sells are subject to a certification process. Suppliers are required to comply with European Union Directive 1999/5/EC (R&TTE Directive), which requires a specific absorption rate and performance of electromagnetic compatibility tests.	Group																													
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No fines or sanctions were received in this respect.	Group																													
<b>Products and service labelling</b>																																
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant products and service categories subject to such information requirements	(34.35) Customers (38) Natural capital All products offered by the Euskaltel Group are certified and meet the requirements set by different national and international bodies. The company complies with legal requirements regarding packaging labelling, in accordance with Law 11/1997 on packaging and packaging waste. All labels state that the company complies with prevailing legislation and that it contributes to the future management of waste generated by packaging. The company also cooperates with the integrated management system organisation Ecoembes for this type of waste.	Group																													
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No fines or sanctions were received in this respect.	Group																													
G4-PR5	Results of surveys measuring customer satisfaction	(29) Customers Results for Euskaltel are as follows: <table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Surveys conducted</td> <td>20,305</td> <td>24,843</td> <td>24,331</td> </tr> <tr> <td>Score out of 5</td> <td>3.99</td> <td>4.03</td> <td>3.99</td> </tr> </tbody> </table> Results for R are as follows: <table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2015</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>Customer service</td> <td>94%</td> <td>93%</td> <td>94%</td> </tr> <tr> <td>Resolution</td> <td>81%</td> <td>81%</td> <td>75%</td> </tr> <tr> <td>Recommendation</td> <td>81%</td> <td>83%</td> <td>85%</td> </tr> </tbody> </table>		2016	2015	2014	Surveys conducted	20,305	24,843	24,331	Score out of 5	3.99	4.03	3.99		2016	2015	2014	Customer service	94%	93%	94%	Resolution	81%	81%	75%	Recommendation	81%	83%	85%	Group	
	2016	2015	2014																													
Surveys conducted	20,305	24,843	24,331																													
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	2016	2015	2014																													
Customer service	94%	93%	94%																													
Resolution	81%	81%	75%																													
Recommendation	81%	83%	85%																													
<b>Marketing communications</b>																																
G4-PR6	Sale of banned or disputed products	Euskaltel does not sell any banned products or any products that have been called into question by its stakeholders.	Euskaltel																													
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	The Euskaltel Group has not adhered to any voluntary codes in respect of marketing, including for advertising.	Group																													
<b>Customer privacy</b>																																
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No duly-grounded complaints of this type were received in 2016.	Group																													
<b>Compliance</b>																																
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Two fines have been levied, one for €50,000 in respect of notification of rates to customers and organisations, and a second fine for €240,000, regarding the setting of rates in extra pay services. Claims received through consumer organisations are disclosed on page 32.	Group																													

## Appendix - GRI indicators

### G4-10 Workforce characteristics

Category	2015			2016		
	Men	Women	Total	Men	Women	Total
Executives	52	9	61	48	9	57
Managers	71	32	103	66	34	100
Other professionals	185	194	379	182	188	370
<b>TOTAL</b>	<b>308</b>	<b>235</b>	<b>543</b>	<b>296</b>	<b>231</b>	<b>527</b>

### G4-EN2 PERCENTAGE OF RECYCLED PAPER VS. TOTAL USED

	2014	2015	2016
Percentage	4.8%	2.8%	3.3%
Scope	Euskaltel	Group	Group

### G4-EN15, EN16, EN17, EN18

EMISSIONS		2014	2015	2016	Units
Direct GHG (scope 1)	CO <sub>2</sub> <sup>(*)</sup>	264.78	169.36	147.46	t CO <sub>2</sub> eq.
	CH <sub>4</sub> <sup>(*)</sup>	0.34	0.21	0.19	t CO <sub>2</sub> eq.
	N <sub>2</sub> O <sup>(*)</sup>	3.57	2.19	1.94	t CO <sub>2</sub> eq.
	HFC <sup>(*)</sup> <sup>(*)</sup>	427.03	652.13	766.24	t CO <sub>2</sub> eq.
	PFC <sup>(*)</sup> <sup>(*)</sup>	0.00	0.00	0.00	t CO <sub>2</sub> eq.
Indirect GHG (scope 2)	SF <sub>6</sub> <sup>(*)</sup> <sup>(*)</sup>	0.00	0.00	0.00	t CO <sub>2</sub> eq.
	CO <sub>2</sub> <sup>(*)</sup>	10,358.37	13,190.62	9,479.44	t CO <sub>2</sub> eq.
Intensity of GHG emissions	CO <sub>2</sub>	5.42	6.26	4.49	kg. CO <sub>2</sub> e./prod.
GHG emissions (scope 3)	CO <sub>2</sub>	309.58	309.43	325.77	t CO <sub>2</sub> eq.

<sup>(\*)</sup> The Group used the method and conversions set out in Ihobe's Stop CO<sub>2</sub> tool in order to calculate GHG emissions.

<sup>(\*)</sup> The Group used global warming potential (GWP) data set out in Regulation (EU) No 517/2014 in order to calculate HCFC, HFC and SF<sub>6</sub> emissions in CO<sub>2</sub> equivalent tonnes.

### G4-EN21 NO<sub>x</sub>, SO<sub>x</sub> AND OTHER SIGNIFICANT AIR EMISSIONS

ASPECT		2015	2015	2016	Units
Other air emissions	SO <sub>2</sub>	0.0014	0.0008	0.0008	t
	NO <sub>x</sub>	1.0893	0.6968	0.6066	t
	Solid particulates	0.0924	0.0591	0.0515	t

*In order to calculate SO<sub>2</sub>, NO<sub>x</sub> and PM emissions, the Group used data included in the EMEP/EEA air pollutant emission inventory guidebook (2013) published by the European Environment Agency.*

### G4-EN28 CUSTOMER EQUIPMENT SOLD

	2014	2015	2016
Percentage	40.3%	35.5%	43.0%

### G4-EN31 ENVIRONMENTAL PROTECTION EXPENDITURES

Expenditure area (€)	2014	2015	2016
Waste management (handlers and resources)	27,742	27,118	23,222
Consultants and audits	28,253	28,780	14,728

### G4-EN34 GRIEVANCES ABOUT ENVIRONMENTAL IMPACTS

	2014	2015	2016
YEAR TOTAL	95	173	157
Interference at street cable boxes	92	168	143
Interference at nodes/equipment	1	2	11
Waste	2	3	3

**G4-LA1 NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION**

	Under 30		31 – 50		Over 50	
	Men	Women	Men	Women	Men	Women
2014	11	1	1	0	1	0
2015	1	0	3	0	0	1
2016	3	0	0	0	2	0

The external turnover rate, by gender and age, for 2016 is as follows:

	Under 30		31 – 50		Over 50	
	Men	Women	Men	Women	Men	Women
2014	15	1	128	41	27	0
2015	0	0	5	8	5	0
2016	1	0	7	3	7	0

**G4-LA6 TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES, BY REGION AND BY GENDER**

Absenteeism (Euskaltel)						
	2014	2015	2016			
Workforce	2.35	1.87	2.49			
Men	1.19	0.31	0.76			
Women	1.16	1.57	1.74			
Absenteeism (R)						
	2014	2015	2016			
Workforce	0.87	0.67	1.47			
Men	0.51	0.43	0.74			
Women	0.36	0.24	0.73			
Severity and frequency indices						
	2014		2015		2016	
	Euskaltel	R	Euskaltel	R	Euskaltel	R
Severity index	0.19	0	0	0	0	0
Frequency index	2.07	0	0	0	0	0

**G4-LA12 COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY**

		2015			2016		
		Personnel under the Collective Labour Agreement	Managers	Executives	Personnel under the Collective Labour Agreement	Managers	Executives
>50	MEN	21	10	25	25	10	23
	WOMEN	6	0	2	10	0	2
30>=50	MEN	158	61	27	152	56	25
	WOMEN	182	32	7	173	34	7
>=30	MEN	6	0	0	5	0	0
	WOMEN	6	0	0	5	0	0

\* During 2016, two people with disabilities were hired.

## Glossary

- Internet Protocol Television (IPTV): pay television delivery systems using broadband based on internet protocol (IP).
- Over-the-air (OTA) platform: real-time programming in respect of various software distribution methods, configuration adjustments and update of encryption keys. Automatic updates can be sent to all users from a central location.
- Long Term Evolution (LTE) service: standard for high-speed wireless data transmission communications for mobile telephones and data handsets.
- IP Multimedia Subsystem (IMS) architecture: framework for jointly delivering voice, data, video, services and images through an infrastructure based on routing of packets via IP addresses. This makes it possible to incorporate all types of services into a network.
- Internet Protocol/Multiprotocol Label Switching (IP/MPLS): data transfer mechanisms design to transport data for circuit-switched and packet-switched networks.
- Ethernet broadband (NEBA) access service: wholesale broadband service allowing alternative operators to offer their customers service independently
- Fibre To The Home (FTTH): telecommunications technology based on the use of fibre optic cables to distribute advanced services.
- Access points (AP): Specific professional access points.

# Global Compact - GRI correspondence table

GLOBAL COMPACT AREA	PRINCIPLE	DIRECTLY RELEVANT GRI INDICATORS	INDIRECTLY RELEVANT GRI INDICATORS
Human rights	Businesses should support and respect the protection of internationally proclaimed human rights, within their area of influence.	(G4-HR1)-(G4-HR8); (G4-HR10)	(G4-11), (G4-12), (G4-13), (G4-SO1)
	Principle 2 - Business should make sure that they are not complicit in human rights abuses.	(G4-HR1), (G4-HR10), (G4-HR7)	
Labour	Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	(G4-HR4), (G4-11), (G4-LA4)	
	Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labour.	(G4-HR6)	(G4-HR1), (G4-HR2), (G4-HR10)
	Principle 5 - Business should uphold the effective abolition of child labour.	(G4-HR5)	(G4-HR1), (G4-HR2), (G4-HR10)
	Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.	(G4-HR3), (G4-LA1), (G4-LA12), (G4-LA13)	(G4-HR1) (G4-HR10), (G4-EC5), (G4-EC6), (G4-LA2)
Environment	Principle 7 - Businesses should support a precautionary approach to environmental challenges.	(G4-14)	(G4-EC2)
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility.	(G4-EN2), (G4-EN6), (G4-EN7), (G4-EN10), (G4-EN13), (G4-EN19), (G4-EN22), (G4-EN23), (G4-EN27), (G4-EN28), (G4-EN31)	(G4-EC2), (G4-EN1), (G4-EN3), (G4-EN8), (G4-EN9), (G4-EN11), (G4-EN12), (G4-EN14), (G4-EN17), (G4-EN20), (G4-EN21), (G4-EN24), (G4-EN26), (G4-EN29), (G4-EN30), (G4-PR3), (G4-PR4)
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.	(G4-EN2), (G4-EN6), (G4-EN7), (G4-EN10), (G4-EN19), (G4-EN27), (G4-EN28)	
Anti-corruption	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.	(G4-SO3)-(G4-SO5)	(G4-SO6)



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