

Leaders in customer service and commitment

**Corporate Responsibility
Report
2017**



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Letter from the Chairman and the CEO

The acquisition of Telecable in 2017 culminated the great expansion of cable in the north. Euskaltel, R and Telecable are all leaders in their respective markets, and the combination of all three makes us leaders in northern Spain.

4

core pillars



Diversified growth



Operational excellence



Unique experience



Customer value protection

Since the Euskaltel Group went public in 2015, we have faced a number of major challenges. In confronting them, we have successfully fulfilled our commitments to our shareholders. 2017 has been a year of growth and significant progress towards our strategic objectives, strengthening our position as the leading telecommunications group in the north of Spain. We have strengthened our position as the leading telecommunications group in northern Spain.

Thanks to the full integration of R and our acquisition of Telecable, the Euskaltel Group continues to grow and make its business stronger, offering increasingly innovative products and services on a par with the best in the industry. Our increasingly innovative products and services are on a par with the best in the industry.

In 2017, we reached a record high in the number of products purchased by our customers, resulting in strong cash generation. This has enabled us to pay out the announced dividends and maintain our financial leverage within the set targets, with solid performance in terms of cash flow. And we have not lost sight of our priority to create value for all our stakeholders and to promote the development of technology in the Basque Country, Galicia and Asturias.

As regards strategy, we have designed and implemented a new Strategic Plan for 2017–2019 based on four core pillars: operational excellence, promoting a unique experience for our customers, maintaining diversified growth, and protecting customer value. In pursuance of this strategy, in 2017 we strengthened our organisational and corporate governance structure by establishing a new Strategy Committee, increasing the number of members of the Board of Directors from 10 to 12, and creating the new roles of CRO (Chief Risk Officer), CISO (Chief Information Security Officer), Compliance Officer and Data Protection Delegate.

In pursuance of this strategy, in 2017 we strengthened our organisational and corporate governance structure by establishing a new Strategy Committee, increasing the number of members of the Board of Directors from 10 to 12, and creating the new roles of CRO, CISO, Compliance Officer and Data Protection Delegate.

2017 was also the year in which we worked on our new Code of Ethics and Anti-Corruption Policy, both of which were approved in December. These standards strengthen our culture and our way of doing business, bringing us into line with the best practices in the market.



In just over two years we have completed three major challenges: our IPO, creating the leading telecommunications group in northern Spain, and designing and implementing a consistent policy for shareholder remuneration via dividends.



ALBERTO GARCÍA ERAUZKIN
Chairman

euskaltel



777,000

customers

residential and business



Pooling the capabilities of Euskaltel, R and Telecable will significantly increase the Group's growth potential, enabling us to continue leading the digital development of Basque, Galician and Asturian societies.



FRANCISCO ARTECHE
CEO



In 2017, we passed the mark of 777,000 residential and business customers, while improving user satisfaction and perception of the services we offer. In the coming years, we aim to maintain our leadership in the residential segment, providing a unique experience in services such as TV, wi-fi and Digital Home. In the business segment, we have major clients who have been with us for years because we provide a high quality service and continuously adapt our products to their needs, big data services, the Internet of Things, Cybersecurity, etc.

None of this would have been possible if we didn't have the very best professionals a company can have and the hard work of our people. With the incorporation of Telecable, we share not only a firm commitment to a common goal, but also the values that make us an outstanding team: proximity, honesty, innovation and efficiency. As part of our corporate plans, in 2017 we conducted a work climate survey spanning the three Group companies for the first time. The feedback will help us make the Euskaltel Group the best possible place to work at. We are also strongly committed to job creation in local communities, particularly for young people. Our new TalenTU2019 programme serves this purpose by stimulating young talent recruitment and supporting leadership and professional development.

Also, as part of our commitment to our stakeholders, in 2017 we continued to implement our CSR Plan for 2016–2018, with actions to generate stronger economic, social and environmental value, and to enhance transparency in an increasingly diverse company. The CSR Plan also takes forward our commitment to the United Nations Global Compact, which we are signatories of, and to its Sustainable Development Goals (SDGs). The plan makes a significant contribution to ODS 9 by supporting innovation and to ODS 8 through our efforts to create quality jobs in the regions where we operate. We can therefore conclude that 2017 has been extremely positive in terms of revenue growth, cost optimisation, efficient use of resources, and market share. This



In less than three years our key business figures have more than doubled: revenues, Ebitda and cashflow. This is proof of the Group's financial and operational robustness in a strongly competitive industry.



FRANCISCO ARTECHE
CEO

proves that our successful Group plan is preparing the way for our expansion into other regions.

Our achievements of 2017 would not have been possible without the trust of our shareholders, the loyalty of our customers, and the hard work of our employees. In 2018, we will strive to remain worthy of their trust while contributing to the social and economic development of the markets where we operate. This is the defining trait that sets us apart from other telecommunications operators, and the basis of the Euskaltel Group's success.

Alberto García Erauzkin
Chairman

Francisco Arteché
Chief Executive Officer

Leaders in northern Spain

Euskaltel is the leading telecommunications group in northern Spain, with a deep-rooted commitment to the Basque Country, Galicia and Asturias.

Euskaltel Group in 2017

CURRENTLY COVERED BY THE GROUP



777.000
residential and business
customers

6.000.000
people

The Euskaltel Group's growth in recent years has been linked to our IPO of July 2015, the integration of the Galician operator R in 2016, and later the Asturian operator Telecable in July 2017.

The Euskaltel Group provides services to a market of 6 million people – the population of a country like Denmark – serving over 777.000 residential customers and companies.

The Group employs 705 professionals from the telecommunications industry, with an average age of approximately 44, and we generate more than 4,200 indirect jobs in the Basque Country, Galicia and Asturias.

Our impact on the community enables greater economic, social and technological development in the Basque Country, Galicia and Asturias.

Main figures



622.2
income M€



0.36
€/share



+777k
customers



68%
of customer
households purchase
more than 3 products



+14M€
investment
in r+d



705
employees



25,596
training hours



98
partnerships
with community
organisations

Gaining scale – integrating R and Telecable in the Euskaltel Group

The Euskaltel Group continues to grow, bringing new companies on board to form a Group with shared values that is diverse but united. In 2017, we made significant progress in the integration of R, particularly in terms of financial reporting, IT systems and arrangements with suppliers. We are also in the process of developing common policies and standardising procedures to enable the integration of Telecable and the functioning of the three operators as a single one.

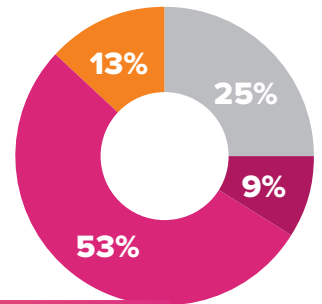
In 2017, the Group approved its Strategic Plan for 2017-2019, which focuses on increasing customer loyalty and improving customer satisfaction. This plan, which is based on four pillars, will be implemented across the organisation through more than 30 projects. Additionally, the plan strengthens the Group's five key success areas: remaining leaders in the residential market, growing in the corporate market, building a network that is ready for excellence, digitalising the Group, and continuing to expand to new markets and regions.

Synergies – a positive impact on results

The integration plan also identifies numerous synergies, mainly relating to TV platforms, data processing and mobile telephony, which will be implemented over the coming years. The integration of the three operators has strengthened the Group's growth in terms of revenues, total

customers and financial results. Cultural synergies have also been identified in the ability to maintain a common, consistent, properly conveyed corporate culture. The Group communicates its culture to its stakeholders chiefly by upholding values such as honesty and proximity.

Synergies valued at **24,7 M€***



We are applying discipline and rigour to the integration, an ambitious and exacting process.

- Operating costs
- Revenue
- Sales costs
- Capex (investments)

* Refers to synergies already made without incorporating Telecable.

VERY POSITIVE BOTTOM LINE

+9,4%
EBITDA

▼
We are pushing forward with the integration, with good business results and improved EBITDA.

+8,6%
income

▼
In 2017, EBITDA grew by 9.4% compared with 2016, driven by higher revenue (8.6%) and strong management of direct costs.

103,5 M€
cash flow

▼
Cash flow generated in 2017, after debt service, stood at Euros 103.5 million, allowing us to distribute dividends to shareholders.

-3,4 M€
capex

▼
Synergies at EBITDA level are valued at Euros 21.3 million. Along with Capex savings of Euros 3.4 million, this totals Euros 24.7 million, distributed as shown in the chart above.

Key success factors

The Euskaltel Group has consistent values and culture across the organisation. We are firmly rooted in the regions where we operate and we provide alternatives and convergent solutions which allow us to continue to grow. The results we have achieved would not have been possible without the following combination of key elements:

- Shareholder commitment
- A solid customer base
- Excellent and committed professionals
- Recognised brands with a strong local presence in the Basque Country, Galicia and Asturias.
- The largest proprietary fibre optic network in its market.
- Business models that complement one another.
- Convergent optic fibre and telecommunications services (broadband, mobile and landline telephone, and pay TV).
- Higher growth and cash flow conversion rates compared to similar European companies in the same industry.
- Closer, friendlier customer management and sensitivity to local issues.

KEYS ASPECTS OF OUR BUSINESS MODEL

In 2017, the Group focused its efforts on the objectives of its Strategic Plan. The following capitals have been key in developing and implementing the Plan.



The Code of Ethics and Ethics Channel have been unified and updated, and new policies have been laid down for the Euskaltel Group, including a Corruption Prevention Policy and a Corporate Tax Policy.

In the area of Corporate Governance in 2017, the positions of Compliance Officer, Data Protection Delegate and Cybersecurity Manager were creat-

ed, to ensure a culture of regulatory compliance, risk reduction, and proper conduct is maintained and promoted throughout the Group. A Strategy Committee was also created, and the number of members of Board of Directors increased from 10 to 12. The year 2017 was extremely productive in the development of different products and services.

EUSKALTEL GROUP MILESTONES



The ambitious goals for organic and inorganic growth have been met in record time since the IPO.



The Group has become a multi-regional platform with a strong commitment and deep roots in its main markets, fully prepared to grow and enter new regions.



A clear, comprehensive Strategic Plan focused on generating sustainable value for all stakeholders has been established, which has earned full commitment from the entire organisation.

A Sustainable Strategy

The Group's expansion strategy for the coming years focuses on two areas, as set out in the Strategic Plan:

- In the natural markets where it already operates, i.e. the Basque Country, Galicia and Asturias, the Group expects to take its fibre network to 80,000 new homes and 6,200 new businesses by further deploying our own FTTH network.
- The expansion to regions and provinces adjoining the Group's markets will begin in 2018 starting with Navarre.

The expansion process will be guided by the core values of the Euskaltel Group, which are based on maintaining strong links with the regions where we operate.

This undertaking is reflected in the Group's Corporate Social Responsibility (CSR) Policy

as approved in 2016 by the Euskaltel Group's Board of Directors. Aiming to create value for our stakeholders while upholding our mission and vision, the Group's CSR Policy also reflects our commitment to transparency, excellent management, proper corporate governance, respect for Human Rights, gender equality, equal opportunities, supplier alignment with CSR policies, and responsible contribution to the taxation system.

The CSR Policy provided a framework for the CSR Master Plan (2016–2018), which is consistent with the Sustainable Development Goals and therefore with the United Nations Agenda 2030.

In 2017, the Group implemented the different strategy lines contained in the Plan. This has enabled measuring and managing the company's performance in environmental, social and financial terms.

PILLARS AND ACTION LINES OF THE EUSKALTEL GROUP'S STRATEGIC PLAN

Report chapter		Organisational & cultural capital ①	Human capital ②	Customer capital ③	Natural capital ④	Relationships capital ⑤	Intellectual capital ⑥
Diversified growth		◆				◆	◆
Operational excellence		◆	◆		◆		◆
Unique experience				◆			◆
Customer value protection				◆			◆

Strategy pillars

1

Pillars of the Euskaltel Group's strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection

Organisational and Cultural Capital

The Euskaltel Group's Organizational and Cultural Capital is a core pillar supporting the strategy and diversified growth, which focuses on pursuing excellence and competitiveness in a strongly competitive market.

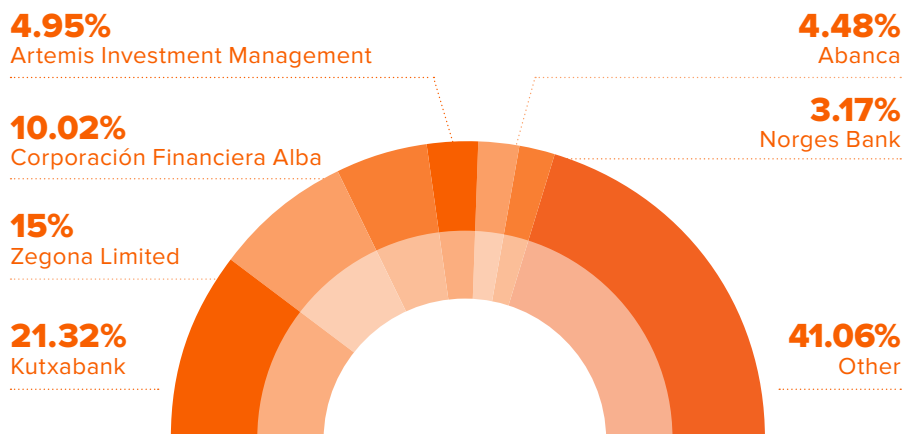
Strengthening our organisational structure promotes operational excellence, contributes to an efficient, streamlined organisation, drives talent development and supports the digitalisation of operations.

Contributing to build and spread a strong, responsible business culture

We aim to open up new paths to growth and reach new markets, promoting the spread of a responsible business culture and management models in the regions where the Group operates.

Driving growth

Shareholders of the Euskaltel Group*



*At 21 December 2017 according to the CNMV.



Make-up of the Board of Directors

12
Directors

- 2 Executive Directors (Chairman & CEO)
- 4 Proprietary Directors
- 6 Independent Directors

A diversified shareholder structure and specialised governing bodies

The Euskaltel Group comprises the parent company Euskaltel, S.A., along with R Cable y Telecomunicaciones Galicia, S.A. (100%), CINFO Contenidos Informativos Personalizados, S.L. (67.20%) and, since July 2017, by Telecable (100%), made up of Parselaya, Telecable Capital Holding, S.A.U. and Telecable de Asturias, S.A.U.

Euskaltel's Board of Directors has 12 members: two executive directors, four proprietary directors and six independent directors. To strengthen its Corporate Governance, the Board of Directors has established three Advisory Committees within it, each with its own internal regulations: Audit and Control

Committee, Appointments and Remuneration Committee, and Strategy Committee. Each one of the three committees has seven members, with a majority of independent directors and chaired by an independent director, as recommended by the Code of Good Governance. The Board of Directors' remuneration is established in accordance with the prevailing Directors' Remuneration Policy, which has been approved by the General Shareholders' Meeting, under the supervision of the Appointments and Remunerations Committee. This remuneration is recorded in the Annual Report on Directors' Compensation, which is published by the Group.

An organisational structure geared to excellence and competitiveness



New Strategy Committee

A Strategy Committee has been established as a consultative and informative body devoid of executive powers. Its role will be to inform, advise and put forward proposals within its remit, and its action guidelines are laid down in the Strategy Committee's Regulations.

As part of the process of strengthening our position as a telecommunications group operating in the Basque Country, Galicia and Asturias, the Euskaltel Group has an organisational structure geared to deliver excellence and competitiveness in its three key markets. Euskaltel, R and Telecable 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 Group's results while preserving the deep-rooted commitments and autonomy of our business units in the Basque Country, Galicia and Asturias.

The following changes were made to the Group's organisational structure in 2017:

A stronger Board of Directors

The General Shareholders' Meeting increased the number of members of the Board of Directors to 12 (2 Executive Directors, 4 Proprietary Directors and

6 Independent Directors), 50% of which are independent directors, following the recommendations of the Code of Good Governance (see Euskaltel Group's Annual Corporate Governance Report).

Transverse divisions to ensure growth, efficiency, consistency and flexibility

We have established Group-wide divisions to strengthen our growth in the Basque Country, Galicia and Asturias and maximise operational efficiency. These include Corporate Marketing for businesses and homes, which design and implement communication solutions for companies and individuals, launch new products, and build partnerships with other companies in the sphere of IT, as well as the corporate departments of Finance, Networks and Human Resources. These transversal divisions lead the Group's teams in the Basque Country, Galicia and Asturias, to ensure that decision-making processes are efficient, consistent and flexible.



Corporate Governance

The Euskaltel Group's firm commitment to its stakeholders springs from its people. Accordingly, we have assigned the following responsibilities in order to strengthen the Group's Corporate Governance System:

- ✓ We have created the role of **Group Compliance Officer**, reporting to the Secretary General and the Board of Directors, whose mission is to reduce compliance risks, including risks relating to external regulations (criminal law, tax

law, etc.) as well as internal rules (Corporate Governance System, Code of Ethics, etc.), and to promote a culture of ethical behaviour and compliance.

- ✓ We have created the role of **Chief Information Security Officer (CISO)**, reporting to the IT Director, whose mission is to ensure information security and business continuity, coordinate the design and implementation of security measures both in corporate information systems and in the network that supports

the services provided to customers, and align digital security with the Euskaltel Group's business objectives and strategy.

- ✓ We have created the role of **Data Protection Manager**.
- ✓ We have assigned risk management functions (Chief Risk Officer, CRO) to the **Director of Strategy and Corporate Development**.

Corporate policies based on good governance practices

In the area of corporate governance, the Euskaltel Group's Board of Directors approved a Corporate Tax Policy which includes the Group's commitment to promote good tax practices and support community interests, by avoiding tax-related risks and inefficiencies in the implementation of business decisions.

The Euskaltel Group expressly rejects corruption in all its forms, and is firmly committed to preventing, deterring and detecting any instances of bribery and corruption. The Board of Directors has approved the Group's zero-tolerance Anti-Corruption Policy to promote honesty – a value included in the Group's Code of Ethics – over any form of bribery or corruption.

Other actions to promote transparency and excellence at Euskaltel

Euskaltel has continued to take steps in line with our firm commitment to good corporate governance and compliance with the Code of Good Governance for Listed Companies. In this context of continuous improvement and commitment to good corporate governance, we have taken the following actions:

- The Board of Directors has carried out a **self-assessment process** comprising four separate sub-processes: (i) self-assessment of the Board of Directors and its Committees, in the form of a corporate governance self-assessment questionnaire based on the Code of Good Governance; (ii) assessment of Board members (Chairman, CEO and Secretary) through one-to-one interviews between the Chairman of the Appointments and Remuneration Committee and the individual Directors; (iii) group and individual assessment of independent Directors, through one-to-one interviews between the Chairman of the Board of Directors and the indi-

vidual Directors; and (iv) separate self-assessment of the Audit and Control Committee, through completion by its members of a self-assessment questionnaire based on Technical Guide 3/2017 of the National Securities Market Commission on Audit Committees of Public Interest Entities.

- We analysed the **Group's degree of compliance with good governance practices** as compared with the Annual Corporate Governance Report issued by the National Securities Market Commission. The results show that we are above the average for listed companies in areas including Corporate Social Responsibility, General Shareholders' Meetings, and organisation, remuneration, responsibility, structure, make-up and functions of the Board of Directors.
- We carried out an **assessment of the Euskaltel Group's corporate governance** covering seven fields (policies, Board of Directors, advisory committees, remuneration, shareholders' rights, ex-

The Euskaltel Group's firm commitment to its stakeholders springs from its people

- ternal auditors and sustainability), in order to examine the Group's current position as compared with international best practices and similar companies.
- We introduced **new technology** to provide a document repository for use by the Board of Directors.
- We organised an information conference for investors and analysts in Bilbao, **Investor Day**, in which we reported on the Group's business performance to date and presented our new Strategic Plan, an exercise in transparency that helps build a trusting relationship with our partners and shareholders.

Risk management



Risk management progress in 2018

Further progress is expected in 2018 in the management of relations with suppliers and customers, internal management procedures, corporate privacy culture, system adaptation, and data retention policy standardisation.

In 2017 the Group reviewed its Risk Management Model. In addition to strategic, operational, compliance and information risks, we identified a fifth risk category relating to cybersecurity, given the key role played by IT systems in Euskaltel's operations. The Euskaltel Group has intensified efforts in the field of risk management, creating new roles and assigning new responsibilities to cover all the risk categories identified in the risk management model: CRO, CISO, Compliance Officer and Data Protection Delegate.

Compliance Officer

In the field of Compliance, we have introduced mechanisms to identify and manage the Euskaltel Group's map of compliance risks, and to standardise procedures and checks aimed at mitigating such risks. Additionally, the Group's new Compliance Unit has defined, with the Board's approval, the roles and responsibilities of Group Directors and employees in relation to criminal compliance, with a view to making all staff aware of their obligations in fostering a culture of ethics and compliance within the organisation. To provide further reinforcement,

the Board of Directors has appointed a Regulatory Compliance Committee – an internal committee whose members are Group executives.

In the area of cybersecurity, the Group has set, as its foremost objective for 2017 and 2018, to make further progress in the integrated management of information and network security. This entails drawing up a cybersecurity risk map, improving incident detection and response, updating the Group's security policy, adopting new security measures, and providing internal training, all with the aim of reducing exposure to cybersecurity risks.

The Group has also designed an action plan for 2017 and 2018, to comply with the EU General Data Protection Regulation (RGPD) 2016/679 on the Protection of Individuals with regard to the Processing of Personal Data and the Free Movement of such Data, which will become effective in May 2018. Among other measures, this plan includes an analysis of the Group in terms of data protection, employee training, and the appointment of a Data Protection Officer, which have already been carried out in 2017.

Good Governance and Ethics Management

Good governance practices are inextricably linked to good business management, in so far as they seek to safeguard the company's legitimate interests, ensuring business sustainability and monitoring performance. With this in mind, in its meeting of 19 December 2017, the Board of Directors of the Euskaltel Group approved an update and extension of the Group's **Code of Ethics, Rules of Conduct and Ethical Channel**, which establish the principles and standards of behaviour that Group employees and persons acting on behalf of the Group must follow in their internal and external relations during their day-to-day work with stakeholders.

The Code of Ethics sets out the corporate values and principles of the companies that form the Euskaltel Group. The corporate values underpinning the Euskaltel Group are **proximity, honesty, innovation and efficiency**. The Group companies must carry these values to the territories where they operate. These values reaffirm the Euskaltel Group's identity markers, determining the ways in which we operate and understand our framework of relationships with internal and external parties. Upholding these values in day-to-day activities means constant work, relentless effort, and observance of applicable legislation

The corporate values underpinning the Euskaltel Group



Proximity



Honesty



Innovation



Efficiency



Basic Principles of our Code of Ethics

1. Compliance with the law, internal regulations and contractual relations
2. Responsibility and professionalism grounded on ethical behaviour
3. Compliance with applicable financial regulations
4. Precedence of the Euskaltel Group's interests over personal interests
5. Responsible communications
6. Data privacy and confidentiality
7. Commitment to Human and Labour Rights

and the regulations included in the Euskaltel Group's Corporate Governance System. Having earned the trust of our stakeholders (customers, employees, suppliers and partners, government institutions, shareholders and investors, and society at large), the Euskaltel Group undertakes to convey these values and treat all stakeholders with diligence and integrity in corporate relations.

To ensure that the regulatory framework within which the Euskaltel Group operates is duly monitored, the Regulatory Compliance Committee (an internal committee whose members are Group executives), and ultimately the Corporate

Defence Committee, monitors and oversees compliance with the Code of Ethics and the rules of the Corporate Governance System, resolving any communications, incidents and/or queries regarding the interpretation of regulations, and implementing measures for effective compliance. The Group's Ethical Channel, which helps identify potentially unethical behaviour, provides information, answers queries and reports activities potentially constituting an infringement of the Code of Ethics, while guaranteeing confidentiality in all matters it deals with. The previously mentioned Regulatory Compliance Committee helps deal with the information received through the Ethical Channel.

CSR management

As a guiding reference among value-driven, socially responsible, community-integrated companies committed to social welfare and development, the Euskaltel Group has a CSR Plan in place that covers material aspects of interest to our main stakeholders, aspects examined by the main sustainability indexes, and good practices in the industry, among other matters.

The model used to monitor the CSR Plan is implemented through the CSR Process team, comprising representatives from the departments with responsibilities in areas pertaining to CSR. The Euskaltel Group is firmly committed to upholding ethics and transparency in its relations with its stakeholders, issuing accurate and complete information that re-

flects the Company's sustainable commitment, a cornerstone of its business strategy, activities and its corporate reputation. To this end, we have established a model of relationships and communication with key groups, as well as a reporting and monitoring model for our CSR Plan. This Corporate Responsibility Report is an essential instrument in the communication of the Group's performance and progress in the area of CSR.

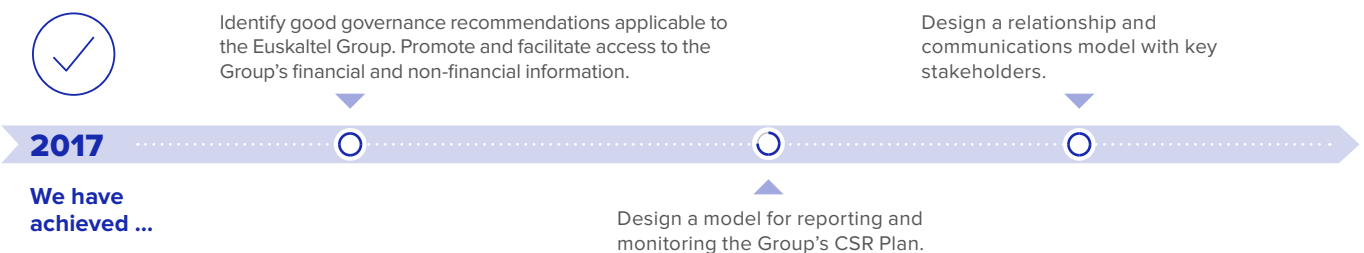
Contribution to Sustainable Development Goals (SDGs)

Aware of the huge economic, social and environmental challenges facing humanity, the Euskaltel Group contributes to attaining the

The CSR Plan covers the following areas



Commitments fulfilled in 2017



Degree of fulfilment of our commitments

- Completed
- Advanced
- Under way
- Beginning implementation

UN's Sustainable Development Goals (SDGs) by means of its business activities and projects undertaken in the different territories where it operates.

SDGs provide businesses with an opportunity to develop and implement solutions and technologies which enable addressing the chief global sustainable development challenges.

In recent years, we have gained profound insight into SDGs, which has been incorporated into our corporate culture and passed on to our employees through internal campaigns. In 2017 we established the Group's priority SDGs following an assessment of their positive impact on the local communities. These are clearly identified as SDG 8, Decent Work and Economic Growth, and SDG 9, Industry, Innovation and Infrastructure. Both these objectives are fully aligned with the Group's activities, our keys to success, our business strategy and our corporate values. The Group also contributes to the rest of the SDGs through programmes developed in partnership with other companies and institutions.

The Group's senior management has also been instrumental in supporting these activities and integrating the SDGs into our overall strategy. For the next financial year, the Euskaltel Group

pledges to set itself concrete targets measurable with specific indicators, to fully align the company's objectives with the SDGs.

This will enable us to identify future business opportunities, enhance the value of corporate sustainability, strengthen our ties with our stakeholders, keep abreast of policy development, stabilise companies and markets, and use a common language with a shared purpose.



The Euskaltel Group has a firm commitment to our stakeholders based on ethics and transparency

In 2018, we will continue to promote our commitment to the economic, environmental and social development of our communities, sharing the corporate values and culture that make us a unique telecommunications operator, generating value for our shareholders and communicating the impact and performance achieved.

Commitments for 2018



2

Pillars of the Euskaltel Group strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection



Human capital

The Group's Human Capital is a strategic pillar for operational excellence. A streamlined structure, building efficient processes, digitalised operations, and talent management, are all crucial for meeting the objectives of our Strategic Plan for 2017–2019.

Contributing to local employment

We aim to support personal and professional growth in a good working environment, so that our human capital is qualified and motivated.

In 2017, the Euskaltel Group made outstanding progress in the policies, programmes and projects that are undertaken for the benefit of our employees. We have identified the most salient aspects needing improvement in terms of skills, professional development and well-being. These are all areas which the division of Human Resources works to enhance.

The people who make up the Euskaltel Group are part of a team that is increasingly diverse, efficient and streamlined, while preserving the local, deep-rooted focus that identifies our three businesses in the Basque Country, Galicia and Asturias. The Company's employees are a core value in the fulfilment of the Stra-

tegic Plan launched in 2017, which promotes operational excellence with the aim of becoming the best option for customers. The operational excellence pillar is materialised through three lines of action: an efficient, streamlined process structure, digitalised operations, and talent management.

Based on the Euskaltel Group's defining culture, which has an impact on the local communities, Human Resources has developed and implemented programmes to create value in the communities through training and promoting digital skills, supporting leadership, favouring work-life balance and flexibility, encouraging talent and fostering local employment.

A streamlined, efficient process management structure

The integration of R and Telecable into Euskaltel is enabling the Group to increase its workforce and to support local development more vigorously. This requires the Company's structure to be consistent in its culture and to follow the same values and objectives.

The Euskaltel Group and local employment

The Euskaltel Group's employees are 42% women and 58% men, with an average age of 44. They make up a team of 705 people with stable jobs. Of total staff, 97,3% enjoy the security of a

permanent employment contract. The stability and continuity of our team of outstanding professionals is an absolute priority for our human resources policy. We therefore offer employees flexible employment conditions that enable a balance between work and life.

We are also proud to have generated more than 4,200 indirect jobs in the Basque Country, Galicia and Asturias, through suppliers and strategic value-creating partnerships with other companies in the industry.

705
total staff



97.3%
staff with a permanent contract



15 years
average length of service



6%
employee turnover

42%
women



58%
men

The Group's current structure is based on the establishment of corporate divisions that deal with matters affecting the entire Company. Nevertheless, the business divisions of the three different brands (Euskaltel, R and Telecabla) still exist and maintain their identity, focusing on direct contact with the local community, their needs and expectations.

This structure aims to create increasingly efficient processes, exploiting synergies between the three brands while preserving their individual identities.

On 13 October 2017, the Group signed an agreement relating to R's First Collective Bargaining Agreement for implementation of the Group's people policy, with the agreement of the employee's legal representatives.

Corporate values

A study of the Euskaltel Group and the values that underpin its corporate culture and leadership model was carried out in 2017. These values embody the spirits of the three converging brands, which share personal links with their

customers and the capacity to motivate people and teams.

The Group's values are linked to a number of corporate guidelines which employees of all categories must follow. These guidelines require employees to ensure their relationships with all stakeholders are marked by honesty and proximity. Innovation and efficiency are also values that we strongly identify with.

Upholding these values in day-to-day activities entails constant work, simple habits, relentless effort, and observance of applicable legislation and the regulations included in the Euskaltel Group's Corporate Governance System (policies, manuals and internal protocols which the Group is voluntarily subject to).

Active listening

With the aim of listening to our employees' voices and stimulating two-way discussion, the Group carried out a company climate survey this year of all employees. The questionnaire had a high response rate (around 80%). The areas evaluated included employee satisfaction with daily planning, managers' leadership, training, working atmosphere, team work, openness to change, digitalisation, internally-provided information, and pride of belonging.

Based on the feedback received, the Group will continue to promote and strengthen various initiatives contributing to make the Euskaltel Group a better place to work.

Euskaltel Group values



Proximity



Honesty



Innovation



Efficiency

Diversity and equality

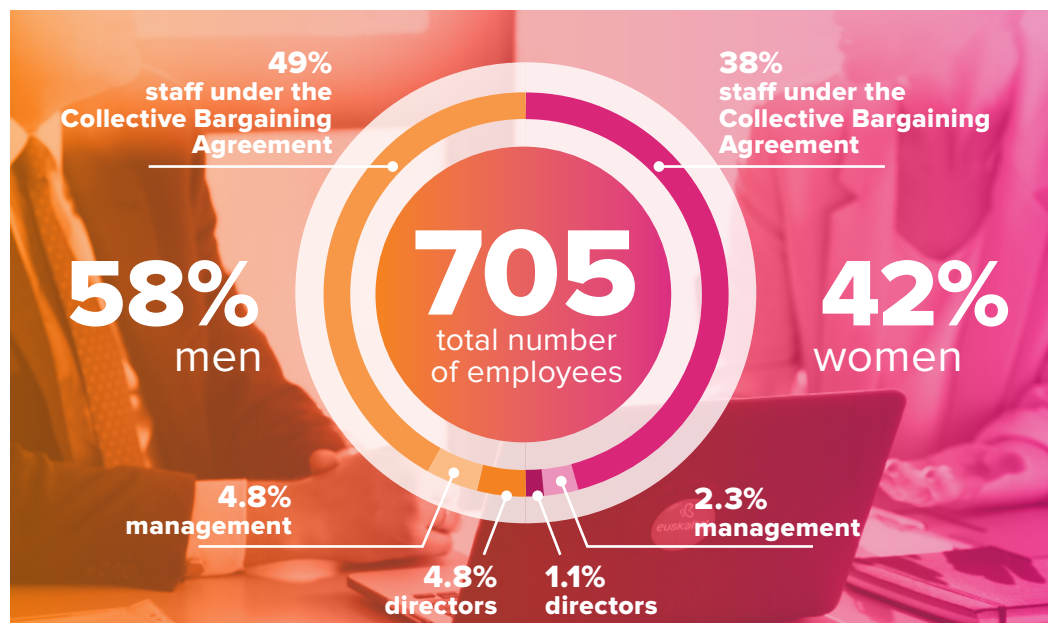
In 2017, the Euskaltel Group continued to conduct programmes to promote equal opportunities and diversity in the workforce, across all categories within the Company. Our workforce is 42% women and 58% men. They all work in an environment that is firmly committed to equality and which supports initiatives for a flexible work-life balance for both men and women. We also started working in 2017 on the Group's Equality Plan, which will lay down the main steps to be taken to foster and protect an inclusive, respectful and diverse work environment.

The Group manages its human resources in due respect of human rights, equal opportunities, freedom of association and the right to collective

bargaining. We reject any form of discrimination, striving within our area of influence to eliminate all forms of forced and compulsory labour, especially child labour.

Therefore, in 2017 Euskaltel's, R's and Telecable's Codes of Ethics were merged into the Euskaltel Group's Code of Ethics, which includes commitments relating to support and respect for the protection of fundamental human rights, particularly equitable selection and recruitment of new employees; occupational health, safety and risk prevention; ensuring respectful treatment and non-discrimination prevails in our work environment; favouring a work-life balance; equal opportunities, and a harassment-free workplace.

Employees by position and gender



Digitalisation and digital transformation in operations

The Group is fully aware that digital transformation brings people to the fore, making talent management a competitive advantage. We firmly believe that successful digitalisation can only be achieved if the entire workforce become involved and share the same vision. A number of initiatives were taken in 2017 aimed at driving cultural change towards digitalisation. These actions covered processes, interaction, information and, above all, people.

Digital revolution

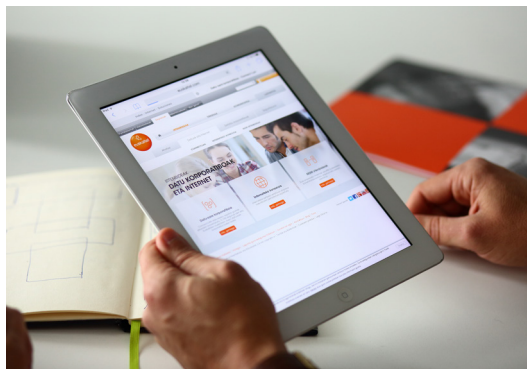
The digital revolution has changed the way we work and our relationships with stakeholders, making them closer, more interactive, more instantaneous and more efficient. Becoming a

smart, fully digitalised operator, as seen both from the inside and from the outside, requires involving the entire Group's workforce and transforming our business models.

2017 has been crucial in driving a new digital culture in the Euskaltel Group, supporting the necessary training and leading employees to learn about and embrace new market trends.

The keys to the Euskaltel Group's success in the industry will be the sound organisation of our workforce, adopting a standard corporate culture across the Group, training our employees, encouraging cooperation, utilising digital technology and embracing cultural change.

The digitalisation process will lay the groundwork for numerous programmes, connected with our strategic goals, aimed at leading cultural change



Keys to cultural change

- ✓ Training qualified professionals able to lead and promote change.
- ✓ Promoting a corporate culture that identifies the Group
- ✓ Working towards an efficient, flexible organisation which can adapt to change and is fully business-oriented.
- ✓ Digitalising processes, roles and functions, to operate more efficiently.

Talent management and support

The Euskaltel Group's Strategic Plan focuses on talent management as a key instrument to design and implement a unique, attractive business. This has produced programmes such as TalenTU and leadership programs.

We also have partnerships with universities and schools in the Basque Country, Galicia and Asturias, to help young people develop their digital talent with a view to finding employment.

Professional development

The Euskaltel Group's Strategic Plan views employees' professional development within the Company as key to strengthening our leadership position in northern Spain.

TalenTU2019, a programme launched in 2017, strongly stresses the need to recognise employees' talent individually, providing clear prospects for growth and enhancing their motivation. The programme encompasses several projects relating to leadership, career paths and attracting young talent.

The Euskaltel Group provides training plans for all employees, and invests in skills-enhancement activities to drive their professional development. Training programmes are adapted to individual profiles, and focus on the aspects that are most relevant for each category.

In 2017, 25,596 hours of training were delivered, as well as other periodic communications and training activities. We worked to

improve technical qualifications across the Group, providing joint training by pooling resources, know-how and best practices from all three businesses. We also streamlined processes that are essential for employees' professional development, and identified key people in the Company with a high potential for being included in specific training programmes focusing on operational excellence.

Professional development plans

We updated the Group's assessment model to include individual yearly goals. Special importance was given to pinpointing the required qualities for the different employee categories, according to their position within the organisational structure and the division in which they work (corporate or business).

Thus, a half-yearly assessment is already in place, and self-assessment will also be introduced. Goals and skills in the areas of leadership and digital culture will be set in 2018.



25,596
training
hours



36.3
average
annual
training
hours per
professional

Leadership

5

Leadership skills



1. Personal consistency
2. The ability to motivate teams and individuals and to enhance their competencies
3. Executive capability
4. Strategic vision
5. Capacity to drive change

The Group's transformation requires a leadership that can act consistently with corporate values and provide example and motivation to the rest of the organisation. TalenTU therefore includes Leader 2019, a project geared to promoting a Leadership Model in which career paths are designed to enhance the leadership skills of individuals with the best potential within the Group in top and middle management.

Leaders have a key role to play in the Strategic Plan's success and in the birth of a new corporate group.

Five skills have been identified that Euskaltel Group leaders are required to have: personal consistency, the ability to motivate teams and individuals and to enhance their competencies, executive capability, strategic vision, and the capacity to drive change.

On December 2017, the Group's new Leadership Development Plan and Model was presented in the Basque Country, Galicia and Asturias, to the employees with managerial responsibilities within the organisation.

This establishes seven priority actions designed to develop the five leadership skills listed above. These priorities focus on stimulating learning and discussion through initiatives including a Leader-Coach Skills programme, a Leadership for Innovation programme and an Internal Mentoring programme.

The Group is convinced that improving leadership skills is an opportunity for enrichment, both for individual employees and for the Company as a whole.

Young Talent

48

students that did internships at the Euskaltel Group

Identifying and supporting talented young local people in the Basque Country, Galicia and Asturias is essential for the Euskaltel Group. In partnership with universities in northern Spain, we help young people develop their digital and technology skills with joint projects that provide education and work experience through internships and training initiatives. We also hold talks on career choices and on the use of new technologies.

The Group has educational partnership agreements with universities in the Basque Country,

Galicia and Asturias, and with a number of technology-focused vocational training schools. In addition with improving their skills, these partnerships help young people find employment.

During 2017, 48 interns worked with the Group, primarily telecommunications engineering students and students from web and multi-platform design higher learning schools. In addition, these partnerships allow students to visit the Company as part of our ongoing contact with universities and other educational institutions.

Occupational health, safety and well-being

The Euskaltel Group operates in a way that helps its employees grow personally and professionally in a healthy work environment. We aim to have a qualified, motivated human capital.

In line with this approach, we have adopted the WHO's (World Health Organisation) Healthy Company model, based on the Group's occupational safety and prevention policies. We devoted significant efforts in 2017 to putting this model into practice through processes promoting health in the workplace, as this has a positive effect on employees' well-being and, ultimately, on society at large.

The Healthy Company model is being implemented in the Euskaltel Group and its three main businesses, which in 2017 adopted the Luxembourg Declaration for the exchange of good practices in health promotion.

We also introduced a number of new initiatives, such as providing discounts in dental care services for all Group employees and their direct family members.

As a starting point for the Healthy Company model, Euskaltel, S.A. maintains its occupational health and safety management system, cer-

tified 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 occupational health, safety

We devoted significant efforts in 2017 to putting this model into practice through processes promoting health in the workplace

and well-being 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.

Healthy Company

The first step in the process of implementing a Healthy Company model and contributing to improve employees' health is to provide the facilities with the most necessary means for disease prevention and detection. In 2017, R and Euskaltel improved the healthcare resources available to staff in their offices, including blood-pressure meters and thermometers.

Telecable installed defibrillator devices in its office buildings, as an example of good OHS practices.

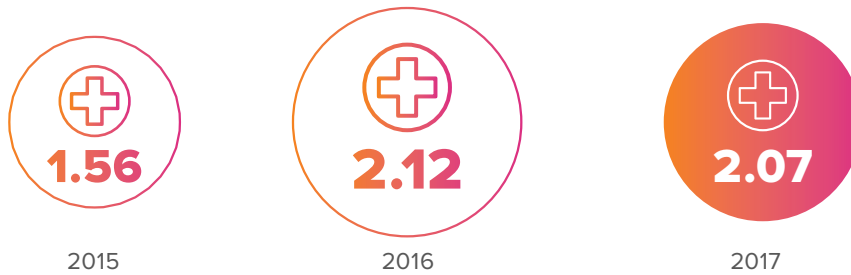
All three companies offer employees the option to include tumour markers in their periodic medical examinations, and Euskaltel and Telecable also offer flu vaccines to all their staff.

WORKPLACE ACCIDENTS



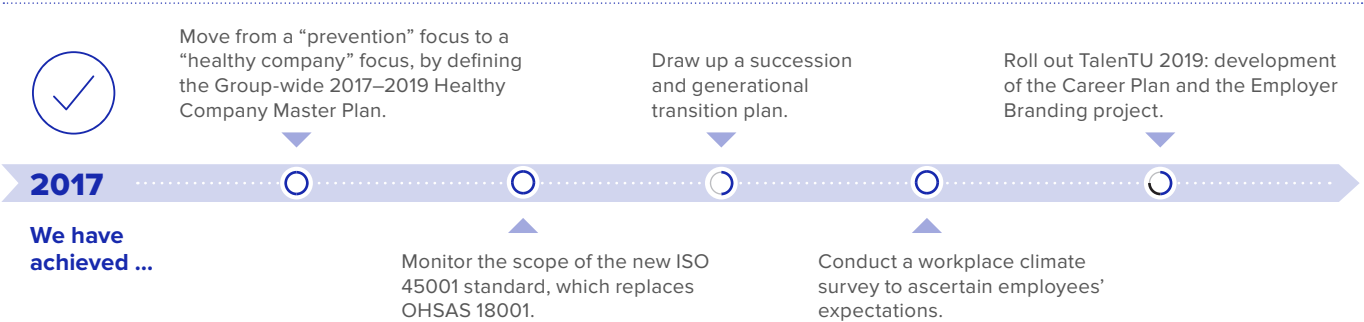
(1) Work days lost for every one thousand hours worked.
 (2) Accidents involving sick leave for every one million hours worked.

ABSENTEEISM³



(3) Absenteeism rates are calculated as the percentage of work hours lost due to common illness relative to total work hours.

Commitments fulfilled in 2017



Degree of fulfilment of our commitments

- Completed
- Advanced
- Under way
- Beginning implementation

The Euskaltel Group operates in a way that helps its employees grow personally and professionally in a healthy work environment. We aim to have qualified, motivated, healthy human capital.



Commitments for 2018



Develop Professional Career Plans.

Develop and publish the Euskaltel Group's Equality Plan.

Achieve OHS system certification for R and Telecable.

2018

We will be working on ...

Develop our Leadership Programme.

Develop a mobility framework for the Group's professionals.

Implement the Healthy Company model in all Group companies.

3

Pillars of the Euskaltel Group's strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection



Customer Capital

Customer Capital impacts on the unique experience and the customer value protection pillars.

Active listening for better customer experience

We aim to offer the very best communication solutions to encourage responsible consumption while continuing to meet our customers' expectations.

One of the key levers of Euskaltel's Strategic Plan is to continue providing a unique customer experience, while working to improve user experience and enhance product customisation, so that our products and services are in line with new needs.

Our Customer Experience programme, which started in 2016, continued in 2017. This is particularly significant given that the market environment remains highly competitive. We have examined the programme's results with a view to addressing the concerns detected in the regions where the Group operates. The Euskaltel Group is still leader in the optical fibre market

in northern Spain following the incorporation of Telecable, enjoying a large client base that includes both local and international businesses and institutions. In 2017 we also broadened our TV services in the Basque Country, Galicia and Asturias. In 2017, the Group reached record highs in mobile telephony, broadband and pay-TV penetration.

This helps to build the unique experience that we want our customers to enjoy, while preserving the local roots of our three businesses and promoting value-generating partnerships. All to make our services the very best.



6M

The Euskaltel Group serves a market of six million people

Customer experience and brand

The Group is an industry leader in the north of Spain. Euskaltel, R and Telecable are leaders in the Basque Country, Galicia and Asturias, respectively, thanks to a solid customer base and business models that complement one another. We are a licensed 4G mobile operator in the

Basque Country and Galicia, and we own the largest fibre optic network in our market. The Euskaltel Group believes listening makes a real difference and leads to the expectations and needs of our customers being met.

+777K
residential and business customers



68%
of customer households purchase more than 3 products

Most of R's and Euskaltel's customers have been with their operator for more than five years. These remain the most popular operators among families with children and young people. Customer loyalty is a major asset for the Group, which is why we make significant efforts to keep our oldest customers by measuring their level of satisfaction. Our services are also used by government institutions. The Euskaltel Group is currently working to establish mechanisms and procedures to comply

with the requirements of the new Spanish public procurement law (Ley de Contratos del Sector Público), which will come into force on 9 March 2018.

The Group ensures proper customer management through certifications for business continuity (ISO 22301 at Telecable), services (ISO 20000-1), customer service (UNE-EN 15838), information security (ISO 27001), and product quality (ISO 9001).

Service quality indexes



https://www.euskaltel.com/CanalOnline/microsites/calidad_servicio/index.jsp?idioma=esp



<https://web.telecable.es/calidad-servicio>



https://legal.mundo-r.com/legal/es/calidad_de_servicio

Unique customer experience

The Euskaltel Group offers a unique experience by actively listening to our customers and focusing on their needs and concerns. Customer

satisfaction is key to brand loyalty. We therefore offer more than just a service. We provide an experience that creates a bond between the

Lines of action of our Customer Experience programme



Improving and slimming down customer experience

To provide a standard functional experience that meets the customer's initial expectations. This is based on more than 800,000 online surveys that pinpoint each stage of the client's "journey", helping to identify the causes of dissatisfaction in order to establish pain points and action plans to improve the customer's experience.

Designing a new customer experience

To create an emotional bond. This involves redesigning user interaction across all channels to establish a different kind of relationship, which will be consistent with the values of the Euskaltel group.

customer and the brand, so that the customer identifies with the corporate values that the Euskaltel Group upholds.

In addition, the brand's recommendation level will be monitored by measuring NPS (Net Promoter Score) through 1200 annual surveys of panellists in the Basque Country and Galicia, to determine the Euskaltel Group's brands' relative position compared with their competitors in their respective markets. Measuring and monitoring customer satisfaction and NPS helps the Euskaltel Group to learn about the results

obtained in a circular continuous improvement process. This process is key for improving end customers' experience, creating closer ties with our markets and determining which reputational risks can directly impact the Company at different levels.

NPS is an extremely powerful tool for product launches, campaigns, service improvement, and day-to-day operations. It helps adapt processes and guide efforts towards the Company's strategic objectives, by integrating feedback into the decision-making process.

Customer Experience programme

One of the main pillars of the Euskaltel Group's strategy is to provide the best customer experience and remain leaders in the residential market. The Customer Experience programme plays a key role in this respect. It is part of the Group's DNA and the chief source of information on consumer needs.

The Customer Experience programme is based on the corporate values of honesty, proximity, innovation and efficiency, and aims to eliminate customer dissatisfaction and move towards a new digital design. To this end, 77 professionals are currently working in 20 task groups to identify the top ten key moments in the Euskaltel Group's relationship with the consumer, with a view to improving user experience.

All feedback obtained through customer satisfaction surveys, the reasons for rotation, brand image studies and the observation of daily experiences in dealing with the customer, are used as input in an action plan specifically designed to provide the best service every time.

The Customer Experience study constitutes an ongoing learning process on market trends and the Group's reaction to them, aimed at achieving a degree of customer satisfaction that will contribute to our competitive value. Telecable will join this programme in 2018.



Cybersecurity

In 2017, the market saw a significant increase in attacks targeting system vulnerabilities, with ransomware (Wannacry, NotPetya, etc.) playing a particularly prominent role. These vulnerabilities also affected communication systems, such as the wi-fi encryption system and other communication systems, via denial of service (DDOS) attacks. The annual increase in the number of vulnerabilities for Spain was above 26%, according to CCN-CERT data.



Cybersecurity goals for 2018

For 2018, the Euskaltel Group has set itself the goal of improving the integration of IT and network security management, completing our Cyber Risks Map as part of the Group's risk management system, and our Security and Continuity Plan for the services and assets that require protection. We will also carry out projects to improve incident detection and response, security policy integration among the Group companies, implementation of new security mechanisms, and staff training and awareness, all with a view to reducing the Group's exposure to cyber risks.

Chief Information Security Officer

The Euskaltel Group has security mechanisms in place to deal with this type of threat, and the impact suffered has been very limited. However, given the potentially damaging consequences of cybersecurity attacks and the increase in potential risks, the Euskaltel Group created a Cybersecurity division (Chief Information Security Officer/ CISO) in 2017, reporting to the IT Director (CTO) and from time to time to the Audit and Control Committee also.)

This division will safeguard information security and business continuity, and identify the Group's current and potential cyber risks in a preventive, systematic and effective manner. It will also coordinate the design and implementation of security measures, both for IT systems (which support processes) and for the network (which supports the services provided to customers), to ensure digital security is in line with the Group's strategic and business objectives.

Business Intelligence

The Euskaltel Group made significant progress in the past year thanks to new Big Data infrastructures. In addition to the work carried out within the Company, new startups have provided further insight thanks to the Group's involvement in BIND 4.0, the initiative of the Basque Government and the SPRI, the autonomous government of Galicia and ANTEGA and the principality of Asturias and IDEPA.

Big Data

The Euskaltel Group has completed the deployment of a Big Data infrastructure that will allow us to better adapt our products and services to our customers' needs. We will also be able to offer these products in a more segmented manner, focusing on specific customer profiles. Information obtained through Big Data is also used to diagnose and prevent network and customer

terminal problems, and to make preventive improvements in our TV service. In 2017, the Group implemented a Network Quality Indicator (QPI), which monitors the Network and acts on disconnections and occupancy levels by proactively removing noise, balancing carriers, and rebooting cable modems whose status is not correct.

Business Intelligence also enables the Euskaltel Group to carry out on-the-spot commercial actions based on data obtained online, and to identify high availability times in which to contact customers. Knowing our customers and how they behave is also important for the purpose of identifying risks of termination and taking proactive action to secure customer loyalty. All this helps to improve user satisfaction and to build a close and trusting relationship with our customers.

Customising our services to offer every customer a unique experience



In 2017, the Euskaltel Group continued to offer the best services across its three main businesses, with the aim of building customer loyalty through campaigns that offer clear value to users.

One of the Group's objectives, in addition to delivering a quality service, is to build an emotional, personal bond with our customers by offering services that they actually need and which can make their daily life easier. We also made network enhancements throughout the year to improve customer experience, and provided instructions via email to resolve potential network and/or TV decoder issues. The products and services developed by the Group are the result of continuous improvement facilitated by our close relationship with our customers based on increasingly efficient customisation and our users' increased ability to make decisions.

Partnership with Netflix

In November, the Euskaltel Group signed an agreement with Netflix to allow Euskaltel, R and Telecable customers direct access, starting in 2018, to the most successful series, films and documentaries through Deco 4K. Euskaltel, R and Telecable top Netflix's monthly quali-

ty ranking of Spanish providers that stream their contents during prime time. The Euskaltel Group is the first operator in Spain. To make this easier, the customer's remote control has a dedicated Netflix button.

DECO 4K

Since July 2017, the Euskaltel Group has offered the market a new decoder with a number of distinctive features, including 4K image quality, access to more than 3,000 apps and games, Chromecast, replay and recording functionalities. This new decoder offers customers features and services that enable them to enjoy the new possibilities that TV has to offer.

Wifi Kalean, Wifisfera and Wificientes

The Euskaltel Group has 436,00 wi-fi hotspots scattered across the regions it operates in, offering customers free internet use without using their data allowance. With 1 wi-fi hotspot for every 3 inhabitants, this establishes the Euskaltel Group's wi-fi network as the largest in Spain.

Telecable's wi-fi service, Wifisfera, enables internet customers to use more than 119,000 web hotspots located in public spaces free of charge. R's Wificientes allows customers in



77.1%
Mobile



84.7%
Broadband



67.7%
TV

Our penetration ratio reached maximum levels in 2017

Galicia to automatically connect to more than 137,000 hotspots from their mobile phones, without using up their data allowance.

Te lo Perdiste (You missed it)

A service that allows customers to watch content that has been broadcast in the past seven days whenever they wish to on their TV.

Company Campaign

Active listening with different business clients has meant that, through a Company’s co-operation and differential value, cutting edge technology and the services that customers really request are provided.

Tres Ollos and Euskaltel Life

A través de una sencilla app, los clientes de Us- ing a simple app on a mobile device, R custom-

ers can control everything going on at home or in the homes of elderly people in their care. Euskaltel Life will be launched in 2018.

Wifi Vacaciones (Holiday Wi-fi)

Customers enjoyed their summer with a month of free wi-fi on their mobile phones during the period when demand is at its highest.

Exclusive broadband and TV for university students living in shared houses

In September, we launched a service in response to demand from students living away from home who need to make intensive use of high-performance networks, both for academic and leisure purposes. One salient feature of this offer is the possibility to disable the service temporarily free of charge.

Commitments fulfilled in 2017





With all these initiatives, the Group aims to boost its competitive advantages of proximity, honesty, trustworthiness, service and simplicity.

Commitments for 2018



Implement the Customer Experience programme in Telecable.

Expand to new regions in northern Spain.



2018

We will be working on ...

Make further progress in the management of integral security, so that it covers information, network and equipment security.

4

Pillars of the Euskaltel Group's strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection

Natural Capital

The Euskaltel Group's Natural Capital contributes to our Strategic Plan for 2017–2019 delivering the best operational experience with the least environmental impact.

Contributing to the fight against climate change

We strive to apply excellence in our handling of all environmental aspects, making sure the environment is respected at every stage of our business value chain.

Environmental management represents a major challenge for the Company. At the same time, synergies between our three markets produce numerous opportunities to help provide a quality service that is also efficient friendly with the environment. Our commitment to excellence in environmental management was the starting point for establishing an Environmental Management System in accordance with ISO 14001. This system was

also introduced in R and Telecable in 2017. In keeping with this dynamic, Euskaltel voluntarily adopted the EMAS III Regulation (European regulation governing an eco-management and audit scheme) in 2004.

Evidence of our commitment to transparency towards stakeholders in this regard includes our EMAS III Environmental Statement, includes the Company's Carbon Footprint.



Visit EMAS III certificate

https://www.euskaltel.com/webektest/GaleriaCorporativo/Documentos/nosotros/responsabilidad_social/2017/2016-declaracion-ambiental.pdf

Environmental strategy

In keeping with the Euskaltel Group's commitment to the environment, our strategy in this area is reflected in our Environmental Master Plan for 2017–2019. The plan's four core pillars focus on excellence in environmental management, environmental performance communications (i.e. Green Communications), Green Products, and the fight against climate change.

The Euskaltel Group's 2017–2019 Environment Master Plan is fully consistent with the Basque Environmental Strategy for Sustainable Development 2002–2020, the Basque Autonomous Community's Environmental Framework Programme, and the Basque Country's Climate Change Strategy, Klima 2050, all of which are initiatives of the Autonomous Regional Government of the Basque Country.

In 2017, the Group made progress in the implementation of 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

The objective of this pillar of the 2017–2019 Environment Master Plan is to formulate policies that can successfully reduce the environmental impact of the Group's operations by encouraging good environmental practices. Environmental management includes analysing products' environmental impact when they are first introduced, and their environmental footprint.

The Euskaltel Group's Integrated Management System Policy, which was updated in 2017, reflects our commitment to continuously improve products, services and work methods, as well as the management system itself, to improve performance in all areas.

-53%
WEEE* generation

*Waste electrical and electronic equipment

-3%
materials consumption

-1%
energy intensity**

**kwh/product



Visit all our Management System's certificates under ISO Quality Management and Environmental Management standards

www.euskaltel.com/CanalOnline/nosotros/rse/sistema-gestion

From the beginning, Euskaltel's Management System gained certifications under the ISO 9001 Quality Management and ISO 14001 Environmental Management standards, becoming the first telecommunications operator in Spain certified for both these international standards. In 2017, we worked to extend these certifications to our offices in Galicia and Asturias. The certificates are publicly available on the Group's website. Likewise, the Energy Management audit was carried out in accordance with ISO 50001 in Asturias.

Green Communication

We prepare the EMAS environmental statement, which is verified and published on the

corporate website, and the organisation's carbon footprint has also been registered with the Ministry of Agriculture, Fisheries, Food and the Environment, as part of our commitment to communicate environmental performance.

We have enriched our management practices with Advanced Management concepts including Total Quality, Management Excellence, and Innovation. This approach is at the heart of the Group's current commitment to raise our competitiveness in a global market where we face major competitors.

Our General Shareholders' Meeting – an environmentally sustainable event



Visit the Environmental Statement of the GSM 2017, which includes the Erronka Garbia certificate granted by Ihobe

www.ihobe.eus/documentos/erronkagarbia/dae/7_DAE_Diploma_Euskaltel.pdf

As part of our permanent pursuit of environmental excellence, the Euskaltel Group's General Shareholders' Meeting of 2017 integrated environmental aspects into its design and organisation for the first time. This earned us the Erronka Garbia certificate granted by Ihobe. This seal aims to raise awareness among event organisers and attendees of the negative impacts that mass events entail, so that they may be adapted and held with the minimum possible impact on the environment.

Euskaltel's General Shareholders' Meeting was an example of environmental care, as required by the Group's Corporate Social Responsibility Master Plan for 2016–2018 in one of its key sections.



Choosing an environment-friendly venue and avoiding the use of short-lived structures are two examples of the measures taken at the Euskaltel Group's 2017 General Shareholders Meeting.



Corporate Environmental Footprint project

Euskaltel calculates the organisation's environmental footprint as part of its partnership with the Basque Ecodesign Center. In 2017, the company worked towards integrating the Corporate Environmental Footprint into the Environmental Management System. 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

Improving the Euskaltel Group's products in environmental terms by analysing their lifecycle and trying to minimise their impact

is the third milestone included in the Group's Environmental Master Plan. To this end, we carry out technological surveillance actions aimed at incorporating best industry practices. We also analyse products and equipment for energy efficiency.

Additionally, the Group's Comprehensive Management System sets the groundwork for minimising the impact of its activities on the environment in which we operate, and for improving our processes. This is reflected in the roll-out of the 4G (LTE) network under way 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.

Circular economy

The circular economy is a key line of action included in the Master Plan, which sets the objective of establishing a policy and strategy in this area by 2019.

For some years now, the Group has placed special emphasis on introducing measures to reduce the impact caused by the generation of electrical and electronic equipment waste, which is a consequence of permanent innovation and faster obsolescence.

The percentage of refurbished customer devices (decoders, cable modems and routers) in 2017 compared with the the total number of devices placed on the market was 55%, which represents a reduction in the impact of natural resources consumption. Euskaltel and R provide used mobile phone drop-off points at their stores and offices, free of charge. The campaign aims to inform, raise awareness and collect used mobile telephones from Basque

Country and Galicia 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.

The fight against climate change

The fight against climate change is one of the lines of action included in the Group's CSR Plan for 2017–2019, which is put into practice through a number of initiatives. In line with the Basque Country Climate Change Strategy to 2050, the Group has been 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.

The Euskaltel Group has established a series of measures to reduce energy consumption, which are included in our Plan for the Reduction of CO₂ emissions. This commitment has been

broadened by calculating the organisation’s carbon footprint and preparing the 2017 Greenhouse Gas Emissions Report, which quantifies both direct and indirect emissions (Scope 1 and 2). In accordance with Royal Decree 56/2016 on energy efficiency, in 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. In 2017, the 2017 Energy Efficiency Plan was approved for the Group companies. Additionally, the Group companies commenced implementing the ISO 50001 Energy Efficiency Standard.

Contributing to the fight against Climate Change



Visit our certificate (page 89 of the report Learning from the leaders. CDP Europe Natural Capital Report 2017)

www.cdp.net/en/reports/archive

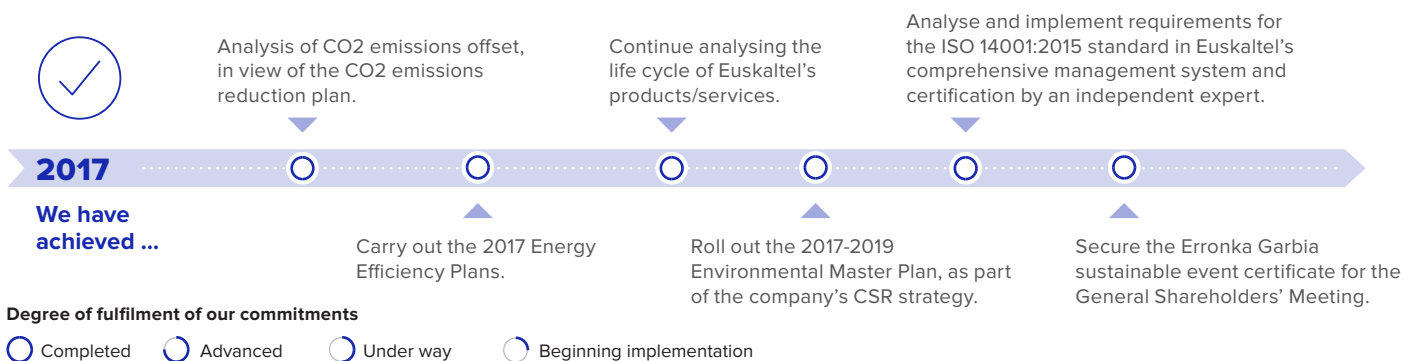
The Euskaltel Group companies have joined the #PorElClima community initiative to combat climate change. The Group has made a public commitment to take action to reduce the pollution causing global climate change, and to take part in a pioneering initiative by people, companies, organisations and government institutions, with a common goal: to lead action against Climate Change in accordance with the guidelines set out in the Paris Agreement.

The Group also took part for the second time in the Carbon Disclosure Project (CDP), which classified our environmental performance as level C.

Efficient management of resources and impacts

The Group 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. The most relevant environmental aspects in 2017 were electricity consumption, GHG (Greenhouse Effect Gases) emissions, and the generation of malfunctioning lead battery waste.

Commitments fulfilled in 2017



ENVIRONMENTAL FOOTPRINT TABLE*

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.

*The figures for 2017 include Telecable.

GHG emissions (t. CO₂ eq.)

	2015	2016	2017
Direct (Scope 1)	825.37	915.83	1,184.85
Indirect (Scope 2)	13,190.62	9,479.44	10,940.47
Other indirect emissions (Scope 3)	259.32	259.60	320.40



-3,4%
GHG
emissions
intensity

Materials and water consumption

Use of water and materials most relevant to the organisation

	2015	2016	2017
Paper (t)	178.76	141.11	155.78
Cable (t)	176.12	79.50	73.31
Equipment (t)	304.96	200.90	180.92
Water consumption (m ³)	6,539	6,039	8,138



-10%
de consumo
de equipos

Overall energy consumption

Use of electricity and use of diesel, both internally (gen-sets and company vehicles) and externally (employee vehicles)

	2015	2016	2017
Electricity (Mwh)	55,996.22	57,133.77	65,939.54
Diesel (Internal) (Mwh) **	647.08	563.41	531.11
Diesel (External) (Mwh) **	777.20	641.96	842.17
Energy intensity (kwh /product)*	25.10	24.46	24.12



-1%
energy
intensity

*Energy intensity is calculated by dividing overall energy consumption by the number of products placed on the market

**Diesel consumption in MWh is arrived at by using the conversion formula published in Guide GRI 3.1 (1 ton of diesel = 43.44 Gjoules)

Waste generation

	2015	2016	2017
Non-hazardous waste			
Paper and cardboard (t)	37.29	28.93	22.73
WEEE (t)	62.43	59.74	28.21
Hazardous waste			
Lead acid batteries (t)	40.05	39.33	59.69
Fluorescents (t)	0.72	0.60	1.06



-53%
WEEE
generation

Commitments for 2018



Continue rolling out the 2017–2019 Environmental Master Plan, as part of the Group-wide CSR strategy, based on the Group's comprehensive management system policy.

Design and implement the 2018 Energy Efficiency Plans.

Secure the Erronka Garbia sustainable event certificate for new events.

2018

We will be
working on ...

Carry out actions to offset or reduce CO₂ emissions.

Continue analysing the life cycle of Euskaltel Group products/services.

Prepare the EMAS III Statement for the whole Group.

5

Pillars of the Euskaltel Group's strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection



Relationships Capital

Institutional relationships, sponsorship, public relations and the various activities organised by the Euskaltel Konekta Foundation create links to the community which contribute to diversified growth, in particular the identification of new avenues for growth, strengthening of the brand, and liaison with the local communities.

Contributing to value creation in our territories

We contribute to the socio-economic development of the local communities by planning social engagement activities. We believe in technology as a way of uniting people, in the value of each and every conversation, and in coming together despite distance. Technology made by and for people: that is the motto which inspires and guides us.

For yet another year, the Euskaltel Group has expanded its corporate and business activity by studying new possibilities for customer experiences, with the aim of adding value to our services and creating emotional links with the various stakeholders with whom the three companies interact on a daily basis. This is the fundamental purpose of Euskaltel, R and Telecable: proximity and value creation as the distinguishing features that set us apart from our competitors.

For this reason, relationships play a key role in the Group's business model, and partnerships with local businesses and institutions are formed to promote the development of both Company and community, paying careful attention to the concerns of the communities in which the Euskaltel Group is present. In terms of our institutional activity, the Group aims to work responsibly and in close collaboration with our various

stakeholders: shareholders, customers, the community, suppliers and their employees. This philosophy is intended to position the Company as a driving force in the economies of the regions in which we operate, generate local business opportunities, influence employment, lead corporate participation in civil society, promote trust and pride in belonging, and boost social commitment and digital positioning in Basque, Galician and Asturian societies, while enhancing competitiveness and collaboration between the public and private spheres.

The Euskaltel Group is highly active in the socio-economic context, projecting corporate values in the home market as one of the most obvious ways to build our brand and retain customers, who see that the brand they have chosen is reputable and committed to the region.

Drivers of the local economy

The Group believes that Corporate Social Responsibility must contribute to and be geared towards value creation for all stakeholders, maintaining the commitments and values deployed in its mission, and taking into account its firm commitment to local communities, transparency, excellence in management, Good Corporate Governance, respect for Human Rights, gender equality and equal opportunities, compliance with Corporate Social Responsibility policies among suppliers, and responsible contributions to tax. The Group aims to meet its

fiscal obligations and to contribute to creating sustainable communities by enhancing trust in the local area.

Responsible payment of taxes

Our ties with local communities and our commitment to support the local economy are key distinguishing values of the Euskaltel Group. We promote social and economic development by contributing to job creation and strengthening public funds, with the ultimate aim of making society intrinsically richer.

737

local suppliers



98
partnerships with
community organisations



+516k
beneficiaries

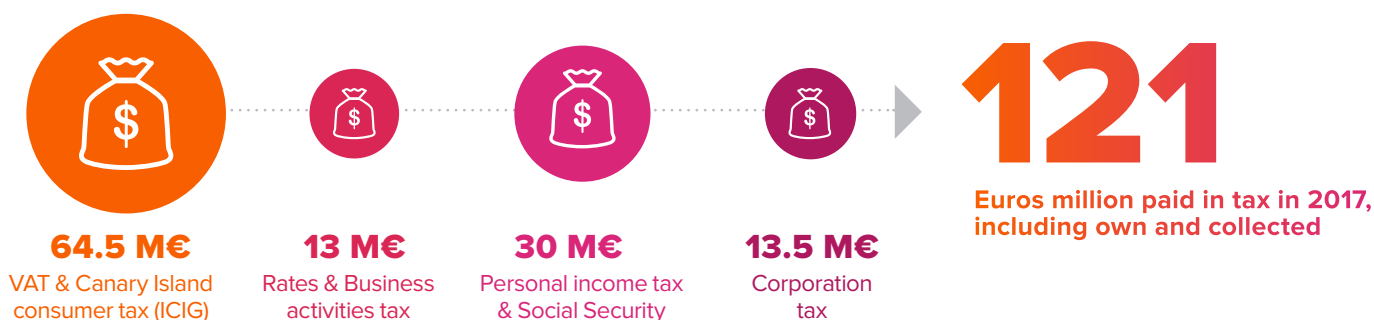
Value creation

By collaborating with public institutions and supporting the local economy, growing alongside customers and the community, the Group

helps to create social and economic value through salaries, taxes paid and economic boosts in the places in which we operate.

	2015	2016	2017*
Net revenues (INCN)	334,375	561,426	609,275
Other operating revenue	431	360	524
Financial revenue	192	37	228
Economic value generated (thousands of euros)	335 M€	562 M€	610 M€
	2015	2016	2017
Purchases	15,168	26,245	22,946
Work undertaken by other companies	55,255	103,520	109,463
Wages and salaries	28,593	38,365	42,452
Other operating expenses	83,697	122,149	151,438
Financial expenses	50,042	47,891	49,109
Dividends	207,033	0	54,665
Corporation tax and other taxes	7,975	22,215	29,170
Economic value distributed (thousands of euros)	448 M€	360 M€	459 M€
Economic value retained (thousands of euros)	-113	202	151

TAXES PAID IN 2017



*Financial data for 2017 include Euskaltel, R and CINFO. Telecable is consolidated from the date of its integration.

Support for local suppliers

The Euskaltel Group bases its relationships with suppliers on mutual trust and advantage, operating ethically to ensure the proper progress of commercial exchanges and the protection of mutual interests to minimise risks to sustainability.

In the telecommunications sector, operational efficiency and customer experience depend largely on suppliers' facilities and service provision. In view of this, the Group maintains close relationships with the main suppliers which distribute and provide the service. The highest purchase volume is related to customer and network operations services, as well as technology purchases, which represent 37% and 35% of the annual purchase volume respectively.

The Euskaltel Group has taken particular care to transfer the Company's corporate values and culture to its 1,347 suppliers, involving them in the strategy and growth for the last year. Similarly, the Group considers it especially important for suppliers to share the Euskaltel Group Corporate Social Responsibility Policy, as well as the Group's Code of Ethics. Both documents include key principles such as occupational health and safety, service quality, respect for the environment and safety of both employees and others affected by the Company's activities. With the aim of enhancing supplier capacity and increasing their involvement in the development of the business, the Euskaltel Group offers training and undertakes regular reviews to identify areas for improvement. In 2017, progress was also made in identifying synergies in the value chain, improving the efficiency and

quality of the distribution and service. Moreover, the Euskaltel Group collaborated with four special work centres with a purchase volume of €519,000. The aim here is to promote the inclusion of people with disabilities in the labour market by employing them to provide customer service, office assistance and support for printing and handling invoices.

Meanwhile, the Group has contributed to local economic development by contracting the services of 797 Basque, Galician and Asturian suppliers, 40% of which saw a purchase volume exceeding €10,000. The high volume of services purchased means that purchases in the areas in which the Group operates carry significant weight, at 49%. The remaining purchases are made in other countries, due to the complexity of the sector. Nonetheless, in a year of change, growth and synergies, particular attention was paid to upholding long-standing agreements and supporting the local economy, maintaining strategic alliances in the Basque Country, such as our partnership with ZTE Managed Services Southern Europe, which represented 15% of the total purchase volume. No other supplier exceeded 4%, in order to ensure the viability and sustainability of responsible business.

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. With regard to the selection of suppliers, the Euskaltel Group gives priority to those which have implemented an environmental management system when assigning contracts.



Group objectives

The Euskaltel Group aims to contribute to local development by placing its trust in local suppliers which are strategic to the Group, adding value and providing them with opportunities for growth.

Social commitment

Social initiatives

In 2017, the Euskaltel Group collaborated with 48 community organisations using technology to support various local groups. Additionally, many of the social initiatives launched are boosted by agreements with educational institutions and with centres organising family activities more generally.

The knowledge that the Euskaltel Group has a large number of families among its customer base has led to collaborations with organisations such as AFAE-Euskadi Family Action, Hirukide-Federation of Large Families of Euskadi, Gure Señeak-Association for Improving the Lives of Children with Rare Diseases, Bakuva, Save The Children, Urgatzi, Bizipoza, Adecco Foundation, ASPANOVAS and a long list of organisations which tackle different spheres of family life.

Other events organised for families include Denon Eskola, or Basque Public School Day, the festivals held in Basque schools in Bizkaia, Álava and Gipuzkoa, activities for boys and girls with the football and basketball teams, surfing and mountain-based activities, and fun runs, among others.

The Group also sponsors the Universitario Bilbao, Hernani and Gaztedi inclusive rugby teams, and participated in the Euskaltel Charity Marathon which raised funds for research into brain strokes.

In addition, December saw the launch of the Aitona-Amonak campaign, in which Euskaltel acts as a messenger conveying gratitude for the important role played by grandparents in the community. A certificate which grandchildren can present to their grandparents at Christmas was created for the campaign.

Meanwhile, R collaborates with the Red Cross, the Food Bank and various museums which promote rural sustainability in Galicia, as well as the Galician Centre of Contemporary Art. At Telecable, charity markets are held for employees to contribute to the Food Bank, free services are offered throughout the year to support Project Man, and the money raised from the Christmas raffle goes to ADANSI and UMA.

Developing youth talent

The Euskaltel Group visits educational centres and welcomes Masters students in Telecommunications to its facilities to allow them to learn about the work undertaken by the company and encourage their scientific ambitions. Through this type of initiative, the Group aims to supplement the theoretical knowledge taught in academic centres and to provide students with more practical insight. Meanwhile, the Group holds guidance talks for sixth form students who would like to learn more about the Company and its work before choosing the subject they wish to study at university.

*Visits from university students in Engineering and Computer Sciences, students on vocational training courses and sixth form students.



Sponsorships

The Euskaltel Group engages in sponsorship to create emotional ties which position and strengthen the brand among a wider audience. The Group's communication activity in this area is intended to create a friendly brand image, positioning the brand in lively environments where the public can enjoy and learn from new experiences. Family activities continue to be a main feature of the Group's sponsorship, as well as of events organised by the Group itself. Various activities have been organised, such as the Euskaltel Kirol Eguna held in Bilbao and San Sebastián, with the aim of bringing together thousands of people and families to promote sport, launching campaigns to raise awareness of the benefits of sporting activity and including people with disabilities.

Through active listening, activities can be developed to suit the interests of the community, in line with company policy, to create bonds and pride in belonging, by favouring local suppliers for all contracting opportunities. The Group was also the technology sponsor for Gipuzkoa Basketball Club when it returned to the top league. Once again, Euskaltel renewed its commitment this year to schools to sponsor the four Basque language festivals held in the Basque Country and Navarre for the twentieth consecutive year. As well as facilitating the communication for these events, Euskaltel promoted a competition which involved various skills tests and encouraged teamwork. In addition, various Customer Experience campaigns were launched in the Basque Country, Galicia and Asturias through customer loyalty activities. In 2017, Euskaltel invited 200,000 customers to 'The Comedy Central Nights', providing new cultural and leisure experiences to its customer base. In

the ten events held to date, the partnership between Euskaltel and Comedy Central has had a very positive outcome. In 2017 over 24,000 Euskaltel customers had the opportunity to enjoy a night of comedy with live performances by comedians from Comedy Central, the only 100% comedy channel in Euskaltel's TV programming.

All of the activities sponsored make a visible contribution to Basque, Galician and Asturian society.

Meanwhile, R invited more than 4,500 customers to shows and activities promoting Galician culture, leisure and entrepreneurship. Customers were able to enjoy initiatives such as breakfasts, technology days, film premières, basketball matches, riding tests and robotics workshops, among others.

Finally, Telecable brought football matches to a large number of customers who had not purchased this service. In addition, the company and Wuaki invited 300 customers to previews of the science fiction series *Beyond*, with the aim of promoting the TV platform which had recently become part of Telecable. An agreement with Yelmo Cinemas in Asturias allowed more than 3,000 customers to enjoy a discount on tickets from Monday to Sunday throughout November and December, and 100 customers attended the Gijón Film Festival, which is sponsored by the Group.

Institutional activity

Institutional activity represents a tool for active listening and engagement with the Euskaltel Group's stakeholders. This activity involves monitoring the expectations of the various stakeholders and the extent to which these are met. It also serves to manage institutional relationships with

the public authorities and commercial relationships, as well as the objectives and needs deriving from these relationships. Various indicators relating to relationships with stakeholders are assessed, and action is taken on the basis of a holistic overview of these relationships.

Euskaltel Konekta Foundation



About the Euskaltel Konekta Foundation

The Euskaltel Foundation is a private, non-profit organisation which helps to create and boost connections between people, companies and initiatives, in the context of the use of Information and Communications Technology (ICT), based on four strategic directions: projects to promote new technologies, entrepreneurship and digital incubators, social technology and positioning of the Euskaltel Konekta brand.

Projects to Promote New Technologies

Encounters Network. In 2017, the 25th edition of the Euskal Encounter was held. This is the longest-standing, largest computing party in Spain. It forms part of the calendar of Encounters organised by the Euskaltel Konekta Foundation, which also includes Gipuzkoa Encounter and Araba Encounter. All of these events have beaten attendance records thanks to the ‘Opengunes’ or areas open to the public, which allow the use of new technologies to be disseminated and democratised through workshops and seminars. The Encounters feature numerous technological innovations, along with appearances from IT enthusiasts and professionals, and aim to allow information exchange and group activities focusing on computing.

2017 saw the expansion of the Encounters, with the XGNR Encounter held in Galicia. This is a computing event which has been held in Silleda, Galicia for the last 17 years and which R helped to organise for the first time this year. The Silleda showground in Pontevedra welcomed 1,200 attendees, including both participants and visitors interested in new technology.

Gamegune. Gamegune is the most prestigious Hearthstone tournament in Spain, which was held for the seventeenth time in 2017. Aimed at online video games professionals and enthusiasts, it meets the aim of the Euskaltel Konekta Foundation to promote new technologies.

E-Games – Gamegune Opens. The Euskaltel Konekta Foundation has created a new online video games platform to support the new Gamegune Opens initiative. The Gamegune Opens are a series of tournaments and leagues of various video games which are held throughout the year, and which are open to anybody who wishes to participate. This platform al-

lows online leagues and tournaments to be organised locally throughout the year.

First Lego League. The Euskaltel Konekta Foundation helped with the organisation of the First Lego League, an international robotics competition in which more than 500 participants aged 6 to 16 resolve a real challenge related to science, technology and innovation in the various activities which form part of the ‘Opengune’. Euskaltel participated in this open space with a talk by psychologist Edurne Donlo on the proper use of mobile phones by underage children. This year, the company participated in the panel discussion on STEAM (Science, Technology, Engineering, Arts and Maths) education alongside the Basque Government, Lauaxeta school and Azti Tecnalia.

We have also taken part in the First Lego League in Galicia.

Women in Progress. The Women and Technology Days were held for the second consecutive year with support from the Euskaltel Konekta Foundation, in an attempt to encourage female students attending the event to study science. To this end, a large number of talks and workshops were organised over a three day period. The 2017 edition was held at the Artium Museum in Vitoria-Gasteiz on 18th, 19th and 22nd March.

Innova. In April, the fifth Innova days were held at the Euskalduna Palace to tackle topics such as innovation, digital business and creativity. With the motto ‘Learning to Build’, Asier Gezuraga, manager of Euskaltel’s online channel, gave a very interesting and innovative talk on Lean Thinking to a packed hall.

Entrepreneurship and digital incubators

Bind 4.0. In 2017, the Foundation participated in the public-private acceleration programme intended to

Commitments fulfilled in 2017



Identify and share good corporate social responsibility practices among suppliers.

Expand relationships and increase the number of agreements with educational and technological centres.

2017

We have achieved ...

Evaluate ESG criteria when selecting suppliers for the Group.

Ascertain the impact of sponsorship and social commitment activities.

Degree of fulfilment of our commitments

Completed
 Advanced
 Under way
 Beginning implementation

boost development of the best start-ups in Industry 4.0, facilitating projects with leading industrial companies and providing a complete support programme. In turn, BIND 4.0 represents an excellent opportunity for industrial companies, as it speeds up identification and contact with the best global talent, allows access to cutting-edge technology and promotes the development of Industry 4.0 projects and solutions.

KBI. The Foundation sponsors KBI Digital, an advanced digital economy incubator which is the product of an agreement between Bilbao City Council and the Bizkaia Regional Government. The purpose of this incubator is to promote entrepreneurial projects from both start-ups and established companies within the digital economy sector. KBI Digital aims to be a reference point for the creation and implementation of digital initiatives, as well as for the launch of start-ups for new applications and the development of companies in the ICT sector.

Global Innovation Day (Innobasque). Global Innovation Day, promoted by Innobasque (Basque Innovation Agency), is an open, dynamic and participatory space which brings together thousands of people every year. It provides an easy way of creating connections, exchanging knowledge and experiencing innovation first-hand. The Euskaltel Group participated with a stand explaining the latest progress made by the company in the area of Big Data. It also participated in Innobasque Steam, a pioneering initiative to raise awareness and disseminate information among people working in informal education to encourage them to include STEAM education in their activities.

Bilbao Berrikuntza Garage - Innovation Lab Bilbao. Innovation Lab Bilbao (InnolabBilbao) is an open space for innovation where technology and business come together to seek new technological solutions

for the corporate challenges of the day. The main aim of the initiative is to promote and encourage encounters between professionals, associations and other organisations from all corporate and economic areas. It is for this reason that the Euskaltel Group decided to participate.

Social Technology

HETEL. Euskaltel is a strategic partner for HETEL (Basque Association of Vocational Training Centres) due to its support for vocational training and for the promotion of scientific careers among young people. Since 2009, HETEL has operated the SHARE collaborative project in which around 60 Telecommunications and Computing Systems students participate. The students work in groups to develop the installation of various application servers in each centre, simulating a company with different departments.

Intelligent Families. Euskaltel has developed a project in collaboration with the NGO AFAE (Euskadi Family Action) which works in the areas of conflict resolution, prevention of psychosocial risks and promotion of health, and includes three family training sessions to equip members of its working groups to seek optimal progress in their personal, family and professional lives.

Positioning of the Euskaltel Konekta Brand

Music Festivals. With a view to promoting the Euskaltel Konekta brand, the Foundation attended the three music festivals organised by Last Tour in the Basque Country. 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 festival hosted in San Sebastián, while Azkena Rock features underground rock bands along with well-known headliners. Various stands were also set up to provide wi-fi to everyone who attended the festivals.



Objectives of the Euskaltel Konekta Foundation

The main aims of the Euskaltel Konekta Foundation are to enhance young people's relationships with ICT by supporting activities related to new technologies, to maintain a presence in the community by promoting knowledge and responsible use of ICT, to be a benchmark company in the ICT sector in the Basque Country, Galicia and Asturias, by participating in all initiatives and events linked to this area, and to act as a window onto the world by promoting successful ICT initiatives launched in the regions in which it operates globally.

Commitments for 2018



Undertake a satisfaction survey among analysts with the Investor Relations department.

Strengthen agreements with local universities.

Review and implement the new 2018-20 CSR Master Plan.

2018

We will be working on ...

Standardise relationship-building activity between the three companies, Euskaltel, R and Telecable.

Review civil society links in terms of corporate management.

Strengthen the Euskaltel Konekta Foundation's activity in the Group.

6

Pillars of the Euskaltel Group's strategy



Diversified growth



Operational excellence



Unique experience



Customer value protection



Intellectual Capital

Intellectual capital has a cross-cutting impact on the 2017-2022 Strategic Plan through the four pillars. Furthermore, innovation is one of the key, corporate values in the Group's business model.

Contributing to digitalisation and digital transformation

As the Euskaltel Group operates in the telecommunications industry, ongoing innovation and the most up-to-date technology are key to being efficient and providing the sector's newest services.

An essential part of the Euskaltel Group's long-term strategy is to be at the forefront of innovation, so as to stand out from the competition. Our constantly evolving business is based on new technologies, customers are increasingly demanding and the market is full of technology choices.

As market leader, the Group's strategy is to drive and broaden the range of products and services available, providing customers with the market's latest TV, broadband and mobility options. The Group aims to improve consumers' daily lives and offer them the most effective services and products they need, continuously updating all systems and getting ahead of the competition to identify trends as a result

of actively listening to stakeholders and the Customer Experience.

In 2017, the Group's innovation-based work focused on improving operational excellence, developing new business lines and product innovation in areas such as IoT, TV, WiFi and mobility. In this field we have also been monitoring legislation and technology issues regarding 5G so that we can expand our knowledge and develop this technology over the next few years.

The Corporate Innovation Unit studies and analyses industry trends, new technologies and the Group's viability to drive new products and services at the right time.

Digital innovation

Innovation investment

The Euskaltel Group is aware of its lead status in the Basque Country, Galicia and Asturias within the technology field and its work to support innovation, foster a digital culture and drive digitalisation in the business environment and daily life is particularly relevant.

In 2017, the Group invested over Euros 14 million in r+d, pushing forward various programmes that help companies to digitalise and encour-

age technology startups. This action also has an impact on local economic development.

Furthermore, the Euskaltel Group supports sustainable innovation, bearing in mind the ability of new technologies to help communities' with their social and environmental issues. Research is also encouraged, as it is the basis for the creation of new devices and services that integrate all the possibilities digital transformation has to offer.

Key projects

In 2017, the Group launched various products that were essentially linked to improving network capacity and to launching new Cloud and the Internet of Things (IoT) services.

During the year, the Euskaltel Group launched the first 4K Android-based TV decoder, bringing together the Internet and the latest TV technology. 4K technology is currently the highest resolution

The future is making way for an ecosystem of professionals and companies who are experts in content-loaded TV applications, with the Euskaltel Group as the driving force behind innovative proposals in this field. The Group also promoted the company’s strategic StartUps Euskaltel and Start-Ups R programme, which welcomes entrepreneurs and innovative proposals and aims to connect their projects with the manufacturing sector, turning their ideas into actual business plans.

It is mainly targeted at technology start-ups in the Group’s strategic areas: the Internet of Things, artificial intelligence, cybersecurity, new network and communications technologies, WiFi, 5G, and new content and apps relating to the 4K decoder. Thanks to this project, over 40 companies in the Basque Country and Galicia joined the first start-ups programme and they will be helped with free telecommunications services, equipment, training, workshops, networking and visibility.

Furthermore, Euskaltel also offers the companies the whole range of opportunities provided by technology so as to increase their competitiveness and maximise the technological and innovative ecosystem’s potential. At conferences organised by the Group in partnership with leading companies in the industry, the discussion centres on a practical approach to the transformation process, using information and communication technologies.



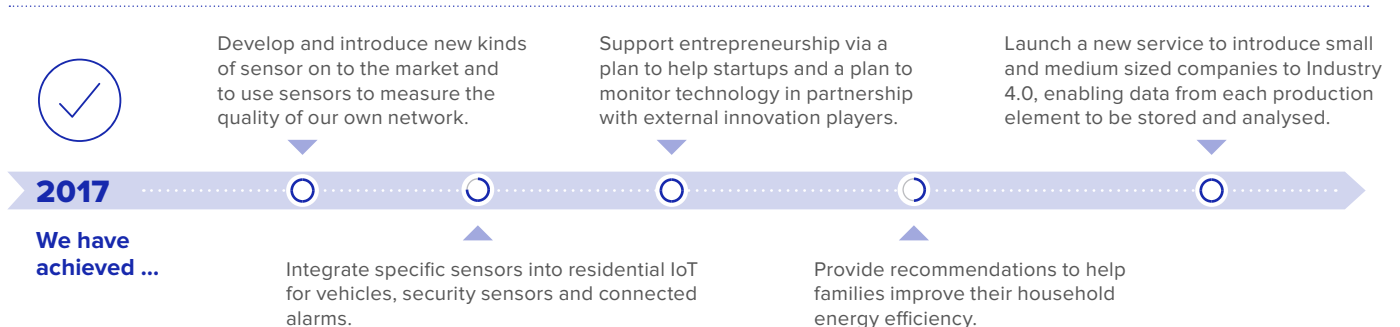
Innovation is the way we fulfill our commitment to customer care, responding to their needs and surprising them with our products

FRANCISCO ARTECHE
CEO



and four times better than high definition (HD). Customers in the Euskaltel Group’s respective markets can use Android applications on the TV. This launch is the start of new business opportunities for app developers.

Commitments fulfilled in 2017



Degree of fulfilment of our commitments

- Completed
- Advanced
- Under way
- Beginning implementation



14 M
investment
in r+d

Another key initiative to help foster innovation in the Basque Country is Euskaltel's support for research activities at the Orkestra-Instituto Vasco de Competitividad, the competitiveness institute at Deusto University. The Group has renewed its commitment for the next four years and will help develop the chair of digital economy, recently created at the institute.



40
supported
StartUps

The Orkestra manifesto on the Basque Country's 10 main challenges for the future identifies the digital economy as a key element in developing competitiveness in the Basque Country and, within this context, Euskaltel is the leader in innovation and driving technological development in the region.

The Euskaltel Konekta Foundation has lent its support and encouragement to numerous innovation-related programmes, such as Bind 4.0 and Innolab. The first involves a public-private accelerator programme aimed at driving the development of the best Industry 4.0 start-ups, fostering projects with the leading industrial companies and taking part in a comprehensive support programme.

In 2017, we took part as the driving company in a project to design a predictive model to improve Euskaltel customer loyalty based on the latest analytical tools using big data.

Bilbao's innovation laboratory (InnolabBilbao) is an innovative space where technology and business come together to find new technological solutions to everyday business challenges. It is promoted by the Centro de Innovación de Bilbao association, which was founded by Fundación BBK, Corporación Mondragón, Deustotech, IBM and Euskaltel. Iberdrola and Bilbao city council



The Group's Startups Plan fulfils our commitment to development and digital transformation in Basque, Galician and Asturian society

FRANCISCO ARTECHE
CEO



also form part of the initiative through Bilbao Ekitntza. The main objective is to promote and foster the coming together of professionals, associations and other bodies from all business and economic backgrounds.

Commitments for 2018



Develop and implement the IoT in the residential and SME categories.

Develop technology to aid digital transformation projects for companies.

Develop new TV services that broaden the capacity of the new 4K decoder.

2018

We will be working on ...

Introduce artificial intelligence-based user interfaces.

Introduce new, improved WiFi systems.

7

Other information

About this report

This report is prepared on the basis of the Euskaltel Group's financial and non-financial reporting system and the initiatives undertaken in the three regions: the Basque Country, Galicia and Asturias.

Scope and profile

The Euskaltel Group has produced the Corporate Responsibility Report in line with the Global Reporting Initiative (GRI) guide, following the principles and content set out in the most recent edition of the guide. This is an international benchmark standard for the creation of sustainability reports, which covers all of the most relevant aspects for shareholders, customers, employees, suppliers and the community, including exhaustive information on ESG (Environmental, Social and Governance) aspects.

In order to comply with the GRI guidelines, the Company carried out a materiality analysis to ensure the report would focus on the social, environmental and economic issues that are most relevant for our businesses, and which influence the decisions of our stakeholders. Moreover, as signatories to the United Nations Global Compact, this report provides information on our progress towards the implementation of the Principles established by this initiative. This report focuses particularly on those aspects identified as relevant in the materiality analysis

undertaken. The preparation and results of this analysis are explained in the following pages. The information disclosed in this report follows the baseline for assessing future performance of the Euskaltel Group established in the previous Corporate Responsibility Report. The Group is also currently working to extend the scope of the reporting system to include all indicators from the three integrated companies in coming years. All data reported, with the exception of financial indicators, include Telecable from 1 January 2017. CINFO data are consolidated for financial indicators only.

The contents of this report are linked to more extensive information published on the Euskaltel Group website, in the EMAS Environmental Declaration, in the Annual Corporate Governance Report and in the 2017 Consolidated Annual Accounts, and form part of the Management Report, conforming to the same approval, deposition and publication criteria as the former in compliance with Royal Decree-Law 18/2017 of 24 November 2017. The report also observes the CNMV Good Governance Code.

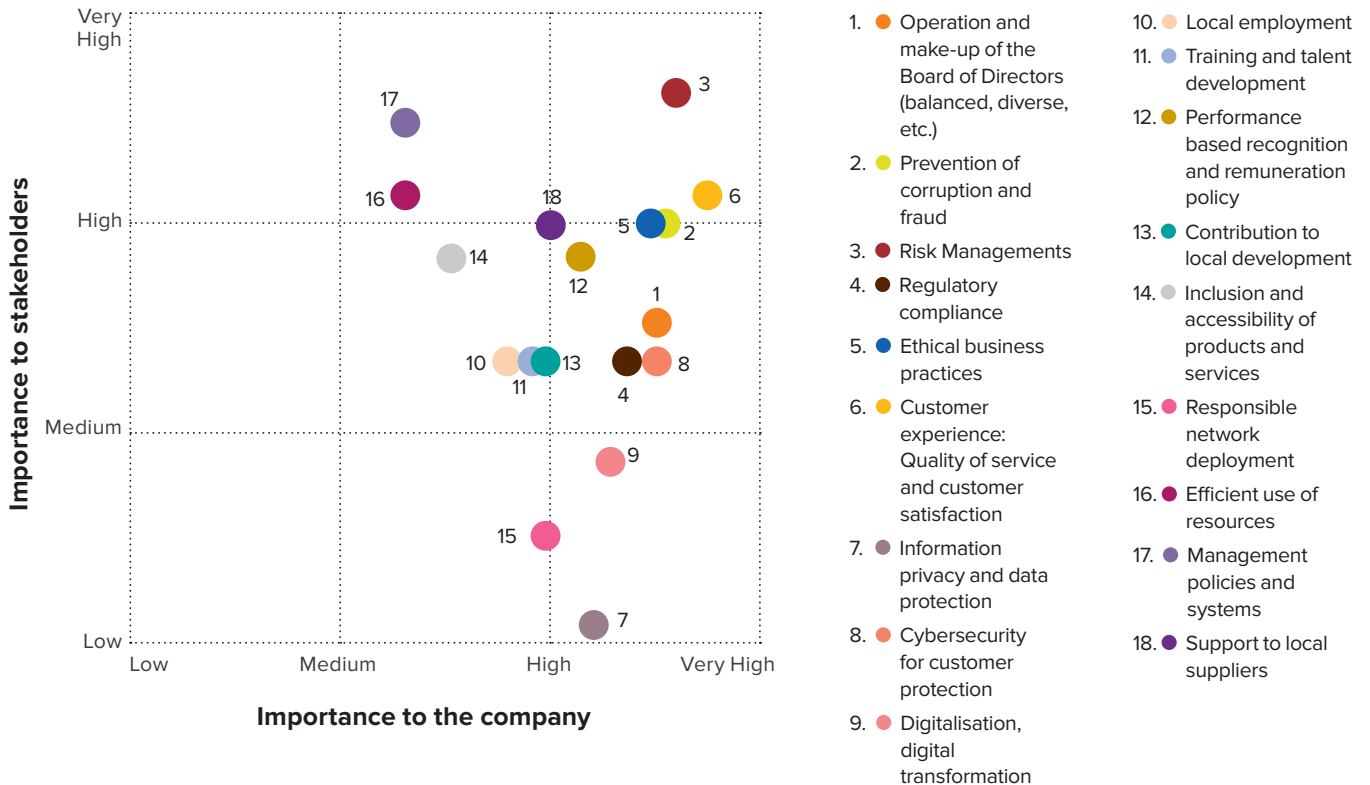
* The materiality analysis identifies those issues that are relevant to the company using internal and external variables relating to the company itself.

Materiality analysis

In 2017, the Euskaltel Group carried out a materiality analysis based on the GRI Standards. Firstly, an external analysis was completed which took into account the main trends in the sector, an exhaustive study of press coverage of the Euskaltel Group using the Factiva tool, the content published on the websites of the Group and its competitors, the information required by proxy advisers, the strategic directions of the PEERs in terms of CSR and the information requested by the main analysts relating to Sustainability, basing the study primarily on the Dow Jones Sustainability Index (DJSI), the FTSE4GOOD and the CDP. In addition, the external analysis was informed by the main needs and concerns of the Euskaltel Group's stakeholders, which were detected through the different communication channels open to employees, customers, the community, shareholders, suppliers and institutions. An internal analysis was also carried out on the basis of the Euskaltel Group's strategy

and policies, information on future challenges and strategic partnerships, and documentation on initiatives implemented in the area of Sustainability. These analyses led to the identification of 80 relevant themes relating to Corporate Social Responsibility, which were grouped into 36 sections for the Euskaltel Group, and which were assessed by the Internal Audit, Communication, Finance, Compliance, Environment, Marketing, Institutional Relations, Strategy, Human Resources, Legal, Purchasing, Innovation and Investor Relations departments. The assessment consisted of evaluating the importance of each of these aspects for the departments concerned, considering their impact on company operations and reputation. As a result, 18 priority sections were identified using the internal and external analysis, and these are presented in the following matrix according to their individual importance. These material themes represent the main focus of the report.

MATERIALITY MATRIX



Stakeholder engagement

The Group's Corporate Social Responsibility Policy, approved by the Board of Directors on 24 May 2016, sets out the obligations and guidelines to be followed by each operator. Likewise, the Corporate Responsibility Master Plan is based on the expectations identified when consulting stakeholders through different surveys and studies.

The Euskaltel Group's corporate values of friendliness and honesty shape not only the behaviour of our own employees but also the Group's relationships with all stakeholders. Moreover, one of the Group's differentiating factors is value creation at a local level, building a climate of trust among all players in each of the regions where the Group operates. As established in the Code of Ethics, the Euskaltel Group is committed to maintaining ethical standards and transparency in its relationships with stakeholders, acting responsibly and working closely with them to adapt to their needs and concerns.

The Group has also developed a Communications Plan which covers all stakeholders and is based on the Euskaltel Group's mission and objectives, as well as the aforementioned corporate values. The Group's communications are defined by close relationships with our market and with opinion leaders. These relationships are based on transparency and proximity, just like those which Euskaltel, R and Telecable maintain with their stakeholders in the Basque Country, Galicia and Asturias respectively. This model for communication and liaison with stakeholders has generated unprecedented reputation capital and corporate image, achieving an exceptional level of identification with the Company's target market, which differentiates it from the competition significantly.

To create friendly, honest working relationships, the Euskaltel Group uses various platforms and promotes direct, two-way dialogue allowing customers, shareholders, employees and the community to express their needs and suggest improvements. In 2017, the stakeholders in each of the Group's main areas were reviewed, with the aim of identifying all operators who directly interact with the Company. The aim of this exercise was to update and target the actions implemented, as well as to provide formal channels which are better suited to the target audience.

During 2017, we updated the operation of the Group's Ethical Channel mechanism. This channel provides a tool for employees of the Group, customers, suppliers and third parties to report alleged events or actions which they consider to infringe the Code of Ethics and Code of Conduct, any regulations included in the Euskaltel Group's Corporate Governance System, or the relevant external legislation or regulations, in a secure, confidential manner.

Euskaltel Group's Code of Ethics is committed to maintaining ethical standards and transparency in its relationships with stakeholders, acting responsibly and working closely with them to adapt to their needs and concerns.

One of the main programmes developed by the Euskaltel Group for communication with customers is Customer Experience, a tool which has allowed for greater insight into customer needs and development of products and services which are particularly useful in their daily lives. Moreover, active listening has been especially important in identifying the concerns of employees who have been able to express their opinions on the Company's operation and the future challenges it faces through a satisfaction survey.








Meanwhile, 2017 was a particularly relevant year for shareholders. The Investor Relations department stepped up its activity with road shows and interactions with analysts, and distribution lists were created to provide them with up-to-date information on the Group's ongoing growth. One of

the most important events of the year was Investor Day, which was held in November with a view to publicly sharing the Company's foremost achievements and the strategy we will follow in the coming years. As usual, the Group has continued to build trust in the community via sponsorship, development of local culture and digitalisation through the activities of the Euskaltel Konekta Foundation. Moreover, constant interaction with the local authorities enhances Company knowledge of the region and its main needs. Similarly, we maintain a smoo-

th, direct relationship with the Group's suppliers through the Purchasing department, whose role is key in detecting concerns throughout the supply chain. Finally, the Management Team's open door policy facilitates the exchange of information and submission of queries. In 2017, the main concerns reported to the Board and to the Management Team were related to the Group's expansion. In general, a growing interest in digitalisation and in the quality of the service provided was detected via the various channels.

The Euskaltel Group's key stakeholders and channels for dialogue

Stakeholders

	Stakeholders	Communication tool	Main expectations identified
 Community	Social organisations, universities and education centres, research centres, economic operators, local community, opinion former and consumer associations and the press	<ul style="list-style-type: none"> ■ Social media ■ Media relations ■ Collaboration with universities and other institutions 	Local employability, commitment to local associations and institutions, social initiatives and cultural promotion.
 Customers	Company, residential, institutions and public sector	<ul style="list-style-type: none"> ■ Euskaltel and R websites ■ Mobile applications ■ Complaints ■ Customer experience 	Friendly customer service, transparency of prices, digital inclusion, service quality, investment in R+D+I, digital health and data protection, among others.
 Employees	Employees covered and not covered by the Collective Labour Agreement, employees' representatives, trainees and employment agencies	<ul style="list-style-type: none"> ■ Intranet ■ Satisfaction survey ■ Internal communication channels 	Quality of working life, health and well-being, equal opportunities, commitment to employees, training and development.
 Suppliers & partners	Distributors, installers and contractors, strategic suppliers, operators, suppliers of infrastructure	<ul style="list-style-type: none"> ■ Company survey 	Local purchasing, transparency and equal opportunities.
 Public administrations	Councils, city councils, governments, supervisors, regulators, development agencies and industry agencies	<ul style="list-style-type: none"> ■ Community survey 	Transparency, regulatory compliance, environmental management and people management.
 Shareholders & investors	Board, shareholders, analysts / investors, funders and press coverage relating to shareholders	<ul style="list-style-type: none"> ■ General Shareholders' Meeting ■ Investor Relations Office 	Ratings, risk management and financial results
 ALL		<ul style="list-style-type: none"> ■ Ethical Channel 	Working closely and transparently with all stakeholders in compliance with legislation and all applicable regulations.

Frequency ■ Ongoing ■ Every two years ■ Annual

AENOR

VERIFICATION OF SUSTAINABILITY REPORT

VMS-2018/0003

AENOR has verified the Report by the organization

GRUPO EUSKALTEL

TITLE: 2017 CORPORATE RESPONSIBILITY REPORT

In accordance with: GRI Standards

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: 2018-02-23



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GRI Standards table

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 101 Foundation					
101	Guiding principles	Other information (page 57)	Group		
GRI 102 General contents					
Organisation profile					
102-1	Name of organisation	Euskaltel, S.A	Group		
102-2	Activities, brands, products, and services	Euskaltel Group in 2017 (page 6) Customer Capital (page 34 and 35)	Group		
102-3	Location of the head office	Back cover	Group		
102-4	Location of operations	Euskaltel Group in 2017 (page 6)	Group		
102-5	Owners and legal form	Euskaltel, S.A. Organisational and Cultural Capital (page 13)	Group		
102-6	Markets served	Euskaltel Group in 2017 (page 6) Customer Capital (page 31)	Group		
102-7	Size of the organisation	Euskaltel Group in 2017 (page 6 y7) Human Capital (page 21 and 22)	Group		
102-8	About our employees and other workers	Human Capital (page 21 y22) See Annex 102-8 (page 74)	Group	8	Principle 6
102-9	Supply chain	Relationships Capital (page 47) During 2017, all Euskaltel Group suppliers were located in the European Union, except 22 companies, as follows: Australia (1), China (2), Colombia (1), Israel (1), Suiza (3), Taiwán (2), EEUU (12). (See Appendix. Page 75)	Group		
102-10	Significant changes in the organisation and its supply chain	Letter from the Chairman and the CEO (page 2) Euskaltel Group in 2017 (page 6) Organisational and Cultural Capital (page 14) Relationships Capital (page 47)	Group		
102-11	Precautionary principle or approach	Organisational and Cultural Capital (page 16) Section E of the Euskaltel Group's 2017 Annual Corporate Governance Report	Group		
102-12	External initiatives	Letter from the Chairman and the CEO (page 5) Natural Capital (page 42) Relationships Capital (page 48 and 49)	Group	17	
102-13	Membership of associations	Relationships Capital (page 48 and 49) Other information (page 57)	Group	17	
Strategy					
102-14	Declaration of the executive body	Letter from the Chairman and the CEO (page 2-5)	Group		
102-15	Key impacts, risks and opportunities	Organisational and Cultural Capital (page 16)	Group		

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
Ethics and Integrity					
102-16	Values, principles, standards and rules of behaviour	Organisational and Cultural Capital (page 17) Human Capital (page 22)	Group	16	Principle 6
102-17	Mechanisms for consulting and resolving ethical questions	Until 2017, R and Euskaltel published their Codes of Ethics and Conduct on their respective intranets. These covered the organisation's ethical principles and improper employee conduct. Telecable employees formally accepted an anti-bribery and anti-corruption policy originally established by their former partner Zegona. In December 2017, the Board of Directors approved the Code of Ethics, Anti-Corruption Policy and the Ethical Channel, which includes the ethical principles of the organisation and improper employee conduct. Applicable to all companies in the Euskaltel Group, these were formally and officially communicated to all Group staff by the Group Chairman. In the near future, the Ethical Channel will be available for queries and complaints relating to rule infringement, not only to Euskaltel Group employees, but also to any third party through the websites of the Group companies. Until such time as the Ethical Channel is operational, complaints and/or suggestions may be sent by post as established in the Euskaltel Group's Ethical Channel.	Group	16	Principle 6
Governance					
102-18	Governance structure	Organisational and Cultural Capital (page 14)	Group		
102-19	Decision making	Euskaltel Group in 2017 (page 11) Other information (page 57)	Group		
102-20	Level of executive responsibility linked to financial, environmental and social issues	Euskaltel Group in 2017 (page 11) Organisational and Cultural Capital (page 18)	Group		
102-21	Discussion of financial, environmental and social issues with stakeholders	Other information (page 60)	Group	16	
102-22	Members of the executive body and its committees	Organisational and Cultural Capital (page 13 and 17) Human Capital (page 24)	Group	5 16	
102-23	Chair of the executive body	Organisational and Cultural Capital (page 13 and 14) Section C.1.3 of the Euskaltel Group's 2016 Annual Corporate Governance Report	Group	16	
102-24	Appointment and selection of the members of the executive body	Organisational and Cultural Capital (page 14 y15)	Group	5 16	
102-25	Conflicts of interest	Section D.6 of the Euskaltel Group's 2017 Annual Corporate Governance Report	Group	16	

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
Governance					
102-26	Executive body involvement in establishing Group mission, values and strategy	Letter from the Chairman and the CEO (page 5) Euskaltel Group in 2017 (page 9 and 10) Section E of the Euskaltel Group's 2017 Annual Corporate Governance Report.	Group		
102-27	Group reporting to the executive body	Each year, the Board of Directors is informed of the Group's financial, social and environmental performance. The Group's CSR Policy, which was approved in 2016, was implemented in 2017 and continues to be formulated.	Group	4	
102-28	Evaluation of the executive body's performance	Organisational and Cultural Capital (page 15)	Group		
102-29	Identification and management of financial, environmental and social impacts	Section E of the Euskaltel Group's 2017 Annual Corporate Governance Report.	Group	16	
102-30	Effectiveness of risk management processes	Section E of the Euskaltel Group's 2017 Annual Corporate Governance Report.	Group		
102-31	Review of financial, environmental and social issues	Organisational and Cultural Capital (page 18 and 19)	Group		
102-32	Executive body involvement in sustainability accountability	The Board of Directors is entrusted with reviewing and approving this 2017 Corporate Responsibility Report, after third-party assurance.	Group		
102-33	Communication of critical considerations	The CEO is entrusted with informing the Board of Directors of all aspects regarding the company's performance.	Group		
102-34	Number and nature of critical considerations communicated to the executive body	In 2017 the Board was informed of issues related with the preparation of the Group's annual financial statements and proposed distribution of profits, periodic public information disclosed, budgets and objectives, authorised representation. Remuneration of the Board of Directors and senior management, approval of the different annual reports, call to the General Shareholders' Meeting, preparation of proposed resolutions and the corresponding directors' reports thereon, new corporate policies, R's integration process, acquisition of Telecable, and the new 2016-2018 CSR Plan, among other matters.	Group		
102-35	Remuneration policies	Section A.1. Euskaltel, S.A.'s Annual Report on Remunerations for 2017	Group		
102-36	Process for determining remuneration	Section A.2. Euskaltel, S.A.'s Annual Report on Remunerations for 2017	Group		
102-37	Stakeholder involvement in remuneration	Organisational and Cultural Capital (page 13)	Group	16	
102-38	Annual remuneration ratio	Remuneration ratio stands at 49%.	Group		
102-39	Rate of increment of the annual remuneration ratio	The median percentage increase in annual total compensation was 2.0% at Group level.	Group		

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
Stakeholder involvement					
102-40	List of stakeholders	Other information (page 60)	Group		
102-41	Collective bargaining	Human Capital (page 23)	Group	8	Principle 1 and 3
102-42	Stakeholder identification and selection	Other information (page 60)	Group		
102-43	Stakeholder involvement approach	Customer Capital (page 33) Other information (page 59 and 60) See Appendix (page 74)	Group		
102-44	Main issues and considerations discussed	Other information (page 58)	Group		
Accountability					
102-45	Companies included in the consolidated financial statements	Organisational and Cultural Capital (page 13) Euskaltel has interests in the following companies to facilitate the achievement of its business objectives: Hamaika Telebista Hedatzeko Taldea and Safelayer Secure Communications.	Group		
102-46	Delineation of report contents and topics covered	Other information (page 58)	Group		
102-47	List of material topics	Other information (page 58)	Group		
102-48	Restatements of information	Other information (page 57)	Group		
102-49	Changes to accountability	Other information (page 57)	Group		
102-50	Report preparation period	Financial year 2017	Group		
102-51	Date of previous report	Financial year 2016	Euskaltel and R		
102-52	Accountability cycle	Annual	Group		
102-53	Point of contact for issues connected with the report	Back cover (page 76)	Group		
102-54	Statements on the level of compliance with GRI standards	External assurance report (page 61)	Group		
102-55	GRI contents list	GRI Standards table (page 62-75)	Group		
102-56	External review	External assurance report (page 61)	Group		
GRI 103 Management approach					
103-1	Explanation of the material issue and its borders		Group		
103-2	Management approach and components	Management approach indicated in the different sections of this table.	Group	1 8 16	Principle 6
103-3	Evaluation of the management approach		Group		

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 201 Financial performance					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 0, 1, 2 and 5.</i>					
201-1	Evaluation of the management approach	Relationships Capital (page 46)	Group	2 5 7 8 9	
201-2	Financial implications and other risks and opportunities of climate change	Due to the nature of its activities, the Euskaltel Group 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 is being properly managed. As the primary measure of its climate change impact, the Euskaltel Group calculates its carbon footprint on a yearly basis and prepares greenhouse gas emissions reports in accordance with the methodology established by Ilobe, the Basque Country government's environmental management company. Both direct and indirect emissions are quantified in these reports. Additionally, Euskaltel publicly reports risks and opportunities in its CDP report, which is available at https://www.cdp.net/es/climate	Group	13	Principle 7 and 8
201-3	Obligations arising from social benefit schemes and other pension schemes	The Euskaltel Group pays a monthly contribution to the Social Security for all its employees. This amount, based on their individual salaries, is paid into the Public System of Benefits. The Group also offers a voluntary private contribution scheme with tax benefits for employees who wish to make an individual contribution. Additionally, all Euskaltel Group employees enjoy a number of social benefits, which may either be services and products sold by the Group, or health and wellness services.	Group	8	
201-4	Financial assistance from government institutions	Subsidies collected in 2017 amounted to Euros 64K. In 2016, they amounted to Euros 248K, and in 2015 to Euros 367K.	Group		
GRI 202 Market presence					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 0 and 1.</i>					
202-1	Ratio of basic entry-level wage by gender to local minimum wage	The ratio of entry-level wage to local minimum wage for the Group in 2017 was 1.36 for women and 1.58 for men.	Group	1 5 8	Principle 1 and 6
202-2	Percentage of senior managers coming from the local community	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. The Euskaltel Group 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, Galicia and Asturias.	Group	8	Principle 6
GRI 203 Indirect economic impacts					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 0, 3 and 5.</i>					
203-1	Investment in infrastructure and support services	Customer Capital (page 34, 35 and 36)	Group	1 2 3 4 5 6 8 10 11 12 13 14 15	
203-2	Significant indirect economic 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	1 2 3 4 5 6 8 10 11 12 13 14 15	

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 204 Acquisition practices					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 5.</i>					
204-1	Proportion of spending on local suppliers	Relationships Capital (page 47) See Appendix (page 75)	Group	12	
GRI 205 Anti-corruption					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 1.</i>					
205-1	Transactions examined in connection with corruption-related risks	No evaluations were carried out in 2017 in respect of corruption risks.	Group	16	Principle 10
205-2	Communication and training on anti-corruption policies and procedures	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. Additionally, in June, the Board of Directors appointed a Compliance Officer for the Euskaltel Group, who will be responsible for reducing any risks of regulatory non-compliance, and to supervise and monitor compliance with all applicable regulations. In December 2017, the Board of Directors approved an Anti-Corruption Policy included in the Euskaltel Group's Corporate Governance System, to promote compliance with anti-corruption legislation across the Organisation, and uphold honesty – a value included in the Group's Code of Ethics – over any form of bribery or corruption.	Group	16	Principle 10
205-3	Confirmed corruption incidents and actions taken	During 2017, no incidents occurred that involved a severe breach of regulations or of the good governance practices established in the company.	Group	16	Principle 10
GRI 206 Unfair competition practices					
<i>This issue is immaterial to the Euskaltel Group.</i>					
206-1	Legal actions relating to matters of unfair competition, anti-competitive conduct and monopolistic practices	No official judgements or decisions were issued that affect the company in this regard.	Group	16	
GRI 301 Materials					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
301-1	Materials used by weight or volume	Natural Capital (page 43)	Group	8 12	
301-2	Recycled materials consumed	<ul style="list-style-type: none"> • Purchase of refurbished customer equipment vs. total equipment purchased: 1.95% in 2017. • Recycled paper to total paper consumption in all uses: 2.8% in 2017. See Annex 301-2 (page 74) • Refurbished customer equipment compared to total equipment placed on the market was 55%. See Annex 301-3 (page 74) 	Group	8 12	Principle 7 and 8
301-3	Reused products and packaging materials	Natural Capital (page 41) See Annex 301-3 (page 74)	Group	8 12	Principle 7, 8 and 9
GRI 302 Energy					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
302-1	Energy consumption within the organisation	Natural Capital (page 43)	Group	7 8 12 13	Principle 7 and 8
302-2	Energy consumption outside of the organisation	Natural Capital (page 43)	Group	7 8 12 13	Principle 7 and 8
302-3	Energy intensity	Natural Capital (page 43)	Group	7 8 12 13	Principle 8

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 302 Energy					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
		Natural Capital (page 43)			
		The Euskaltel Group has defined an energy efficiency plan for 2019, setting out the measures for saving both electricity and fuel. This plan foresees the following actions:			
302-4	Reduction of energy consumption	<ul style="list-style-type: none"> • Energy efficiency audit, in order to identify energy use actions that could help the Group save energy and be more efficient in that regard • Awareness-raising campaigns in respect of energy savings • Rational use of lighting at central offices, with automatic shut-off features (at data processing centres) and other features (hallways and offices) • Installation of more energy-efficient equipment at data processing centres (servers) and consolidation of existing servers • Rational use of vehicles for work-related travel and travel between the different Euskaltel Group locations • Use of videoconferences for meetings between different Group locations, avoiding long-distance travel. 	Group	7 8 12 13	Principle 7, 8 and 9
302-5	Reductions in energy requirements of products and services	The Group takes the energy requirements of customer equipment into account during the certification phase.	Group	7 8 12 13	Principle 7, 8 and 9
GRI 303 Water					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
		Natural Capital (page 43)			
303-1	Water consumption by sources	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. As for the water used by Telecable, this is supplied by the Empresa Municipal de Aguas de Gijón, S.A. for the Gijón Technology Park offices, and by the network operated by FCC Aqualia (a contractor for the Oviedo Water and Sanitation Service) for the Oviedo data processing centre.	Group	6 12	Principle 7 and 8
303-2	Water sources significantly affected by water extraction	During 2017, no water sources were significantly affected by withdrawal of water by the Group.	Group	6 12	Principle 7 and 8
303-3	Water recycled and reused	No water is recycled or reused by the Group.	Group	6 8 12	Principle 8 and 9
GRI 304 Biodiversity					
<i>This issue is immaterial to the Euskaltel Group.</i>					
304-1	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 2017, 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	6 14 15	Principle 8
304-2	Significant impacts on biodiversity of operations, products and services		Group	6 14 15	Principle 8
304-3	Habitats protected or restored		Group	6 14 15	Principle 8

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 304 Biodiversity					
<i>This issue is immaterial to the Euskaltel Group.</i>					
304-4	Species included in the IUCN Red List and in national conservation lists whose habitats are located in areas affected by operations	The Euskaltel Group does not own any land in areas of high biodiversity value. During 2017, 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	6 14 15	Principle 8
GRI 305 Emissions					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
305-1	Direct GHG emissions (scope 1)	Natural Capital (page 43) 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 Annex 305-1 (page 74)	Group	3 12 13 14 15	Principle 7, 8 and 9
305-2	Indirect GHG emissions (scope 2)	Natural Capital (page 43) The emission source considered under scope 2 is the use of electricity. See Annex 305-2 (page 74)	Group	3 12 13 14 15	Principle 7, 8 and 9
305-3	Other indirect GHG emissions (scope 3)	Natural Capital (page 43) The emission sources 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 Annex 305-3 (page 74)	Group	3 12 13 14 15	Principle 8
305-4	Intensity of GHG emissions	Natural Capital (page 43) Emissions (scopes 1 and 2) are divided by the sum of products sold. See Annex 305-4 (page 74)	Group	12 13 14 15	Principle 8 and 9
305-5	Reduction of GHG emissions	Natural Capital (page 41, 42 and 43)	Group	12 13 15	Principle 8 and 9
305-6	Emissions of ozone-depleting substances	The Euskaltel Group 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).	Group	3 12 13	Principle 8 and 9
305-7	NOx, SOx and other significant atmospheric emissions	See Annex 305-7 (page 74)	Group	3 12 13 14 15	Principle 8 and 9
GRI 306 Effluents and waste					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>					
306-1	Total water discharge according to quality and destination	The Euskaltel Group does not discharge industrial waste water. 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. Telecable discharges its sewage water to the network of Empresa Municipal de Aguas de Gijón, S.A. for the Gijón Technology Park offices, and to the network operated by FCC Aqualia (a contractor for the Oviedo Water and Sanitation Service) for the Oviedo data processing centre.	Group	3 6 12 14	Principle 7 and 8
306-2	Waste by type and method of treatment	Natural Capital (page 43)	Group	3 6 12	Principle 7 and 8
306-3	Significant spills	No significant spills were recorded in 2017.	Group	3 6 12 14 15	Principle 8

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact												
GRI 306 Effluents and waste <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>																	
306-4	Transport of hazardous waste	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	3 12	Principle 8												
306-5	Water bodies affected by spills and runoff	During 2017, the Group did not discharge any water affecting any water sources or ecosystems.	Group	6 14 15	Principle 8												
GRI 307 Environmental compliance <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 4.</i>																	
307-1	Non-compliance with environmental legislation and regulations	During 2017, no significant fines were received in this connection. Grievances received about environmental impacts are reported in section 103-2.	Group	16	Principle 7 and 8												
GRI 308 Environmental assessment of suppliers <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 5.</i>																	
308-1	New suppliers evaluated under environmental criteria	Supplier evaluation includes environmental criteria and is carried out by the department of Quality, Environment, Well-being and Health, given that periodic supplier evaluations cover, among other issues, the results of internal audits of the management system, and whether there is an environmental management system in place, particularly for suppliers that have a greater bearing on the Group's environmental aspects' assessment. We are currently working to expand our environmental management system policies to all Group companies.	Group	12	Principle 9												
308-2	Negative environmental impacts on the value chain and actions implemented	Based on the evaluations performed, the Euskaltel Group has not identified any suppliers causing significant negative environmental impacts.	Group	12	Principle 9												
GRI 401 Employment <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
401-1	Employee recruitment and turnover rate	See Annex 401-1 (page 75)	Group	5 8	Principle 6												
401-2	Benefits offered to full-time employees that are not available to temporary or part-time employees	Human Capital (page 27) In 2017 new initiatives have been implemented, including giving all people working for the Group and their families the option of accessing medical services under favourable terms and conditions.	Group	8	Principle 6												
401-3	Parental leave	<p>Figures for employees taking parental leave during the past few years are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>13</td> <td>11</td> <td>13</td> </tr> <tr> <td>Women</td> <td>14</td> <td>8</td> <td>9</td> </tr> </tbody> </table> <p>All 22 employees returned to work when their period of parental leave ended.</p>		2015	2016	2017	Men	13	11	13	Women	14	8	9	Group	5 8	Principle 6
	2015	2016	2017														
Men	13	11	13														
Women	14	8	9														
GRI 402 Labour relations <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
402-1	Minimum notice period in relation to operational changes	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.	Group	8	Principle 3												
GRI 403 Occupational health and safety <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
403-1	Employees' representation in joint health and safety committees	There are two Health and Safety Committees, currently covering 75% of the workforce due to the integration of Telecable. Once Telecable's Committee has been established in the near future, the number of staff represented will once again be 100%.	Group	3 8													

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact												
GRI 403 Occupational health and safety																	
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
403-2	Types and rates of accidents at work, occupational illnesses, work days lost and absenteeism, and number of related deaths	Human Capital (page 28) See Annex 403-2 (page 75)	Group	3 8													
403-3	Workers with a high risk or high incidence of work-related illnesses	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	3 8													
403-4	Health and safety issues addressed in formal agreements with employees' legal representatives	Human Capital (page 27 and 28)	Group	3 8													
GRI 404 Training and education																	
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
404-1	Average training hours per year per employee	Human Capital (page 25) Number of training hours by position and gender, as shown in the table below: <table border="1" data-bbox="550 846 1141 945"> <thead> <tr> <th></th> <th>Directors</th> <th>Managers</th> <th>Other professions</th> </tr> </thead> <tbody> <tr> <td>Men</td> <td>2,874.5</td> <td>2,429.5</td> <td>9,324.5</td> </tr> <tr> <td>Women</td> <td>777.5</td> <td>1,033.5</td> <td>9,156.5</td> </tr> </tbody> </table>		Directors	Managers	Other professions	Men	2,874.5	2,429.5	9,324.5	Women	777.5	1,033.5	9,156.5	Group	4 5 8	Principle 6
	Directors	Managers	Other professions														
Men	2,874.5	2,429.5	9,324.5														
Women	777.5	1,033.5	9,156.5														
404-2	Programmes to improve employee skills and provide assistance for transition	The Euskaltel Group fosters practical skills in terms of both technical and non-technical abilities. The Group also has an outplacement programme in place, which provides psychological counselling and support for transition, with the aim of finding new opportunities and identifying professional alternatives.	Group	4 8													
404-3	Percentage of employees receiving performance and career development reviews	The percentage of people who are assessed for their performance is 75%, as shown in the table below: <table border="1" data-bbox="550 1153 973 1258"> <thead> <tr> <th></th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Euskaltel</td> <td>98.83%</td> <td>99.50%</td> <td>100%</td> </tr> <tr> <td>R</td> <td>96.52%</td> <td>95.00%</td> <td>100%</td> </tr> </tbody> </table> <p>Telecable does not carry out performance assessments</p>		2015	2016	2017	Euskaltel	98.83%	99.50%	100%	R	96.52%	95.00%	100%	Group	4 5	Principle 6
	2015	2016	2017														
Euskaltel	98.83%	99.50%	100%														
R	96.52%	95.00%	100%														
GRI 405 Diversity and equal opportunities																	
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
405-1	Diversity among the workforce and the governing bodies	See Annex 405-1 (page 75)	Group	5 8 10	Principle 6												
405-2	Ratio of women's remuneration with respect to men's	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	5 8 10	Principle 6												
GRI 406 Non-discrimination																	
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
406-1	Incidents of discrimination and corrective actions put in place	No incidents of discrimination occurred in 2017.	Group	5 8 16	Principle 6												
GRI 407 Freedom of association and collective bargaining																	
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>																	
407-1	Operations or suppliers where freedom of association and collective bargaining may be at risk	Human Capital (page 23)	Group	8 16	Principle 3												
GRI 408 Child labour																	
<i>This issue is immaterial to the Euskaltel Group.</i>																	
408-1	Operations and suppliers identified as having significant risk for incidents of child exploitation	Prevailing legislation guarantees this prohibition. Article 6 of the Employment Statute prohibits the employment of under-age children.	Group	8 16	Principle 5												

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 409 Forced labour <i>This issue is immaterial to the Euskaltel Group.</i>					
409-1	Operations and suppliers having a significant risk for incidents of forced labour	Prevailing legislation guarantees this prohibition. 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.	Group	8 16	Principle 4
GRI 410 Security practices <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 2.</i>					
410-1	Security personnel trained in Human Rights policies and/or procedures	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	16	Principle 1 and 2
GRI 411 Rights of the indigenous population <i>This issue is immaterial to the Euskaltel Group.</i>					
411-1	Total number of cases of violations of indigenous peoples' rights	In 2017, no groups of indigenous peoples were affected by the Group's activity.	Group	11 16	Principle 1
GRI 412 Human Rights assessment <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 1.</i>					
412-1	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	11 16	Principle 1
412-2	Employee training on Human Rights policies and procedures	In 2017 the staff attended seminars on integrating corporate values into their daily work. A total of 339 employees were trained on matters including respect, approachability and honesty.	Group		Principle 1 and 2
412-3	Significant investment agreements and contracts that include Human Rights clauses and/or have been subject to Human Rights assessments	No significant investment agreements include human rights clauses or undergo human rights screening, except for in respect of regulatory compliance with safety issues.	Group		Principle 1 and 2
GRI 413 Local communities <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 5.</i>					
413-1	Operations involving the local community, impact assessments, and development programmes	Relationships Capital (page 48-51)	Group	11	Principle 1
413-2	Operations having significant current and potential negative impacts on local communities	None of the Euskaltel Group's operations centres have or could have negative impacts on local communities.	Group	1 2 11	Principle 1
GRI 414 Social assessment of suppliers <i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 5.</i>					
414-1	New suppliers evaluated under social 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	5 8 16	Principle 2
414-2	Negative social impacts on the value chain and actions implemented	The Group does not deem it necessary to conduct a further analysis focused on these aspects.	Group	5 8 16	Principle 2
GRI 415 Public policy <i>This issue is immaterial to the Euskaltel Group.</i>					
415-1	Political contributions	The Euskaltel Group does not make any donations to political parties or their candidates.	Group		Principle 10

Standards	Description	Notes/direct reference (page)	Scope	SDG	Global Compact
GRI 416 Customer health and safety					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 1 and 3.</i>					
416-1	Assessment of health and safety impacts of products and services	The Euskaltel Group uses and places on the market equipment manufactured by third parties, ensuring that both the equipment it purchases and those it sells comply with current legislation on electromagnetic fields. With regard to radio emissions, the Euskaltel Group pays particular attention to compliance with current legislation in its deployment of the LTE (4G) network, whose emissions are measured and reported to the relevant official agencies. A customer service telephone line is available to users to receive information about the Group's policy in this regard. Although Euskaltel does not manufacture mobile handsets, all the models it sells are subject to an approval process, and suppliers are required to meet the requirements of European Directive 1999/5/CE (R&TTE), which include a specific absorption rate and EMC electromagnetic compatibility tests.	Group	12	
416-2	Non-compliance incidents relating to health and safety impacts of products and services	No fines or sanctions were received in this respect.	Group	16	
GRI 417 Marketing and labelling					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapter 3.</i>					
417-1	Product and service information and labelling requirements	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	12	
417-2	Non-compliance incidents relating to information and labelling of products and services	No fines or sanctions were received in this respect.	Group	16	
417-3	Non-compliance incidents relating to marketing communications	Penalty proceedings involving a Euros 35,000 fine in connection with the failure to notify price changes in advance, as legally required. Currently suspended. No further non-compliances have been recorded in 2017.	Group	16	
GRI 418 Customer privacy					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 1 and 3.</i>					
418-1	Substantial complaints related to breaches of customer privacy and loss of customer data	No duly-grounded complaints of this type were received in 2017.	Group	16	
GRI 419 Socio-economic compliance					
<i>Issue included in the materiality analysis and in the Euskaltel Group's 2016–2018 CSR Plan. Management and evaluation approach set out in chapters 1 and 3.</i>					
419-1	Non-compliance with laws and regulations in the social and economic area	No penalty proceedings were opened in this connection in 2017. The situation of the penalty proceedings started in 2016 is as follows: • Penalty proceedings for price fixing in premium-rate services, involving a EUR 240,000 fine, were previously resolved through payment of the fine. An appeal was filed in 2017, which was deemed inadmissible. Claims received through customer organisations are disclosed in Appendix (page 74).	Group	16	

GRI Indicators Appendix

102-8 Information on employees

Category	2015			2016			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Directors	52	9	61	48	9	57	34	8	42
Managers	71	32	103	66	34	100	34	16	50
Other professionals	185	194	379	182	188	370	342	271	613
TOTAL	308	235	543	296	231	527	410	295	705

301-2 Recycled input materials used

	2015	2016	2017
Percentage	2.8%	3.3%	2.8%

301-3 Reclaimed products and their packaging materials

	2015	2016	2017
Percentage	40.3%	35.5%	43.0%

305-1, 2, 3 and 4 Emissions

		2015	2016	2017	Units
Direct GHG emissions (Scope 1)	CO ₂ (*)	169.36	147.46	161.00	t. CO ₂ eq.
	CH ₄ (*)	0.21	0.19	0.17	t. CO ₂ eq.
	N ₂ O (*)	2.19	1.94	1.60	t. CO ₂ eq.
	HFC (*) (**)	652.13	766.24	1022.09	t. CO ₂ eq.
	PFC (*) (**)	0.00	0.00	0.00	t. CO ₂ eq.
	SF ₆ (*) (**)	0.00	0.00	0.00	t. CO ₂ eq.
Energy indirect GHG emissions (Scope 2)	CO ₂ (*)	13,190.62	9,479.44	10,940.47	t. CO ₂ eq.
GHG emissions intensity	CO ₂	6.13	4.49	4.43	kg. CO ₂ e./prod.
GHG emissions (Scope 3)	CO ₂	259.32	325.77	320.40	t. CO ₂ eq.

(*) The method and conversions from the Ihobe Stop CO2 tool are used to calculate GHG emissions.

(**) The Global Warming Potential (GWP) data published in European Regulation (EC) no. 517/2014 are used to calculate HCFC, HFC and SF₆ emissions in tonnes of CO₂ equivalent.

305-5 Environmental investment

	2015	2016	2017
Waste management (managers and means)	27,118	23,222	16,933
Consultancy and audits	28,780	14,728	9,881
TOTAL	55,898	37,950	26,814

305-7 Other significant air emissions (tonnes)

		2015	2016	2017
Other air emissions	SO ₂	0.0008	0.0008	0.0007
	NOX	0.6968	0.6066	0.5719
	Partículas Sólidas	0.0591	0.0515	0.0485

The "EMEP/EEA air pollutant emission inventory guidebook 2013" by the European Environment Agency is used to calculate SO₂, NOX and SP emissions.

Euskaltel Group claims*

	2015	2016	2017*
Residential	891	874	1,220
IGC + KontsumoBIDE + TC**	842	826	1,111
SESIAD	49	48	109
Business	77	76	122
IGC + KontsumoBIDE + TC**	69	66	101
SESIAD	8	10	21
Overall total	968	950	1,342

*Telecable data include claims from 1 January 2017

**TC: Includes claims received through the Health and Consumer Affairs Agency, the City Council Office of Consumer Affairs, the Consumers' Union of Spain, the Consumers and Users Organisation, and the Consumer Arbitration Board.

SESIAD: State Secretariat for the Information Society and the Digital Agenda

A total of 3 people with functional diversity worked at the Euskaltel Group in 2017

401.1 New employee hires and employee turnover

	Under 30 years old		Between 31 and 50		Over 50 years old	
	Men	Women	Men	Women	Men	Women
2015	1	0	3	0	0	1
2016	3	0	0	0	2	0
2017	16	8	6	8	1	0

The external employee turnover index by gender and age

	Under 30 years old		Between 31 and 50		Over 50 years old	
	Men	Women	Men	Women	Men	Women
2015	0	0	5	8	5	0
2016	1	0	7	3	7	0
2017	3	3	16	8	13	2

Men Women

Euskaltel Group's Suppliers

Company / Location	Suppliers	Local suppliers	% of local suppliers	% Purchase volume
Euskaltel / Basque Country	606	361	59.6%	59.1%
R / Galicia	579	324	56.0%	30.3%
Telecable / Asturias	162	52	32.1%	38.6%
Euskaltel Group / Other regions	550	NA	NA	51.4%

403.2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism

	Absenteeism rate Euskaltel		Absenteeism rate R		Absenteeism rate Telecable		Absenteeism rate Grupo total	
	Men	Women	Men	Women	Men	Women	Men	Women
2015	0.72	3.48	0.35	1.32	---	---	0.55	2.86
2016	1.53	3.48	1.08	2.33	---	---	1.32	3.15
2017	1.23	3.43	1.39	2.08	1.99	2.12	1.51	2.86

Severity and frequency rates

	2015		2016		2017		
	Euskaltel	R	Euskaltel	R	Euskaltel	R	Telecable
Severity rate	0.19	0.24	0	0	0	0.14	0
Frequency rate	2.07	0.73	0	0	0	3.01	0

405.1 Composition of governance bodies and breakdown of employees by professional category and gender, age, minority group and other indicators of diversity

		2015			2016			2017		
		Men	Women	Directors	Men	Women	Directors	Men	Women	Directors
>50	Men	21	10	25	25	10	23	46	12	20
	Women	6	0	2	10	0	2	17	0	1
30>50	Men	158	61	27	152	56	25	277	22	14
	Women	182	32	7	173	34	7	244	16	7
≤30	Men	6	0	0	5	0	0	19	0	0
	Women	6	0	0	5	0	0	10	0	0

Men Women Directors

EUSKALTEL GROUP

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